REPORT OF THE CONTROLLER AND AUDITOR GENERAL

THE UNITED REPUBLIC OF TANZANIA

ISO 9001:2015 Certified

NATIONAL AUDIT OFFICE

MARINE SERVICES COMPANY LIMITED

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL AND COMPLIANCE AUDIT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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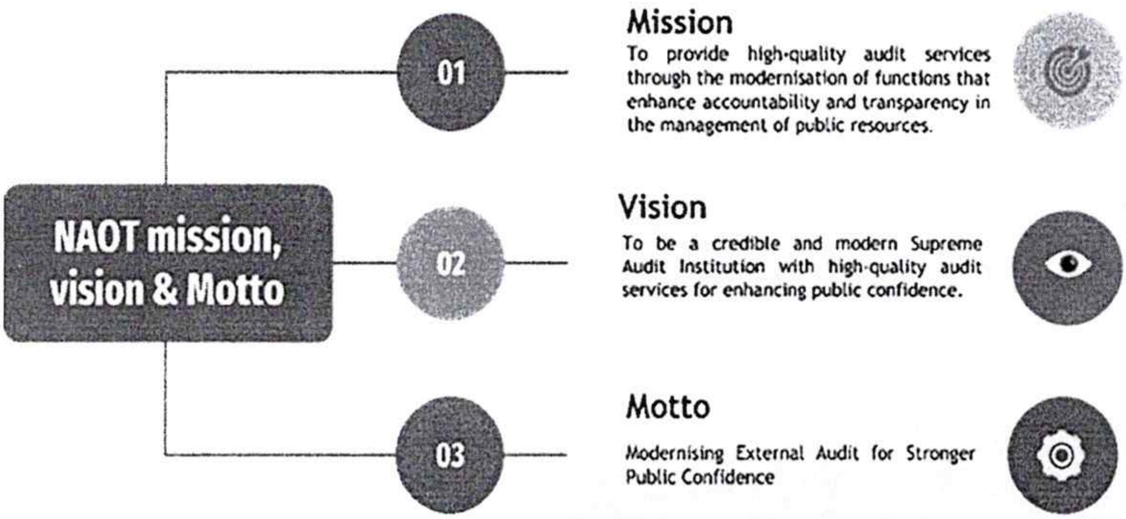
March 2024

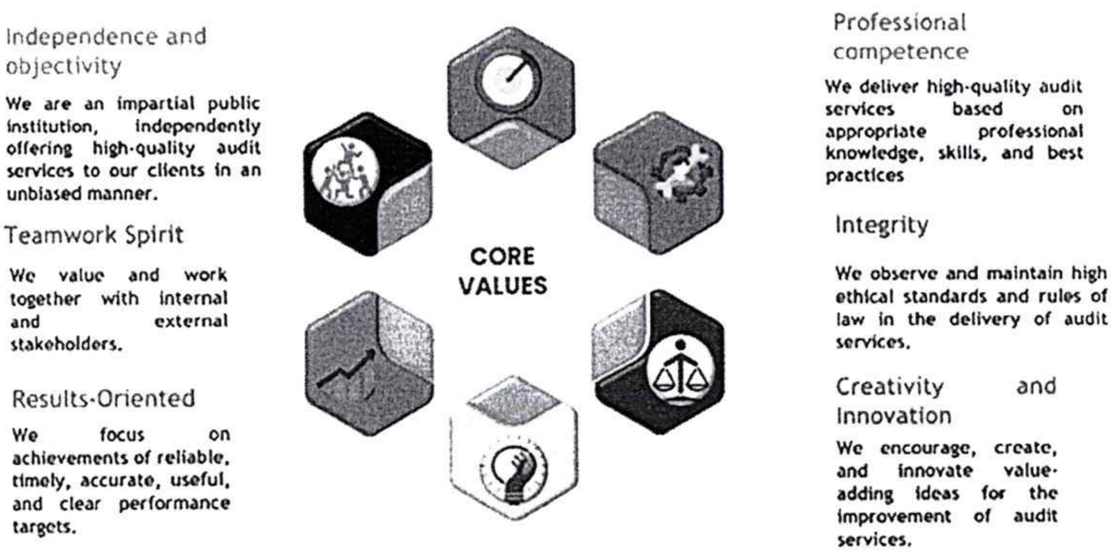
AR/PA/MSCL/2022/23

About the National Audit Office

Mandate

The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and in Section 10 (1) of the Public Audit Act, Cap 418.





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Abbreviations

CAG	Controller and Auditor General
CG	Central Government
COTWU	Communication and Transport Workers Union
COVID 19	Corona Virus Disease 2019
DOWUTA	Dock Workers Union of Tanzania
DRC	Democratic Republic of Congo
ECL	Expected Credit Loss
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISSAIs	International Standards of Supreme Audit Institutions
MSCL	Marine Services Company Limited
MWT	Ministry of Works and Transport
NBAA	National Board of Accountants and Auditors
NBC	National Bank of Commerce
NMB	National Microfinance Bank
NSSF	National Social Security Fund
PA	Public Authority
PAA	Public Audit Act
PAR	Public Audit Regulation
PAYE	Pay As You Earn
PFA	Public Finance Regulations
PPA	Public Procurement Act
PPR	Public Procurement Regulations
PSSSF	Public Service Social Security Fund
SDL	Skills Development Levy
SUMATRA	Surface and Marine Transport Authority
TASAC	Tanzania Shipping Agencies Corporation
TPA	Tanzania Ports Authority
TRC	Tanzania Railways Authority
TZS	Tanzanian Shillings
URC	Uganda Railways Corporation
VAT	Value Added Tax
WCF	Workers Compensation Fund

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairman of the Board of Directors,
Marine Services Company Limited,
P.O. Box 2385,
MWANZA.

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of Marine Services Company Limited (MSCL), which comprise the statement of financial position as at 30 June 2023, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, Cash Flow Statement for the year the ended, as well as notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of MSCL as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the manner required by the Public Finance Act, Cap. 348 [R.E 2020].

Basis for Opinion

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the section below entitled "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements". I am independent of MSCL in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

Other Information

Management is responsible for the other information. The other information comprises the Director's Report, Statement of Directors Responsibility, and Declaration by the Head of Finance and Accounting included in the financial statement but does not include the financial statements and my audit report thereon which I obtained prior to the date of this auditor's report.

My opinion on the financial statements does not cover the other information, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements

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

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern; and

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

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

In addition, Section 10 (2) of the Public Audit Act, Cap 418 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act, Cap 410 requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

1.2 REPORT ON COMPLIANCE WITH LEGISLATION

1.2.1 Compliance with the Public Procurement Laws

Subject matter: Compliance audit on procurement of works, goods, and services
I performed a compliance audit on the procurement of works, goods, and services by Marine Services Company Limited for the financial year 2022/23 as per the Public Procurement laws.

Conclusion
Based on the audit work performed, I state that, except for the matter described below, the procurement of goods, works and services by MSCL is generally in compliance with the requirements of the Public Procurement laws.

Execution of projects without valid performance guarantee USD 6,002,417.18
Para 11.2 and 11.3 of Guidelines for Securities in Public Procurement of February 2022 requires performance security to be submitted prior to contract signing.

During the audit, I noted that, the Company entered into four (4) contracts for various construction projects. Clause 60.2 of the General conditions to those contracts requires the contractors to submit performance securities that are valid until 28 days from the date of issue of the Certificate of Completion. Further, Clause 60.3 provides that, where circumstances necessitate the amendment of the contract after signature, and such amendment is affected, the employer shall require the contractors to provide additional performance security to cover any amendments made.

However, my review of the submitted performance securities of USD 6,002,417.18 noted that, they have already expired without been renewed while the contractual projects have not been completed.

1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution by Marine Services Company Limited for the financial year 2022/23 as per the Budget Act and other Budget Guidelines.

Conclusion

Based on the audit work performed, I state that, except for the matters described below, the Budget formulation and execution by Marine Services Company Limited is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.

a) Shortfalls in revenue collections

Section 57 (1) of Public Financial Regulations of 2001 requires the Accounting Officers to ensure that adequate safeguards are in place and are applied for the prompt collection of and proper accounting for all Government revenue and other public money relating to their departments or offices.

However, during the audit, I noted that the actual revenue collected by MSCL during the financial year ended 30 June 2023, was only TZS 6,159,466,756.40 out of the budgeted revenue collections of TZS 9,293,594,204.80 which is equivalent to 66%.

b) Unbudgeted expenditures TZS 77,030,560

During the audit, I reviewed the action plan, MTEF and budget of MSCL and noted that payments of TZS 77,030,560 were made for catering services while there were no budget provisions for that activity.

Charles E. Kichere
Controller and Auditor General,
Dodoma, United Republic of Tanzania,

CONTROLLER AND AUDITOR GENERAL

March 2024

1.0 FINANCIAL STATEMENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Name	Position
Major General John J. Mbungo	Chairperson
Ms. Stella J. Katondo	Member
Capt. Ibrahim M. Bendera	Member
Dr. Hamis H. Mwinyimvua	Member
Eng. Richard A. Mwanakulya	Member
Capt. Yusuph A. Mwingamno	Member
Ms. Agnes K. Meena	Member
Eng. Machibya M. Shiwa	Member
Prof. Costa R. Mahalu	Member
Mr. Frank M. Nyabundege	Member

All members are Tanzanians and were appointed in August 2022.

Key Management	Name	Position
	Eric Benedict Hamissi	Managing Director
	John N. Mwakasege	Finance and Accounts Manager
	Eng. Abel G. Gwanafyo	Acting Marine Superintendent
	Kennedy Mwakalindile	Acting Head of Procurement
	Neema Mwale	Administration Manager
	Alson G. Semoka	Planning and Development Manager
	Flora Malima	Human Resources Manager
	Kandota F. Nchimbi	He ad of Internal Audit
	Anslem L.Namala	Head of Public Relations and Marketing

Philemon NjunwaBagambilana was Acting Chief Executive Officer since 12 April 2021 after Eric Benedict Hamissi's appointment to be Director General of Tanzania Ports Authority on 4 April 2021. Eric Benedict Hamissi was re-appointed to the position of Managing Director of the company on 4 August 2022.

REGISTERED OFFICE	TPA Building 2nd Floor, North Port Road, Nyamagana, P.O. Box 2385, **MWANZA, TANZANIA.**
AUDITORS	The Controller and Auditor General National Audit Office Audit House 4 Ukaguzi Road P.O. Box 950 41104 Tambukareli **DODOMA.**

PRINCIPAL BANKERS

Name of the bank	**Postal address**	**Region**	**Country**
NMB Bank Plc	1444	Mwanza	Tanzania
NBC Bank Ltd	197	Mwanza	Tanzania
CRDB Bank Ltd	1339	Mwanza	Tanzania
NMB Bank Plc	148	Kyela - Mbeya	Tanzania
NMB Bank Plc	75	Kigoma	Tanzania
Finance Bank Zambia Ltd	420106	Mpulungu	Zambia
Bank of Tanzania (BoT)	1362	Mwanza	Tanzania

REPORT OF THE DIRECTORS

The Directors present this report together with the financial statements for the year ended 30 June 2023 which disclose the state of affairs of Marine Services Company Limited ('The Company').

The company has more than 50 years of experience in maritime transport across Lakes Victoria, Tanganyika, and Nyasa. The company provides services across the three lakes serves as a linchpin for the communities along the lakes and provides intermodal connectivity for the Northern and Central Corridors as well as East and Central African countries bordering the lakes.

The company has a fleet of 15 vessels for both passenger and cargo transportations. Nine of these vessels are deployed in Lake Victoria, four in Lake Tanganyika, and two in Lake Nyasa. The fleet is made up of eight passenger-cargo vessels, two oil tankers, one wagon ferry, one tug, two self-propelled barges, and one tourist boat. Out of them, three vessels; New Victoria Hapa Kazi, New Butiama Hapa Kazi Tu, and MV Clarias were working while 11; MV Umoja, MT Sangara, MV. Serengeti, MV Liemba, MV

Songea, MV Mwongozo, MV Iringa, ML Maindi, MT Ukerewe, MT Nyangumi, and ML Wimbi were not under operations due to breakdown as a result of aging whereas MT Linda was transferred to Tanzania Ports Authority (TPA). The tourist boat was not in operation due to lack of maintenance. MT Sangara and MV Umoja are in major rehabilitation in which contracts for rehabilitation were signed on 16 June 2021. Contracts were signed with SM Solution for MV Umoja and KTMI for MT Sangara, both contractors are from South Korea. The rehabilitation for both vessels started in November 2021. In the financial year 2022/23 a total of TZS 11,755,420,874 and TZS 3,355,720,252 were budgeted for MV Umoja and MT Sangara respectively.

The Company also has four lighters of which two were grounded due to machinery breakdown and remained two damaged due to accident.
The company is still in the transition period through which one new vessel is under construction at Lake Victoria, and two vessels MV Umoja and MT Sangara are undergoing major rehabilitation.

On 1 September 2021 the company started to use the MfumowaUhasibuSerikalini (MUSE) as an accounting package, MUSE replaced Enterprise Resource Management Suits (ERMS) which has been used since July 2020. The use of the MUSE has resulted in the change of the reporting format of these financial statements as of 30 June 2023 especially on the Statement of the Financial Position, Financial Performance, and notes. The changes have also been adopted to the comparative figures. The MUSE format has been adopted to align with other government institutions that are using MUSE, to ease the government consolidation process as well as to ensure the financial statements produced which are extracts from MUSE align with what has been reported in the MUSE.

a) INCORPORATION

Marine Services Company Limited was incorporated on 8 December 1997 as a Company Limited by Shares under the Companies Ordinance (Cap 212) and gazetted on 21 June 1999.

b) VISION STATEMENT

To be the safest, most competitive, reliable, and customer-oriented maritime transport in Africa.

c) MISSION STATEMENT

To provide a leading, dependable, reliable, predictable, safe, and security-conscious business, serving well its customers in the East African Lakes of Victoria, Tanganyika, and Nyasa.

d) PRINCIPAL ACTIVITIES

The Company's main activities are the provision of passenger and freight services to the lakeshore communities in Lake Victoria, Lake Tanganyika, and Lake Nyasa as well as transit transport to neighbouring countries. The Company operates under a socio-economic obligation to serve isolated communities that have limited access to other means of transportation and are thus dependent on the Company services to sustain their livelihoods.

In exercising its functions of control and management, the Company shall have due regard to:

- The political, economic, and social aspirations of the United Republic of Tanzania.
- An element of public service obligation to the people living around the three (3) lakes, who do not have alternative means of transport.
- The health and general welfare of the members of the public by guiding its operations in a manner that conserves the environment coherently and sustainably.

e) COMPOSITION OF THE BOARD OF DIRECTORS

The directors of the company mentioned below served from 27 January 2020 up to 4 December 2021 when the Board was dissolved.

Name	Position	Age (Years)	i. Qualifications
Eng. Prof Zacharia Mganilwa	Chairperson	59	PhD in Agricultural Science, BSc. In Mechanical Engineering
Dr. Tumaini S. Gurumo	Member	43	Doctor of Law, International Law (Maritime Law).
Dr. Eliza A. Mwakasangula	Member	52	Ph.D. in Public Administration.
Ms. Juliette W. Nyerere	Member	55	Masters, Shipping and Transport, CMILT.
Mr. Henry M. Bantu	Member	73	Master of Business Administration (MBA), MMS, FCILT - UK.
CPA Michael S. Masinda	Member	53	Postgraduate in Accountancy (PGDA), CPA (T).

The appointment of the new Board started with the appointment of Major General John Julius Mbungo as the Board Chairman on 14 March 2022.

Name	Position	Age (Years)	Qualifications
Major General John J. Mbungo	Chairperson	61	Master of Laws(LLM)
Ms. Stella J. Katondo	Member	57	Master of Science in Marine Affairs
Capt. Ibrahim M. Bendera	Member	65	Master of Laws (LLM), Bachelor of Law (LLB), AMTA International Law (Maritime Law)
Dr. Hamis H. Mwinyimvua	Member	63	PhD Economics, M. A Economics B.Ann Economics
Eng. Richard A. Mwanakulya	Member	67	Master of Engineering Science, Bachelor of Science
Capt. Yusuph A. Mwingamno	Member	62	Masters Mariner (COC)
Mr. Frank M Nyabundege	Member	49	PGD Leadership, PGD-ED, Master of Business Administration (MBA), ADA

Name	Position	Age (Years)	Qualifications
Prof. Costa R. Mahalu	Member	75	Doctor Luris, LLM, LLB
Ms. Agnes K. Meena	Member	56	Master in Public Policy and Management (MPPM), BA
Eng. Machibya M. Shiwa	Member		MLIT, B.Sc in Civil and Transportation Engineering

The newly appointed Chairman and all members of the Board are Tanzanians.

f) BUDGET AND ACTUAL ANALYSIS

i. Operational Performance for the year

Though, the performance of the company is generally undermined by the operation of aged vessels and worn-out machinery leading to frequent breakdowns of engines and vessels, the company's performance during the Financial Year 2022/23 was as under:

	June 2023	June 2022
Branches	3	3
Total number of staff	129	149
Gross revenue from operating activities (TZS 000)	5,619,105	4,744,713
Passengers Carried	267,755	294,112
Cargo transported (tons)	27,599	25,858
Revenue generated from Passenger's transportation (TZS 000)	4,659,486	3,879,570
Revenue generated from Cargo transportation (TZS 000)	959,619	865,143

During the year a total of 267,755 passengers (2021/22: 294,112) were transported which is 53.85% of the targeted 497,198 passengers planned to be transported during the year. The cargo transported was 27,599 (2021/22: 25,858which is 29% of the targeted 94,289 tons.

The shortfall in passengers and cargo compared with the budget was mainly attributed to the absence of the MV Clarias and MV Mwanza Hapa Kazi Tu. These vessels were budgeted but due to various reasons were not in operation during the year. MV Mwanza Hapa Kazi Tu is still in construction and Clarias is still in major repair.

This has resulted in total operating revenue earnings ofTZS 5,619,106,133.08 (2021/22: TZS 4,744,713,425).

The operating performance has increased of decrease in number of passengers in the year ended 30 June 2023 compared to the previous year, this was mainly contributed by the increased number of passengers in New Victoria Hapa Kazi Tu compared to the previous year while the number of passengers in New Butiama Hapa Kazi Tu has decreased. The cargo carried during the period has increased compared to the previous year due to the increased marketing and promotional activities especially using social media.

ii. Budget and Actual analysis

The analysis of budget and actual consists of actual collections when compared with the budgeted amount for revenue and government grants and expenses incurred against the budgeted amount under the cash basis concept. The analysis is hereunder:

30 June 2023:

1. Revenue	Actual TZS '000	Budget TZS '000	Variance %
Operating revenue	5,575,073	8,865,565	-37%
Other revenue	508,775	325,540	56%
Total	**6,083,848**	**9,191,105**	**-34%**

2. Government subvention	Actual TZS '000	Budget TZS '000	Variance %
Development grant - Projects	23,737,713	135,000,000	-82%
Recurrent grant - other charges	541,642	742,823	-27%
Total	**24,279,355**	**135,742,000**	**-82%**

3. Expenses	Actual TZS '000	Budget TZS '000	Variance %
Operating expenses	11,652,369	9,373,559	-24%
Total	**11,652,369**	**9,373,559**	**-24%**

30 June 2022:

1. Revenue	Actual TZS '000	Budget TZS '000	Variance %
Operating revenue	4,775,513	8,845,566	-46%
Other revenue	6,864	8,340	-18%
Total	**4,782,377**	**8,853,906**	**-46%**

2. Government subvention	Actual TZS '000	Budget TZS '000	Variance %
Development grant - Projects	18,332,771	135,000,000	-86%
Recurrent grant - other charges	634,495	742,824	-15%
Total	**18,967,266**	**135,742,824**	**-86%**

3. Expenses	Actual TZS '000	Budget TZS '000	Variance %

Operating expenses	8,021,696	14,695,592	45%
Total	**8,021,696**	**14,695,592**	**45%**

The revenue was budgeted by expecting six vessels which are New Butiama Hapa Kazi Tu, New Victoria Hapa Kazi Tu, MV Clarias, ML Wimbi, MV Mwanza Hapa Kazi Tu, and MV Liemba will operate throughout the year unfortunately, MV Clarias, MV Mwanza Hapa Kazi Tu and MV Liemba were not operational during the year due to various reasons. MV Mwanza Hapa Kazi Tu is still in construction and Clarias is still in major repair while MV Liemba is still in a major rehabilitation plan. Due to these reasons, revenues were affected and Management was not able to meet collections as per the approved budget.

Further, planned projects are either delayed in completion or delayed in implementation due to various reasons and thus affect planned revenue collections. Out of the eight planned projects; Management has completed three projects which are the construction of a slipway that is currently used for the construction of MV Mwanza Hapa Kazi Tu, rehabilitations of New Victoria Hapa Kazi Tu and New Butiama Hapa Kazi Tu. Other projects which are rehabilitations for two vessels MT Sangara and MV Umoja are in progress in advance payments have been made.

The revenue collections have increased from TZS 4,765,751,000 the previous year to TZS 6,302,458,000 the current year. Also, there is a percentage improvement in revenue collections against the budgeted collections in the current year compared to the previous year.

The delay in project execution due to various factors has also affected development subvention receipts because the same paid based on the project is executions.

Furthermore, expenses have been controlled because the same have been incurred to align with revenue collections and priorities have been considered due to the financial constraints.

iii. Key Performance Indicators

The performance is as provided in the key financial ratios hereunder: -

The liquidity ratios decrease is mainly attributed to the significant decrease in cash and cash equivalents as a result of the utilization of the transition fund which was received in April 2022. The cash and cash equivalents decreased from TZS 4,140,728,000 recorded the previous year to TZS 234,568,000 current year and then resulted in current assets decreasing from TZS 8,473,822,000 to TZS 4,923,428,000 current year at relative the same amount of current liabilities when compared financial year 2022 and 2023.

The liquidity has decreased due to the reasons above, which means the ability of the company percentage-wise to meet short-term commitments decreases as provided below:

Liquidity ratios	June 2023	June 2022
Current = current assets/current liabilities	29%	30%
Acid test = (current assets - inventory)/Current liabilities	5%	27%
Cash = cash/current liabilities	1%	25%

The profitability ratio improvement is mainly attributed to the increase in net profit earned from TZS 6,176,455,000 the previous year to TZS 18,993,161,000 at relatively small changes in expenses, total assets, and total shareholders' equity.

Profitability ratios	**June 2023**	**June 2022**
Net Profit Margin = Net profit/Revenue	56%	30%
Return on assets = Net income/Total assets	10%	4%
Return on equity = Net income/shareholder's equity	11%	4%

The performance of the company in debt management slightly improved compared to the previous year, this was mainly attributed to the increase in total assets from TZS 169,900,601,000 recorded the previous year to TZS 185,397,862,000 recorded in the current year and total shareholders' equity at a decrease in total liabilities from TZS 21,014,437,000 previous year to TZS 17,518,537,000 current year. This means the ability of the company to meet obligations has slightly improved as provided in the table below.

Debt ratios	June 2023	June 2022
Debt = total liabilities/total assets	9%	12%
Long-term debt = long-term liabilities/total assets	0.3%	3%
Debt to equity ratio = total liabilities/shareholders' equity	10%	14%

Asset management performance especially on the utilization of fixed assets has slightly improved as a result of the increase in operating revenue from TZS 4,744,713,000 recorded the previous year to TZS 5,619,105,000 the current year at relatively same level of fixed assets. Total assets utilization remained constant because at an increased total asset there is a relative increase in operating revenue.

Asset Management ratios	**June 2023**	**June 2022**
Fixed assets turnover = operating revenue/average fixed assets	9%	7%

Total assets turnover = operating revenue/average total assets	3%	3%

g) OPERATIONAL CHALLENGES

During the year 2022/23, the company faced the following challenges in undertaking its responsibilities:

ii. Fluctuation of fuel and lubricant prices as the result of the Ukrainian War. This has resulted in increased fuel prices and general operating expenses;

iii. Pricing of the company services was entirely guided by Tanzania Shipping Agency Corporation (TASAC) rather than market/cost drivers;

The company has revised passengers' fares by increasing fares to overcome the rise in fuel and lubricant prices. The revised fares are expected to increase revenue and cover increased operating expenses.

h) CORPORATE GOVERNANCE

The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and complies with sound corporate governance principles.

The Board is required to meet at least four times a year. During the year, the Board met three times two Ordinary meetings and one extraordinary meeting. Apart from other operational issues arising during the quarter or expected to happen after quarter end, Board ordinary meetings are meant for the Board of Directors to receive Quarterly Performance reports of the company and deliberate decisions.

On the other end, one extraordinary meeting was conducted to deliberate and adopt the Management letter and approve the policies of the company. The Board delegates the day-to-day management of the business to the Chief Executive Officer who is assisted by Senior Management. The Board was not able to conduct four ordinary meetings because it was dissolved on 4 December 2021 which was mid of financial 2021/22.

The Company is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency, and accountability. The members were committed to ensuring a high standard of corporate governance throughout the company. During the year, the Board has the following sub-committees to ensure a high standard of corporate governance throughout the company.

i. **Finance, Audit, and Risk Management Committee (1st committee)**

Name	Position	Qualifications
Dr. Hamis H. Mwinyimvua	Member	Ph.D. Economics, Ph.D. Coursework, M.A Economics, B.An Economics
Ms. Agnes K. Meena	Member	Master in Public Policy and Management (MPPM), BA
Mr. Frank M Nyabundege	Member	PGD Leadership- Finland, PGD-ED, Master of Business Administration (MBA), ADA
Capt. Ibrahim M. Bendera	Member	Master of Law (LLM), Bachelor of Law (LLB), AMTA International Law (Maritime Law)- Egypt

The Finance, Audit and Risk Management Committee reports to the Board.
The committee met three times during the year, whereby two were ordinary meetings and one extraordinary meeting.

ii. Human Resource and Administration Committee (2nd Committee)

Name	Position	Qualifications
Capt. Yusuph A. Mwingamno	Member	
Ms. Agnes K. Meena	Member	Master in Public Policy and Management (MPPM), BA
Prof. Costa R. Mahalu	Member	DoktorLuris-German, LLM,LLB
Ms. Stella J. Katondo	Member	Not Available

The Human Resource and Administration committee reports to the Board.

The Human Resource and Administration committee met three times during the year, wherebytwo were ordinary meetings and one extraordinary meeting.

iii. Operation Committee (3rd Committee)

Name	Position	Qualifications
Ms. Stella J. Katondo	Member	
Capt. Ibrahim M. Bendera	Member	Master of Law(LLM), Bachelor of Law (LLB), AMTA International Law (Maritime Law)-Egypt
Eng. Machibya M. Shiwa	Member	MLIT- Japan, B.Sc in Civil and Transportation Engineering
Eng. Richard A. Mwnakulya	Member	Master of Engineering Science, Bachelor of Science

The Operation Committee reports to the Board.
The Operation Committee met three times during the year, two were ordinary meetings and one extraordinary meeting.

The committees received and discussed the company's quarterly performance reports and other operational issues and recommended actions to be taken by the Board.

i) **CAPITAL STRUCTURE**

The Company capital structure for the year under review is shown below.

	2022/23 TZS	2021/22 TZS
Authorized share capital		
1,000 ordinary shares of TZS 1,000 each	1,000,000	1,000,000
Issued and fully paid capital		
10 ordinary shares of TZS 1,000 each	10,000	10,000

SHAREHOLDERS OF THE COMPANY

The total number of shareholders during the year ended 30 June 2023 wasonly the TR who was allotted 10shares as of 30 June 2023 that have so far been issued and subscribed for against capital reserve. All ten shares are held by the Treasury Registrar.

j) **MANAGEMENT**

The Management of the Company is under the Managing Director who is also the Chief Executive Officer and is organized into the following Directorates and Units:

- **Corporate Services Directorate**
  - Finance and Accounts section;
  - Human Resources section;
  - Administration section;
  - Strategic planning and business development;

- **Technical and Safety Directorate**
  - Workshop
- Environment and Safety

Finance and Accounts section;

- Human Resources section;
- Administration section;
- Technical section;
- Procurement and Purchasing unit
- Planning and Business Development section;
- Legal unit;
- Audit unit;
- Public relations and Marketing; and
- Information and Communications Technology section.

On 20th August 2021 Company's new organization structure with three (3) directorates, five (5) units, and three (3) branches was approved, the company is in the process of implementing the new organization structure. The position of the Managing Director was filled through the appointment of the Managing Director Eric Benedict Hamissi on 4August 2022.

k) FUTURE DEVELOPMENT PLANS

The Company will strive to improve its performance through an increased number of vessels to enhance service provision both for passengers and cargo while carefully managing both costs and risks.

The company planned to improve performance by constructing new vessels and rehabilitating vessels in phases. In the financial year 2022/23 the company received a grant of TZS 23,737,713,371 (2021/22 TZS 18,967,266,317) from the Government to cater for development and operating costs. The development grant was received for the construction of the new vessel MV Mwanza Hapa Kazi Tu and the rehabilitation of MV Umoja at Lake Victoria as well as the rehabilitation of MT Sangara at Lake Tanganyika. The grant for new vessel construction includes funds for the consultancy services provided by MS OSK of Denmark.

In the financial year 2023/24 a total of TZS 100,000,000,000 was budgeted for development projects.

Construction of the new vessel MV Mwanza Hapa Kazi Tu in Lake Victoria with a capacity of 1,200 passengers and 200 tons of freights is ongoing and expected to be completed in February 2024.

On 26 May 2021, the Company signed a contract with KMTI for the major rehabilitation of MT Sangara, a fuel tanker at Lake Tanganyika. Also, on 16 June 2021, the Company signed another contract with SM Solution for MV Umoja rehabilitation in Lake Victoria.

Both projects are undertaken by North Korean contractors and started in November 2021 with planned completion before December 2023.

In the financial year 2022/23 Government has allocated a total of TZS 100,000,000,000 for development projects and activities, the funds was for the completion of one (1) existing project of MV Mwanza Hapa Kazi Tu construction, upgrading of the revenue collections system and improvement of revenue collection infrastructures, building two new vessels and rehabilitation of five vessels which are MV Liemba and MT Sangara in Lake Tanganyika, and MV Umoja, MT Ukerewe and MT Nyangumi in Lake Victoria.
These improvements are expected to enhance staff morale, welfare, and general performance of the Company. The upgrading revenue collections system was carried

out by e-Government Authority and a total of TZS 131,688,000 was already paid. The project started in October 2022 and is expected to be completed by December 2023.

l) GOVERNMENT GRANTS

During the year, the Company received TZS 23,737,713,371 as a grant from the Government (2021/22: 18,967,266,317), the grant comprised TZS 23,196,071,366 (2021/22: 13,346,474,022) and TZS 541,642,005 (2021/22: 634,494,920) for Development and recurrent expenses respectively. The approved budget for the company was TZS 135,000,000,000 and TZS 742,824,000 for development and recurrent expenditure respectively. The trend of Government grants is as provided below:

30 June 2023:

	Development TZS '000	Recurrent TZS '000	Total TZS '000
Opening balance 1 July 2022	4,766,321	-	4,766,321
Receipts during the year	23,196,072	541,642	23,737,714
Utilised during the year	(27,352,475)	(541,642)	(27,894,117)
Balance carried forward 30 June 2023	609,918	0	609,918

30 June 2022:

	Development TZS '000	Recurrent TZS '000	Total TZS '000
Opening balance 1 July 2021	1,290,261	-	1,290,261
Receipts during the year	18,332,771	634,495	18,967,266
Utilised during the year	(14,856,711)	(634,495)	(15,491,206)
Balance carried forward 30 June 2022	4,766,321	-	4,766,321

The company received TZS 23,196,072,366 in year 2022/23 and TZS 18,332,771,397 in 2021/22 as development fund for three projects of new vessel construction and major rehabilitation of MT Sangara and MV Umoja which are in different stages of completion, a total of TZS 27,352,475,000 (2021/22: TZS 14,856,711,000) paid during the year. The balance of TZS 609,917,986.60 (2021/22: TZS 4,766,321,387) carried forward 30 June 2023 comprised of TZS 412,385,987 for consultancy of new vessel and TZS 197,531,999.60 for revenue collections system improvement.

m) RESULTS AND DIVIDEND

During the year 2022/23 the company earned a profit of TZS 18,993,161,000 (2021/22: TZS 6,176,455,000). Since the company is undergoing a transformation process and major funding is provided by the Government for development projects and subvention in salary and other charges, the Directors do not recommend the payment of dividends for the year 2022/23 (2021/22: Nil). Further, there is no contribution advanced by the company to the Government during the year 2022/23 (2021/22: Nil).

n) RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Company managed risk by imparting shared beliefs and attitudes which set out to ensure risk is considered from strategy setting and day-to-day operations. Further, the Company influences culture and operating style including how risks are identified, the kind of risk accepted, and how they are managed. The Company's risk management philosophy is continually captured in policy statements, oral and written communications to stakeholders, and staff, and in every decision-making.

o) SOLVENCY

The Board confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has a reasonable expectation that the Company will continue in operational existence for the foreseeable future due to the fact that, there are plans to enhance the liquidity of the Company in addition the Company receives continuous Government support aimed to enhance its operational efficiency.

In 2022/23, the company received financial support from the Government amounting to shillings TZS 23,737,713,371 (2021/22 TZS 18,967,266,317) to subsidize operating costs, construction of the new vessel and rehabilitation of vessels for passengers and freight.

The Government also has allocated to the company TZS 135,742,824,000 in the financial year 2022/23, of which TZS 135,000,000,000 is for development projects and TZS 742,824,000 for recurrent expenses.

p) EMPLOYEES' WELFARE

Management and Employees' Relationship

There was continued good relations between employees and management for the year 2022/23. There were no unresolved complaints received by management from the employees during the year. A healthy relationship continues to exist between management and the employees' forum. The company's workers council met twice during the year. The company is also an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion, and disability which does not impair the ability to discharge duties.

Capacity Building

The company has no policy on capacity building although management in each financial year has been trying to build capacity for the company's employees by sending various employees to attend seminars, workshops, and training to enable them to be acquainted with new technologies and techniques in the working environment.

In the financial year 2022/23 Company spent TZS 57,140,552 (2021/22: TZS 26,340,000) to sponsor employees to attend seminars and trainings.

Performance Management and Productivity

The Company has no policy on performance management and productivity. However, it has been emphasizing increasing productivity and monitoring performance through the Open Performance Review and Appraisal System (OPRAS).

Medical Assistance

All members of staff with a maximum number of six beneficiaries (dependents), for each employee were availed medical services. Currently, these services are provided by the National Health Insurance Fund (NHIF).

The company has no policy on medical assistance to the employees. However, in the financial year 2022/23, the management took the initiative to meet fully the cost of medical consultation and treatment for all employees and their dependents. In the financial year 2022/23, the Company incurred TZS 138,910,380 (2021/22: TZS 58,704,810) incurred.

Health and Safety

The company has no health and safety policy; however, the management found it necessary to ensure all company vessels and freights; and employees and contractors are safe through subscribing to insurance, providing adequate and proper personal protective equipment (PPE), training, and supervision as necessary. Management supplied all vessel crews with safety boots, helmets, and other safety clothes, especially for those working in risk environments. Health and Safety being of high priority to the company, the Board constituted a Safety, Health and Environment committee for oversight.

Employees Benefit Plans

The Company has been trying to motivate its employees by instituting benefits plans for both retired and non-retired employees; unfortunately, no policy was established for employees' benefit plans. All eligible employees are members of the Public Service Social Security Fund (PSSSF). The fund is a defined contribution pension scheme with the Company having no legal or constructive obligation to pay further top-up contributions.

In the financial year 2022/23, the Company incurred TZS 345,362,087 (2021/22: TZS 288,940,800) as an employer contribution to the funds. In addition, it has been paying long service awards, transport fares, and personal effects costs for the retired employee and their family from the place of work to the place of domicile. However, generally, the company does not pay gratuity to employees working under contract. In the financial year 2022/23 Company incurred TZS 49,656,185 (2021/22: TZS 49,656,185) with regard to retirement benefits for retired employees.

Persons with Disabilities

The company has no policy for persons with disabilities but management has always emphasized giving equal opportunity to persons with disabilities for vacancies they can fill. Employment of the Company is therefore non-discriminatory and complies with International Conventions relating to the Bill of Rights. In the financial year 2022/23 (2021/22: Nil) no person with disabilities was employed by the Company.

Number of employees

The number of employees available in the company for the financial year 2022/23 was 129 (2021/22: 149) against the required number of 304 (2021/22: 304) employees.

q) GENDER PARITY

The company gives equal opportunity to persons of the feminine gender in both employment and training although no policy in place emphasizes gender parity. Management gave an equal opportunity to women by employing them and sending them for various training courses without discrimination. Out of 149 employees in the financial year 2022/23, 118 were male employees while 31 were female employees. The number of female employees increased from 22 the previous year.

r) RELATED PARTY TRANSACTIONS

IAS 26 requires a reporting entity to disclose transactions and outstanding balances with any entity's related parties. The standard has defined various classes of entities and people as related parties and sets out the disclosure requirements as follows; a person or close member of that person's family is related to a reporting entity if that person has a control or joint control over that reporting entity. All related party transactions and balances are disclosed in note 25 to these financial statements.

s) POLITICAL AND CHARITABLE DONATIONS

The company has no policy on political and charitable donations although management has always donated funds to charitable organizations depending on the availability of funds as part of corporate social responsibility, due to financial constraints in the financial year 2022/23 the company did not make any political or charitable donations as well as in the financial year 2021/22.

t) ENVIRONMENTAL CONTROL PROGRAMME

The company has no policy on environmental control programs although management has been implementing environmental control programs used by the International Maritime Organization (IMO) as part of the policy to protect the environment. Unfortunately, due to financial challenges company has not been able to set aside funds especially in the financial year 2022/23 for that purpose.

Also, the Company subscribes to sustainable protection of the environment and as such always ensures that it does business with customers who observe the laws of the country concerning the protection of the environment.

u) CORPORATE SOCIAL RESPONSIBILITIES

As a Public Institution, the Company has been taking part in Corporate Social Responsibility (CSR) by participating in social events, donating funds to marginalized communities, also donating funds to other social organizations although no policy in place was established for that purpose. In the financial year 2022/23 due to financial constraints company did not make any donations to marginalized communities and social organizations.

v) AUDITORS

The Controller and Auditor General (CAG) is the statutory auditor of Marine Services Company Limited by virtue of Article 143 of the constitution of the United Republic of Tanzania as amplified in sections 5,9,12 and 32 of the Public Audit Act No. 11 of 2008.

ON BEHALF OF THE BOARD

Major General John Julius Mbungo
Board Chairman

....

Eric Benedict Hamissi
Managing Director

....

DECLARATION OF THE HEAD OF FINANCE AND ACCOUNTING

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

It is the duty of a professional accountant to assist the Boards of Directors in discharging the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's position and performance in accordance with applicable International Financial Reporting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Directors Responsibility statements on an earlier page.

I, John Mwakasege, being the Finance and Accounts Manager of Marine Services Company Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2023 have been prepared in compliance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

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

JRmsege

CPA John Mwakasege
Finance and Accounts Manager
NBAA Membership ACPA No.2392

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	2022/23	Restated 2021/22
		TZS '000	TZS '000
ASSETS			
Non-Current Assets			
Deferred tax asset	7(d)	12,405,699	6,423,887
Property Plant and Equipment	8	61,714,180	70,712,557
Work in progress	9	106,354,555	84,230,493
Tax recoverable	10	-	59,842
Total Non-current Assets		**180,474,434**	**161,426,779**
Current Assets			
Inventories	11	4,030,614	4,058,595
Trade and Other Receivables	12	598,404	263,683
Prepayments	13	-	10,816
Cash and Cash equivalents	14	234,568	4,140,728
Total current Assets		**4,863,586**	**8,473,822**
TOTAL ASSETS		**185,338,020**	**169,900,601**
LIABILITIES AND EQUITY			
Non-Current Liabilities			
Deferred income	18	609,918	4,766,321
Total Non-Current liabilities		**609,918**	**4,766,321**
Current Liabilities			
Trade and other payables	15	12,470,005	12,068,092
Statutory deduction payables	16	2,855,009	2,656,261
VAT payable	17	1,523,763	1,523,763
Total Current liabilities		**16,848,777**	**16,248,116**
Total liabilities		**17,458,695**	**21,014,437**
Capital and reserves			
Share capital	20	10	10
Capital reserve	21	25,291,543	25,291,543
Retained Earnings		142,587,772	123,594,611
Total equity		**167,879,325**	**148,886,164**
TOTAL EQUITY AND LIABILITIES		**185,338,020**	**169,900,601**

Major General John Julius Mbungo
Board Chairman
18/03 ... 2024

Eric Benedict Hamissi
Managing Director
18/03 ...2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Tanzania Companies Act, 2002 *under section 153 (1) requires* the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of its financial results for the year then ended. It also requires the Directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the requirements of the Companies Act, 2002; and for such internal controls as Directors determine are necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the manner required by the Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and its operating results. The Directors further accept responsibility for the maintenance of accounting records which canbe relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Major General John Julius Mbungo	Eric Benedict Hamissi
Board Chairman	**Managing Director**
....	....

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2022/23 TZS '000	Restated 2021/22 TZS '000
Revenue			
Operating revenue	3	5,619,105	4,744,713
Government Grant - Development	4 (a)	27,352,475	14,856,709
Government Grant - Recurrent	4 (a)	541,642	634,495
Gain (loss) on foreign currency translation	5 (a)	108,569	13,538
Other revenue	5(b)	574,784	7,500
Total revenue		**34,196,575**	**20,256,955**
Expenses			
Depreciation	8	9,212,853	8,598,984
Maintenance expenses	6 (a)	224,375	179,894
Other operating expenses	6 (a)	516,206	553,241
Use of goods and services	6 (a)	6,703,863	5,062,499
Wages, Salaries, and Employee Benefits	6 (a)	4,613,708	3,341,891
Impairment on trade and other receivables	6 (b)	65,621	-
Total expenses		**21,336,626**	**17,736,509**
Profit before tax		**12,859,949**	**2,520,446**
Income tax credit (debit)	7 (a)	6,133,212	3,656,009
Profit for the year		**18,993,161**	**6,176,455**
Other comprehensive income		-	-
Total comprehensive income for the year		**18,993,161**	**6,176,455**

Major General John Julius Mbungo
Board Chairman

18/03 2024

Eric Benedict Hamissi
Managing Director

18/03 2024

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Share Capital TZS'000	Contribution to capital TZS'000	Restated Retained Earnings TZS'000	Total TZS'000
Opening balance on 1 July 2021		10	25,291,543	117,211,828	142,503,381
Prior year adjustment on equity	24			206,328	206,328
Total comprehensive income for the year				6,176,455	6,176,455
Closing balance on 30 June 2022		10	25,291,543	123,594,611	148,886,164
Opening balance on 1 July 2022		10	25,291,543	123,594,611	148,886,164
Total comprehensive income for the year				18,993,161	18,993,161
Closing balance on 30 June 2023		10	25,291,543	142,587,772	167,879,325

Major General John Julius Mbungo
Board Chairman

18/03 2024

Eric Benedict Hamissi
Managing Director

18/03 2024

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2022/23 TZS '000	2021/22 TZS '000
Cash flows from operating activities			
Receipts			
Receipts from Operating revenue	23	5,591,655	4,775,513
Subvention from the government	4	23,737,713	18,967,266
Other revenue	23	574,784	6,864
Staff advances - social benefits	19	13,403	
Cash generated from operations		**29,917,555**	**23,749,643**
Payments			
Wages, salaries, and employee benefits	19	- 4,436,497	- 3,092,751
Use of goods and service	22	- 6,789,618	- 4,779,884
Other operating expenses	22	- 42,469	- 42,194
Maintenance expenses	22	- 224,375	- 100,905
Staff advances - social benefits	22	-	- 5,962
Total payments		**-11,492,959**	**-8,021,696**
Net cash from operations		**18,424,596**	**15,727,947**
Cash flows from investing activities			
Acquisition of PPE	8	-215,694	-515,136
Proceeds from the sale/disposal of assets	8	9,000	-
Project constructions - WIP	9(b)	-22,124,062	-12,731,495
Net cash used in investing activities		**- 22,330,756**	**- 13,246,631**
Net (decrease)/increase in cash and cash equivalent		**- 3,906,160**	**2,481,316**
Cash and cash equivalents at the beginning of the year	**14**	**4,140,728**	**1,659,412**
Cash and cash equivalents at the end of the year	**14**	**234,568**	**4,140,728**

Major General John Julius Mbungo
Board Chairman

18/03 ... 2024

Eric Benedict Hamissi
Managing Director

18/03 2024

RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT) FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2022/23 TZS '000	2021/22 TZS '000
Profit/(loss) for the period		**18,993,161**	6,176,455.00
Add (Less) noncash:			
Depreciation	8	9,212,853	8,598,984.00
Provision for bad and doubtful debt	6(b)	65,621	-
Deferred tax adjustment	7	-5,917,971	- 3,656,009.00
Alternative minimum tax adjustment	7	31,166	-
Gain on foreign exchange	5	-108,569	-
Add (Less) change in working capital:			
Deferred income	18	-4,156,403	3,476,062.00
Increase/(decrease) in inventory	11	27,981	- 25,491.00
Decrease/(increase) in trade and other receivables	12	-334,721	24,838.00
Decrease/(increase) in prepayments	13	10,816	39,749.00
Increase/(decrease) in trade and other payables	15	401,913	363,459.00
Increase/(decrease) in statutory deductions	16	198,749	- 118,967.00
Increase/(decrease) in VAT payable	17	-	161,702.00
Tax recoverability	10	-	687,165.00
Net cash flow from operating expenses		**18,424,596**	**15,727,947.00**

Major General John Julius Mbungo
Board Chairman

18/03 2024

Eric Benedict Hamissi
Managing Director

18/03 2024

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

2.0 REPORTING ENTITY

Marine Services Company Limited is a limited liability Company incorporated in Tanzania under the Companies Act 2002 and is domiciled in Tanzania. The address of the registered office is P.O. Box 2385 Mwanza Tanzania.

2.1 BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

Statement of compliance

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Board (AISB) and the requirements of the Companies Act, 2002.

For the Companies Act, 2002 reporting purposes, in these financial statements the balance sheet is represented by an equivalent to the statement of financial position, and the profit and loss account is included in the statement of profit or loss and other comprehensive income.

The authorisation of Financial Statements

The authorized date for issue of Financial Statements to the Public is after receiving opinion from the Controller and Auditor General and the report being tabled to the National Assembly.

2.2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

a) ***New standards, amendments, and interpretations adopted by the company***

The following new and revised IFRSs have been applied in the current year and had no material impact on the amounts reported in these financial statements.

Standard or amendments	Key requirements	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	• Clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income, or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, and specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively.	1 January 2024
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	Requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that does not recognise any amount of the gain or loss.	1 January 2024

Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	Improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.The amendments to IAS 1 specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of the liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date). The IASB also specifies that the right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities, and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants. The amendments to IAS 1 are applied retrospectively in accordance with IAS 8 for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If an entity applies these amendments for an earlier period, it is also required to apply the amendments to the IAS 1 Classification of Liabilities as Current or Non-	1 January 2024

	Current early.	

4 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

b) ***New and revised IFRSs in issue but not yet effective/adopted for the year ended 30 June 2023, but will be effective for later periods***

The following new and revised IFRSs not yet effective/adopted in the current year and had no material impact on the amounts reported in these financial statements.

Standard or amendments	Key requirements	Effective Date
Sale or contribution of assets between an Investor and its Associate or company. (Amendments to IFRS 10 and IAS 28)	The amendment clarified that gains and losses resulting from 'upstream' and 'downstream' transactions involving assets that do not constitute a business between an entity and its associate or joint venture are recognized in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. 'Upstream' transactions are, for example, sales of assets from an associate or a joint venture to the investor. The entity's share in the associate's or the joint venture's gains or losses resulting from these transactions is eliminated.	To be determined

The company is currently assessing the impact of the new standards and amendments on the disclosures in its financial statements. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

5. USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

In preparing these financial statements, management has made judgments, estimates, and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

During the year the company made a judgment to write off bad and doubtful debts of TZS 1,266,828,307.14. The judgment is based on the estimated loss of 100% after further provision of impairment on trade and other receivables of TZS 65,620,837.51 done during the year. The written-off amount is further provided in note number 16 and note number 18.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 7, the Directors are required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Property and equipment, leased premises refurbishments, and intangible assets

Critical estimates are made by the Directors in determining the useful lives of property plants and equipment as well as their residual values.

7. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

A number of new standards were effective from 1 July 2021 but they do not have a material effect on the Company's financial statements. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards. No adjustments to the carrying amount of financial assets and financial liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. The comparative period notes disclosures repeat those disclosures made in the year. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Functional and presentation currency

The financial statements are measured using the currency of the primary economic environment in which the Company operates (''the functional currency''). The financial statements are presented in Tanzania Shillings, which is also the functional currency, and rounded to the nearest thousand (TZS'000) except stated otherwise

(b) Revenue recognition

Revenue is recognised in the income statement in the period when realised and earned not necessarily when cash is received. Revenue is recognised when it meets the following criteria:

i. It is probable that any future economic benefit associated with the item of revenue will flow to the company, and

The amount of revenue can be measured with reliability

Gain and losses arising from changes in fair value of financial assets and liabilities at fair value through profit and loss are included in profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of FVOCI financial assets, other than foreign exchange gains or losses from monetary items, are recognized directly in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognized in other comprehensive income is recognised in profit and loss.

(c) Taxation

The Company is subject to income tax to the Government. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of the business.

The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional will be due. Where the final tax outcome of these matters is different from the amount that was initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

Income tax expense represents the sum of current tax payable and deferred taxation. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years. Current taxation is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation. Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority. The current corporation tax rate is 30%.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except for:

- Temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and which affects neither accounting nor taxable profit.
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Currently enacted tax rates are used to determine deferred tax. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that future taxable profits will probably be available against which the unused tax credits can be utilized while deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Deferred tax liabilities are recognised for all taxable temporary differences except:
Where the differed tax liability 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; and
- Where the timing of reversal of 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, carry-forward of unused tax credits, and unused income tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and tax losses.

In determining the amount of current and deferred tax, Marine Services Company Limited takes into account the impact of uncertain tax positions and whether additional taxes and interests may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing

Tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made.

(d) Foreign currencies
Foreign currency transactions that are transactions denominated, or those that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated into Tanzanian shillings with the closing rate as of the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

7. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at the bank, which are subject to insignificant risk of changes in their fair value, and are used by the company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash at the bank, net of bank overdraft facilities.

Cash and cash equivalents also include investments with short-term maturity from the date of acquisition.

(f) Financial assets and liabilities

i. Recognition

The company initially recognizes advances, trade, and other receivables on the date on which they originated. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognised on the trade date on which the company becomes a party to the contractual provision of the instrument.
A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, financial liabilities are measured at their amortised cost using the effective interest method.

ii. Classification

On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI, or FVTPL.
A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an investment that is not held for trading, the company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

iii. Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the company changes its business model for managing financial assets.

iv. De - recognition of financial assets

The company derecognises a financial asset when the contractual rights to the cash flow from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the company changes its business model for managing financial assets.

Financial liabilities

The company classifies its financial liabilities, as measured at fair value through profit or loss (FVTPL).

(g) Impairment trade and other receivables

The critical estimate is made in determining the fair value of trade and other receivables from customers by estimating the impairment of bad debt based on IFRS 9. Provision for bad debt is determined using the simplified approach in line with IFRS 9 and impairment loss is calculated as lifetime expected credit loss (ECL).

The company recognises loss allowances at an amount equal to lifetime ECLs. The requirements under IFRS are complex and require management judgments, estimates, and assumptions, particularly in the following areas, which are discussed in detail below:

- Assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- Incorporating forward-looking information into the measurement of ECLs.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments.

Trade receivable being the most significant financial asset, impairment losses are presented separately in the statement of profit or loss and OCI due to materiality considerations.

12-month ECL is the portion of ECL that results from default events on the financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'

Measurement of expected credit loss allowance

The measurement of the ECL allowance for financial assets is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g., the likelihood of customers defaulting and the resulting losses).

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

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

Measurement of ECL is affected by a number of factors including how the company defines certain terms referred to the standards as well as inputs used in measuring ECL. Below is a discussion of some of the key terms that will affect the measurement of ECL as well as a discussion of key inputs to the ECL model.

Definition of default

Under IFRS 9, the company considers at a minimum both quantitative and qualitative information to determine financial assets that are default.

Significant increase in credit risk

Under IFRS 9, when determining whether the credit risk (i.e., risk of default) on a financial instrument has increased significantly since initial recognition, the company considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the company's historical experience, expert credit assessment, and forward-looking information.

Assessing whether credit risk has increased significantly since the initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. e.g., the date when the agreement was first entered could be a long time ago. Modifying the contractual terms of financial instruments may also affect this assessment.

Credit risk grade
The company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. At transition, the company puts financial instruments (trade and other receivables) without a significant increase in credit risk in the lifetime ECL bucket irrespective of the obligor's credit risk rating at origination, this consideration was made based on factors such as those mentioned in a significant increase in credit risk above as well as credit term of the trade and other receivables (0 - 30 days) considered as 'without significant financing component', as payment is instantly expected and default likelihood is not material), also factors such as the severity of the consequences of a default for the creditors, historical trends in default rates and macroeconomic factors.

IFRS 9 allows credit exposures to migrate from higher credit risk categories to lower credit risk categories, that is, from stage 3 to stage 2 and from stage 2 to stage 1. Instruments falling under stage 1 apply 12 months ECL model while those under stages 2 and 3 apply lifetime ECL. The company's instruments fall under stage 2 financial instruments without significant financial components (not credit impaired materially) and apply lifetime ECL using a simplified approach.

Modified financial assets
The contractual terms of trade and other receivables may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing receivable whose terms have been modified may be derecognised and the renegotiated receivable recognised as a new receivable at fair value.

Under IFRS 9, when the terms of financial assets are modified and the modification does not result in de-recognition, the determination of whether to the asset's credit risk has increased significantly is affected by the stage it was at the time of the modification. Financial assets restricted while under lifetime ECL shall not be moved to 12 months ECL unless complies with the requirements of staging and migration referred and credit risk grade paragraph above, with no modification to the company's financial assets in the period under review.

Inputs into the measurement of ECLs

The key inputs into the measurement of ECL are like to be the term structure of the following variables which are derived from internally developed statistical models and other historical data that leverage impairment requirements. The inputs are adjusted to reflect forward-looking information as described below:

Probability of Default (PD): PD are estimates at a certain date, which are calculated based on statistical models. The statistical model has been based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD of certain customers. For portfolios in respect of which the company has limited historical data, external benchmark information has been used to supplement internally available data.

Management provides losses to maintain the allowance for bad trade and other receivables at adequate levels. The adequacy of the allowance for losses is determined by applying defined percentages to the outstanding balances in various aging categories, as shown here:

Trade and other receivables status	Allowance
0 - 30 days	0%
31 - 60 days overdue	0%
61 - 180 days overdue	0%
181 - 360 days overdue	0%
>360 days overdue	100%

The Company uses a combination of individual assessment and group assessment in determining the loss provision required at any balance sheet date. Individual assessment is performed on trade and other receivables that are considered individually significant.
Trade and other receivables outstanding at the end of 30 June 2023 were considered to be homogenous in terms of having similar credit risk characteristics and their past-due status and are therefore collectively assessed.

In deriving the provision rates above, management used a combination of historical data and current observable data that reflects the existing situation and how it may affect the current outstanding trade and other receivables as per IFRS 9 requirements.

Losses (write-offs) are charged against the allowance for losses when management believes that the principal is unlikely to be collected.

Loss-given default (LGD): LGD is the magnitude of the likely loss if there is a default. The company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparts. The LGD models consider among others, the structure, and seniority of claims, counterparty industry, and recovery costs.

As described above and subject to using a lifetime ECL simplified approach for financial assets in which credit risk has not significantly increased, the company measures ECL considering the risk of default over the maximum contractual period (including any credit extension options) over which is exposed to credit risk, even if for risk management purpose the company consider a longer period.

Incorporating Forward-looking information
Under IFRS 9, the company incorporates forward-looking information into both its assessment of whether the credit risk instrument has increased significantly since initial recognition and its measurement of ECLs.

The company shall take into consideration the impact of Macroeconomic factors on how they relate to the input into ECL models and how they impact them.

The company formulates one economic scenario, a base case as there was no possibility of obtaining the other scenarios without undue cost and effort. The base case is aligned with information used by the company for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by the government bodies and monetary authorities in the country where it operates, supranational organisations such as the OECD and International Monetary Fund, and selected the National Bureau of Statistics.

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- A breach of contract such as default or past due event;
- It is becoming probable that the customer will enter bankruptcy or other financial reorganisations; or
- Significant financial difficulty of the customer.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

Write off
Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subjected to enforcement activities to comply with the company's procedures for recovery of amounts due.

(h) Going concern

These financial statements have been prepared on a going-concern basis. The Board of Directors has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, also the company is in a transition period in which it constructs new and rehabilitates vessels to enhance the efficiency and effectiveness of the company's operations and Directors believe the Government will continue to provide financial support as and when necessary.

(i) Measurements of fair values

A number of accounting policies and disclosures require the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements.

(j) Property, Plant and Equipment

i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

ii. Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably.

The costs of the day-to-day serving of property and equipment are recognised in profit or loss as incurred.

iii. Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of Plant and Equipment to allocate its cost.

Depreciation is charged on assets from the date when they are put ready for use and stops on the date when the company derecognizes the asset. The rates of depreciation that are consistently applied are as under: -

No	Details of asset	Depreciation rate per annum %
1	Buildings and Permanent Structures	4.00
2	Ships, Ferries, Lighters, and Life and Motor Boats Plant	2.50
3	Life Boyars	4.00
4	Motor Vehicles	20.00
5	Hardware and Electronic equipment	25.00
6	Software Packages	33.33
7	Furniture and Fittings	12.50
8	Plant and Equipment	6.70
9	Other Equipment	20.00

iv. Impairment of assets

Critical estimates are made in determining the carrying amount of impaired property, plant, and equipment.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

v. Impairment of non-financial assets

Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

vi. Capital Work in Progress

Capital work in progress represents the costs incurred for capital projects that are under construction and are stated at cost. The cost comprises of cost of materials, labour, overhead, and spares. The Capital projects are not depreciated.

vii. Inventories

Inventories are stated at the lower cost and net realizable value. Net realizable value is the estimated selling price in the ordinary courses of business, less selling expenses. Any obsolete and damaged items are provided for in full in the year they are detected.
IAS 2 'Inventories' requires inventory to be measured at the lower of cost and realisable value (NRV) and accepts Specific Identification (in some cases) as a method for determining the cost of inventory. Inventories of the company were physically counted as of 30 June 2023 and the company has applied Specific Identification as a method to determine the cost of inventory. The company applied the method for the following reasons:

i. The detailed physical count of inventory was taken (Stocktaking) and the attached cost to each item was known.

ii. Inventory is significantly comprised of frequently moving items and therefore the number and value of inventory are not significantly affected by changes in market prices.

viii. Trade and other Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised costless provision for bad and doubtful debts. Specific provision is made in the accounts against trade receivables when it is not possible to collect all amounts due according to the original terms. The amount of the provision is recognized in the income statement. Bad debts are written off after all steps to recover them have failed and also after obtaining the Board of Directors' Approval.

ix. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

x. Employee benefits

(a) Pension obligations

The Company subscribes to a defined contribution scheme and pays contributions to a publicly administered pension insurance plan on a statutory basis. The contributions are recognized as employee benefit expenses when they are due.

The Company's obligations under the scheme are limited to 5% of the employees' gross emoluments with the other 15% contribution being borne by the employer. The company's contributions in respect of retirement benefit costs are charged to profit or loss in the year to which they relate.

The Company has no legal or constructive obligations to pay further contributions if the Funds have no sufficient assets to pay all employees benefits relevant to their services in the current and prior period.

(b) Pension benefits to employees taken over from the Defunct East African Railways Corporation

Ex-employees of the defunct East African Railways Corporation absorbed by Tanzania Railways Corporation and later transferred to Marine Services Company Limited are also under the contributory pension scheme.

(c) Medical Service

The Company provides medical services to its employees and their registered relatives.

(d) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

(e) Other benefits

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The Company does not operate any retirement benefit fund.

Liability on long-term employees' benefits such as endowment scheme benefits, long service awards, and gratuity, are provided in the financial statements based on past service costs on a straight-line basis over the average period until the benefits become payable.

xi. Grants

Grants to subsidize operating and administrative expenses are recorded in the statement of income as grant income. Grants to finance capital projects or the purchase of fixed assets are shown as direct additions to the corresponding asset account. Grants for future project implementation are deferred until the project implementation is affected, upon which they will be recognised in the income statement or balance sheet.

xii. Comparatives

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

8. OPERATIONAL AND FINANCIAL RISK MANAGEMENT

Introduction and overview

Risk is an inherent feature of the activities of any institution. Marine Services Company Limited endeavours to manage risk by having in place appropriate functional structures, systems, and procedures that evolve continuously in response to changes in the environment in which the company operates.

The company has exposure to the following risks in the course of executing its operations:

- Operational
- Credit risk;
- Liquidity risk; and
- Market risks.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies, and processes for measuring and managing risk, and the company's management of capital.

RISK MANAGEMENT

Risk management framework

The Board has overall responsibility for the establishment and oversight of the company's risk management framework. The board has non-executive members and Management reports regularly to the Board on their activities.

The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.
The company's Audit Committee is responsible for monitoring compliance with the company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the company. The company's Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Operational risk

Operational Risk is the risk of loss both financial and non-financial resulting from inadequate systems, management failures, ineffective internal control processes, fraud, theft, and human error. The Company addresses this risk inter alia through ensuring the existence of sound internal control systems.

Managing operational risk in the company is an integral part of the day-to-day operations by the management. This is closely monitored by the management and the Board of Directors.

(b) Credit risk

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables it also involves short cash deposits. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure, and cash surpluses are deposited to the Central Bank or Commercial banks of high credit rating.

8. OPERATIONAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Management of credit risk

The Board has responsibility for the management of credit risk, and its oversight of the company's credit risk, including:

- Formulating policies in consultation with Management, covering processes and procedures such as invoicing, issuance of receipts, management of outstanding receivables, reporting, documentary, and legal procedures.

- Reviewing and assessing credit risk. Management submits to the Board regular reports from which the Board reviews and assesses credit risk and directs Management on the proper means to mitigate risks.

- Reviewing compliance. Regular reports are provided to Management and appropriate corrective action is taken.

- Providing advice, guidance, and specialist skills to Management to promote best practices throughout the Company in the management of credit risk.

Finance and Accounts department is required to implement policies and procedures and Internal Audit undertakes regular audits.

Also, credit risk management with regard to trade and other receivables includes prompt invoicing, close follow-up, and requiring regular customers to deposit money in advance to cover services to be rendered.

Each branch manager reports on all receivables and related matters to management. Each branch is responsible for the quality and performance of receivable collections and for monitoring and controlling all credit risks.

Impaired receivable

Impaired trade receivables are receivables for which the company determines that it is probable that it will be unable to collect according to the contractual terms of the agreement(s).

Past due but not impaired receivables

Receivables where contractual payments are past due but the company believes that impairment is not appropriate on the basis of the level of the stage of collection of amounts owed to the Company.

Allowances for impairment

The company establishes an allowance for impairment losses that represents its estimate of incurred losses in its outstanding trade and other receivables. The main component of this allowance is a collective loss allowance established for the company of homogeneous assets concerning losses that have been incurred but have not been identified on receivables.

The table below provides details of exposure to credit risk:

	Trade receivables	
	2022/23	**2021/22**
	TZS'000	**TZS'000**
Past due 0 to 30 days	44,032	17,344
Past due 31 to 60 days	386,295	25,081
Past due 61 to 180 days	30,246	16,315
Past due 181 to 360 days	40,396	34,694
Past due 360 + days	1,364,263	1,371,456
Gross trade and other receivables	1,865,232	1,464,890
Less: Provision for losses/impairment	(1,266,828)	(1,201,207)
Net trade and other receivables	598,404	263,683

(c) Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations from its financial liabilities.

The company has prudent liquidity risk management through which it maintains sufficient cash to cover commitments. This liquidity risk management by the company includes planning and close monitoring by the finance and accounts department.

Management of liquidity risk

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company neither has contractual financial liability nor are contractual financial assets and therefore all of its financial liabilities and financial assets recognised as due within 30 days. The company manages the risk by ensuring debt settlements depend on the availability of funds, and as the company is in the transition process it expects to enhance its liquidity once operations of rehabilitated and new vessels start.

(c) Liquidity Risk (Continued)
Exposure to liquidity risk

(i) The maturity profile of financial instruments based on the cash flows (i.e., undiscounted) and including the impact of netting is as follows:

2023	Up to 1 month TZS'000	2 - 12 Months TZS'000	1 - 3 Years TZS'000	3 - 5 years TZS'000	More than 5 years TZS'000	Total TZS'000
ASSETS						
Cash and cash equivalents	234,568					234,568
Trade and other receivables	598,404	-	--	-	-	598,404
Total assets	**832,972**	--	-	-	-	**832,972**
LIABILITIES						
Trade and other payables	12,470,005	-	--	-	-	12,470,005
Statutory deductions payable	2,855,008	-	--	-	-	2,855,008
VAT payable	1,523,763	-	-	--	-	1,523,763
Total liabilities	**16,848,777**	-	--	-	-	**16,848,777**
Net liquidity gap	**(16,015,805)**	-	--	-	-	**(16,015,805)**
At 30 June 2022						
Total assets	4,415,227	-	--	-	-	4,415,227
Total liabilities and shareholders' fund	16,248,116	-	--	-	-	16,248,116
Net liquidity gap	(11,832,889)	-	--	-	-	(11,832,889)

2022	Up to 1 month TZS'000	2 - 12 Months TZS'000	1 - 3 Years TZS'000	3 - 5 Years TZS'000	More than 5 years TZS'000	Total TZS'000
ASSETS						
Cash and cash equivalents	4,140,728					4,140,728
Trade and other receivables	263,683	-	--	-	-	263,683
Prepayments	10,816					10,816
Tax recoverable	59,842	--	-	-	-	59,842
Total assets	**4,475,069**	--	-	-	-	**4,475,069**
LIABILITIES						
Trade and other payables	11,399,561	-	--	-	-	11,399,561
Statutory deductions payable	2,656,261	-	--	-	-	2,656,261
VAT payable	1,523,763	-	-	--	-	1,523,763
Total liabilities	**15,579,585**	-	--	-	-	**15,579,585**
Net liquidity gap	**(11,104,516)**	-	--	-	-	**(11,104,516)**
At 30 June 2021						
Total assets	2,058,340	-	--	-	-	2,058,340
Total liabilities and shareholders' fund	147,775,499	-	--	-	-	147,775,499
Net liquidity gap	(145,717,159)	-	--	-	-	(145,717,159)

(c) **Liquidity Risk (Continued)**

Exposure to liquidity risk

(ii) The aging profile of trade and other receivables and trade and other payables is as follows:

2023	Up to 1 month TZS'000	2 - 12 Months TZS'000	1 - 3 Years TZS'000	3 - 5 years TZS'000	More than 5 years TZS'000	Total TZS'000
Trade and other receivables						
Trade debtors		44,032	272,535			316,567
Other receivables and advances		281,837				281,837
Trade and other receivables		**325,869**	**272,535**			**598,404**
LIABILITIES						
Trade payables	60,192	583,457	2,402,429	5,623,315	3,860,455	12,529.848
Statutory deductions payable	82,551	589,231	151,717	707,238	1,324,271	2,855,008
VAT payable	-	-	161,702	950,042	412,019	1,523,763
Total liabilities	**142,743**	**1,172,688**	**2,715,848**	**7,280,595**	**5,596,745**	**16,908,619**
Gap	**(142,743)**	**(846,819)**	**(2,383,471)**	**(7,280,595)**	**(5,596,745)**	**(16,250,373)**

2022	Up to 1 month TZS'000	2 - 12 Months TZS'000	1 - 3 Years TZS'000	3 - 5 years TZS'000	More than 5 years TZS'000	Total TZS'000
Trade and other receivables						
Trade debtors	17,344	47,273	12,700	78,478	-	155,795
Other receivables and advances		28,818	8,575	-	70,495	107,888

Trade and other receivables	**17,344**	**76,091**	**21,275**	**78,478**	**70,495**	**263,683**
LIABILITIES						
Trade payables	583,457	66,350	2,336,079	5,070,753	4,011,453	12,068,092
Statutory deductions payable	44,568	-	107,149	1,180,273	1,324,271	2,656,261
VAT payable	-	161,702	-	219,977	1,142,064	1,523,763
Total liabilities	**628,025**	**228,052**	**2,443,228**	**6,471,023**	**6,477,788**	**16,248,116**
Gap	**(610,681)**	**(151,961)**	**(2,421,953)**	**(6,392,545)**	**(6,407,293)**	**(15,984,433)**

8. OPERATIONAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices, and foreign exchange rates will affect the company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Management of market risks

Overall authority for market risk is vested in the Board of Directors.

Interest rate risk

The Company cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The fair value interest rate risk is the risk that the value of the financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both the value and cash flow risks of its financial instruments.

Interest rate risk - stress tests

The Company monitors the impact of risks associated with the effects of fluctuations in prevailing interest rates by doing stress testing and taking appropriate measures.

Interest rate risk stress test

	2022/23 TZS '000	2021/22 TZS '000
Assets		
Cash and cash equivalents	234,568	4,140,728
Trade and other receivables	598,404	263,683
Total	**832,972**	**4,404,411**
Liabilities		
Trade and other payables	12,529,847	12,068,092
Statutory deductions payable	2,855,009	2,656,261
VAT Payable	1,523,763	1,523,763
Total	**16,908,619**	**16,248,116**
Gap	**(16,015,805)**	**(11,843,705)**

At 30 June 2023, the following table summarizes the estimated impact of an immediate hypothetical increase or decrease in interest rates of 100 basis points on profit before income tax expense and current interest rate risk profile.

	2022/23 TZS'000	2021/22 TZS'000
100 basis points increase or decrease in interest rates	1,601,581	1,184,371

The company's interest rate risk increase was mainly attributed to a decrease in cash in the current year compared to the previous year, the decrease in cash was mainly attributed to the utilisation of cash which was received for a transition period. The fund is used up to 30 June 2023. The company has neither invested nor borrowed in the financial market; the above stress testing is a worst-case scenario if the company opts to enter into financial markets for liquidity management purposes. The company does not have an interest rate sensitivity gap because it neither has interest-bearing assets nor interest-bearing liabilities.

Currency risk

The company had a significantly hedged currency position at the end of the year. The company does not have significant exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows; this is because the company does not hold large amounts of foreign currencies and neither has foreign currency-denominated assets nor foreign currency-denominated liabilities. To hedge currency risk in foreign currency-denominated projects of new vessels MV Mwanza Hapa Kazi Tu, and rehabilitation projects of MV Umoja and MT Sangara, the company purchases foreign currencies on the spot when needed.

d) Fair value estimation

IFRS 13 requires the company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

8. OPERATIONAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

This hierarchy requires the use of observable market data when available. The company considers relevant and observable market prices in its valuations where possible.

The fair value of the company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial instruments measured at fair value:

The following table analyses within the fair value hierarchy the Company's assets and liabilities (by class) measured at fair value on 30 June 2023.

	Level 1	Level 2	Level 3	Total Carrying amount
	TZS '000	TZS '000	TZS '000	TZS '000
Assets				
Cash and cash equivalents	234,568			234,568
Trade and other receivables		598,404		598,404
Total assets	234,568	598,404		832,972
Liabilities				
Trade and other payables		12,529,848		12,529,848
Statutory deductions payable		2,855,008		2,855,008
VAT payable		1,523,763		1,523,763
Total liabilities		**16,908,619**		**16,908,619**

Financial assets and liabilities are short-term in nature therefore the carrying amounts approximate fair value.

The following table analyses within the fair value hierarchy the company's assets and liabilities (by class) measured at fair value on 30 June 2022.

	Level 1	Level 2	Level 3	Total Carrying amount
	TZS '000	TZS '000	TZS '000	TZS '000
Assets				
Cash and cash equivalents	4,140,728			4,140,728
Trade and other receivables		263,683		263,683
Prepayments		10,816		10,816
Total assets	4,140,728	274,499		4,415,227

Liabilities			
Trade and other payables		11,399,561	11,399,561
Statutory deductions payable		2,656,261	2,656,261
VAT payable		1,523,763	1,523,763
Total liabilities		**15,579,585**	**15,579,585**

d) Categorisation of financial instruments

30 June 2023:

	Amortized cost TZS '000	Carrying amount of other liabilities TZS '000	Total TZS '000	Fair value TZS '000
Assets				
Cash and cash equivalents	234,568		234,568	234,568
Trade and other receivables	598,404		598,404	598,404
Total assets	832,972		832,972	832,972
Liabilities				
Trade and other payables		12,529,848	12,529,848	12,529,848
Statutory deductions payable		2,855,008	2,855,008	2,855,008
VAT payable		1,523,763	1,523,763	1,523,763
Total liabilities		**16,908,619**	**16,908,619**	**16,908,619**

30 June 2022:

	Amortised cost TZS '000	Carrying amount of other liabilities TZS '000	Total TZS '000	Fair value TZS '000
Assets				
Cash and cash equivalents	4,140,728		4,140,728	4,140,728
Trade and other receivables	263,683		263,683	263,683
Prepayments	10,816		10,816	10,816
Total assets	4,415,227		4,415,227	4,415,227
Liabilities				
Trade and other payables		11,399,561	11,399,561	11,399,561
Statutory deductions payable		2,656,261	2,656,261	2,656,261
VAT payable		1,523,763	1,523,763	1,523,763
Total liabilities		**15,579,585**	**15,579,585**	**15,579,585**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING REVENUE

	2022/23 TZS '000	2021/22 TZS '000
Receipts from transport fare	4,659,486	3,879,570
Receipts from parcel delivery	278,396	47,231
Receipts from goods delivery	681,223	817,912
	5,619,105	4,744,713

Operating revenue is made up of revenue from the core business of the company, which are passenger fares and freight revenue (parcel and goods revenue). The reported revenue is net after the deduction of port service charges, value-added tax, and embarkation fees collected on behalf of the Tanzania Revenue Authority and Tanzania Ports Authority for taxes and embarkation respectively.

The increase in revenue was mainly attributed to an increase in several passengers transported by New Victoria Hapa Kazi Tu in the current year compared to the previous year. This has also resulted in an increase in transport fare revenue as well as revenue collected from goods delivery services.

4. GRANT REVENUE FROM THE GOVERNMENT (SUBVENTION)

(a) Income statement figures

	2022/23 TZS '000	2021/22 TZS '000
10 (i) - Development grant		
Development grant - Projects	22,200,040	13,480,214
Development grant - transition period	4,353,935	1,173,995
Development grant - Project Monitoring and Evaluation	798,500	202,500
Sub Total i	**27,352,475**	**14,856,709**
10 (ii) - Recurrent grant		
Recurrent grant - other charges	541,642	634,495
Sub Total ii	**541,642**	**634,495**
	27,894,117	**15,491,204**

(b) Cash Flow figures

	2022/23 TZS '000	2021/22 TZS '000
New Vessel construction - MV Mwanza Hapa Kazi Tu	17,522,306	7,901,382
Vessel rehabilitation - MV Umoja	2,433,377	2,919,727
Vessel rehabilitation - MT Sangara	-	1,250,210
New Vessel Construction - Consultancy OSK	1,614,002	1,072,655
Government subvention - Salaries	-	4,986,297
Government subvention - Other charges	541,642	634,495
Monitoring and Evaluation	798,500	202,500
Launching of MV Mwanza Hapa Kazi Tu	498,667	-
Improvement of the Revenue collection system	329,220	-
TOTAL	**23,737,714**	**18,967,266**

During the year company received from the Government grant totalled Tanzanian shillings 23,737,713,371 (2021/22: TZS 18,967,266,317) and utilised shillings 27,894,116,771(2021/22: TZS 15,491,204,335). The amount utilised during the year includes TZS 4,353,935,400 which was received in April 2022 to cater for transition programs and salary up to June 2023.

The amount utilised is TZS 27,352,475,000 recognised in the statement of profit or loss and other comprehensive income as grant revenue from the Government as per IAS 20 requirements. IAS 20 under the 'income approach' requires grant income to be recognised as income over the relevant periods to match them with related expenditures or costs they should compensate. The amount includes prior year deferred revenue TZS 4,766,321,000which was utilized during the year and recognized as revenue, TZS 22,068,352,000 received for projects during the year and utilized in the same year, TZS 798,500,000 for M&E received during the year and utilized in the same year and TZS 131,688,000 (in which TZS 329,220,000 was received for revenue system configuration and TZS 131,688,000 utilized during the year).

The grant is provided to support ongoing projects both in engineering and projects monitoring and evaluation, subsidise operation expenses, and support the company in the transition period as narrated in the report of Directors above.

5. OTHER REVENUE AND FOREIGN CURRENCY TRANSLATIONS

	2022/23 TZS '000	2021/22 TZS '000
5 (a): Gain (Loss) on foreign currencies	108,569	13,538
5 (b): Sundries income	574,784	7,500
	683,353	**21,038**

Other revenue and foreign currency translations are made up of revenue generated from sources other than main business operations. During the year company earned TZS 574,784,767(2021/22: TZS 7,500,000) as sundries income of which TZS 1,144,068 is rental revenue earned from renting a room to contractors - KTMI. Other revenue also includes TZS 7,782,190 which was gain arising from the disposal of motor vehicle with written down value of TZS 1,217,810, and motor vehicle was sold at TZS 9,000,000
The company earned foreign exchange profit of TZS 108,568,997 (2021/22: 13,537,822) from foreign currency holding and transactions which includes the United States Dollar which is the main currency for Project transactions and Zambian Kwacha at Mpulungu bank account leaving a gross revenue of TZS 683,352,764(2021/22: TZS 21,038,000)
The increase in other income was mainly attributed to operations of Marine Catering and the company's contract entered with East Africa Marine (EAM) for the training of EAM in which TZS 381,111,770 earned from catering services and TZS 158,724,016 from EAM being food and accommodation charges.

6. (a) OPERATING EXPENSES

	2022/23 TZS '000	2021/22 TZS '000
Maintenance expenses		
Electrical and other cabling expenses	181,980	142,218
Docking expenses	-	-
Motor vehicle maintenance expenses	42,395	37,376
Plumbing supplies and fixtures	-	250
Repair and maintenance of furniture	-	50
Sub Total I	**224,375**	**179,894**
Other operating expenses		
Audit fees	99,374	80,080

Audit Supervision expenses	-	38,655
Bank charges and commissions	10,428	5,720
Burial expenses	5,150	2,100
Consultancy fees	-	9,693
Legal Fees	12,409	-
Directors' fees	76,500	25,592
Insurance expenses	219,665	289,187
Shipping administration charges	92,680	102,215
Sub Total II	**516,206**	**553,242**
Use of goods and services		
Advertising and Publications	174,138	103,586
Travel expenses	2,017,846	1,063,673
Cleaning and laundry expenses	-	15,684
Communication and network services	-	5,913
Fuel and lubricant expenses	3,556,583	3,154,118
Electricity and gas	29,883	13,070
Entertainment	29,527	10,328
Exhibitions, Festivals and celebrations	29,813	26,520
Food and refreshments	593,984	196,093
Fumigation	5,125	-
Internet and email connections	22,805	18,656
Newspapers and magazines	-	1,367
Office consumables and supplies	112,896	282,114
Outsourcing expenses	-	57,953
Posts and telegraphs	-	655
Printing and photocopy expenses	13,013	4,549
Regulatory levy	-	9,368
Sewage expenses	-	1,800
Staff training expenses	57,141	64,829
Subscription fees	5,100	948
Telephone expenses	29,666	29,899
Water charges	692	1,376
Uniforms	25,651	-
Sub Total III	**6,703,863**	**5,062,499**
Wages, Salaries, and employee benefits		
Casual labourers	235,667	117,032
Civil servants	2,858,443	1,605,495
Court attire allowance	-	500
Extra Duty	699,789	272,244
Furniture allowance	42,000	28,000
Gratuities	21,972	49,656

Honoraria	42,540	36,000
Housing expenses	51,200	29,804
Leave travel expenses	11,560	5,059
Medical refund expenses	-	3,800
Statutory contributions	-	829,067
Sitting allowances	482,568	207,287
Subsistence allowance	150,569	102,336
Telephone allowance	17,400	55,611
Sub Total IV	**4,613,708**	**3,341,891**
Total operating expenses (I - IV)	**12,058,152**	**9,137,526**

The increase in operating expenses was mainly attributed to an increase in fuel and lubricant expenses as a result of the rise in fuel prices due to the Ukrainian war, travel expenses as a result of the increased number of existing projects as well as projects under procurement process. Travel expenses increased as a result of increased project-related travels including travels abroad for due diligence on project matters and technical meetings. Also, there is an increase in wages, salary, and employee benefits mainly due to staff promotions during the year.

6. (b) IMPAIRMENT ON TRADE AND OTHER RECEIVABLES

	2022/23 TZS '000	2021/22 TZS '000
Provision for bad and doubtful at the beginning of the year	1,201,207	1,201,207
Impairment charges during the year/expense	65,621	-
Provision for bad and doubtful at the end of the year	1,266,828	1,201,207

During the year impairment on trade and other receivables was charged at a weighted average rate of 100% to all receivables outstanding for more than one year, this was done due to an increased credit risk and therefore expected credit loss. This has resulted in impairment during the year to increase by TZS 65,621,000. The increased amount was charged into Profit or loss and other comprehensive income.

7. TAXATION

(a) Tax credit (expense)

	2022/23 TZS '000	2021/22 TZS '000
Current taxation at 30%	-	-
Alternative minimum tax at 0.5% of gross revenue	(31,166)	(23,762)
Prior year adjustment	182,566	-
Deferred tax (note 13 (d))	5,981,812	3,679,770
Tax credit (expense)	6,133,212	3,656,009

An income tax charge of TZS 31,166,060 is applied based on Alternative Minimum tax payable as per section 4 (i) (a) of the Income Tax Act which requires tax at the rate of 0.5% to be applied to the turnover of the company with perpetual unrelieved tax losses for the current and preceding two income years. The company has a total tax credit of TZS 6,133,212,000 in which TZS 31,166,060 is alternative minimum tax and TZS 5,981,812,338 is deferred tax asset from the temporary differences on accelerated capital allowances. The deferred tax asset has the following components TZS 3,280,894,597 from cumulative accounting losses, TZS 2,720,604,012 from an increase in Property Plant Equipment, and TZS (19,686,251) an element of deferred tax arising from the provision of the bad and doubtful debts.

The company has an accounting loss and therefore current tax at 30% was not applied in the determination of the income tax in the Statement of Profit or Loss and other comprehensive income.

(b) Reconciliation of accounting profit to tax expense

	2022/23 TZS '000	2021/22 TZS '000
Accounting profit before tax	12,859,949	2,520,446
Tax expense applicable rate of 30%	3,857,984	756,134
Tax effect of:		
Expenses not deductible for tax purposes	9,318,353	8,598,984
Expenses deductible for tax purposes	(19,309,549)	(12,254,993)
Income tax expense	**(6,133,212)**	**(3,656,009)**
Deferred tax liability charged to income tax	6,133,212	3,656,009
Deferred tax assets credited to income tax	(5,981,812)	(3,679,770)
Prior year adjustment	(182,566)	-
Alternative minimum tax at 0.5% of gross revenue	31,166	23,761
Income tax expense during the year	**(6,133,212)**	**(3,656,009)**

The company has a total tax credit of TZS 5,950,646,278 in which TZS (31,166,060) is alternative minimum tax and TZS 5,981,812.338 is deferred tax assets from the temporary differences on accelerated capital allowances.

(c) Deferred tax

	2022/23 TZS '000	2021/22 TZS '000
The deferred tax asset (liability) is attributable to the following:		
Accelerated capital allowances (arising from capital allowances)	(1,476,759)	(4,197,362)
Prior year adjustment	182.566	182,566
Provisions for bad and doubtful debts	(19,686)	-
Tax losses carried forward	13,719,578	10,438,683
	12,405,699	6,423,887

(d) Movement in the deferred tax asset

At the beginning of year 1 July 2022	6,423,887	2,744,117
Income statement credit (note 13 (a))	5,981,812	3,679,770
At the end of year 30 June 2022	12,405,699	6,423,887

e) Tax recoverable

At the beginning of the year	59,842	747,005
Prior year adjustment	-	(687,163)
Tax paid	-	-
Write off	(59,842)	-
At the end of the year	-	59,842

The company deferred tax asset of TZS 12,405,699,000 which has been derived from the following components: -

i. Deferred tax component arisen from cumulative tax losses TZS 13,719,577,501
ii. The deferred tax component arose from the provision of the bad and doubtful debt TZS (19,686,251)

iii. Deferred tax component arising from the changes in Property and equipment TZS (1,476,758,211)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. PROPERTY, PLANT AND EQUIPMENT - 2022/23

	Marine Vessels	Motor Vehicles	Computer and Electronic equipment	Office Furniture and Fittings	Other equipment	Plant and Machinery	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000		TZS '000
Cost							
Opening on 1 July 2022	60,233,668	830,939	425,055	105,074	37,274,339	29,736	98,898,811
Additions	-	-	26,561	750	188,383	-	215,694
Disposal	-	(11,822)	-	-	-	-	(11,822)
Closing on 30 June 2023	60,233,668	819,117	451,616	105,824	37,462,722	29,736	99,102.683
Accumulated depreciation							
Opening on 1 July 2022	19,842,406	397,915	219,829	47,469	7,664,808	13,827	28,186,254
Depreciation charge during the year	1,505,842	165,006	69,705	13,158	7,457,161	1,982	9,212,854
Disposal		(10,605)	-	-	-	-	(10,605)
Closing on 30 June 2023	21,348,248	552,316	289,534	60,627	15,121,969	15,809	37,388,503
Net book value							
At 30 June 2023	38,885,420	266,801	162,082	45,197	22,340,753	13,927	61,714,180

PROPERTY, PLANT AND EQUIPMENT - 2021/22

	Marine Vessels	Motor Vehicles	Computer and Electronic equipment	Office Furniture and Fittings	Other equipment	Plant and Machinery	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000		TZS '000
Cost							
Opening on 1 July 2021	28,453,964	403,422	409,254	105,074	732,653	25,960	30,130,327
Additions	-	427,517	15,801	-	68,042	3,776	515,136
Transfers from WIP	31,779,704	-	-	-	36,473,644	-	68,253,348
Closing at 30 June 2022	60,233,668	830,939	425,055	105,074	37,274,339	29,736	98,898,811
Accumulated depreciation							
Opening on 1 July 2021	18,929,690	260,623	134,835	36,567	213,711	11,844	19,587,270
Charge for the year	912,716	137,292	84,994	10,902	7,451,097	1,983	8,598,984
Closing at 30 June 2022	19,842,406	397,915	219,829	47,469	7,664,808	13,827	28,186,254
Net book value							
At 30 June 2022	40,391,262	433,024	205,226	57,605	29,609,531	15,909	70,712,557

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. WORK IN PROGRESS

(a) Balance sheet figures

	2022/23 TZS '000	2021/22 TZS '000
New Vessel construction	99,331,002	79,901,653
Revenue system improvement	131,688	-
Work in Progress - Indian Ocean	60,254	60,254
Work in Progress - Tanganyika	98,649	98,649
Vessel rehabilitation - MV Umoja	5,482,752	2,919,727
Vessel rehabilitation - MT Sangara	1,250,210	1,250,210
TOTAL	**106,354,555**	**84,230,493**

(b) Cash Flow figures

	2022/23 TZS '000	2021/22 TZS '000
New Vessel construction	19,429,349	8,561,558
Revenue system improvement	131,688	-
Vessel rehabilitation - MV Umoja	2,563,025	2,919,727
Vessel rehabilitation - MT Sangara	-	1,250,210
TOTAL	**21,868,658**	**12,731,495**

This consists of expenses incurred for ongoing projects at various stages of completion. These works in progress consist of New Vessel construction - MV Mwanza Hapa Kazi, rehabilitation of MV Umoja, MT Sangara, improvement of the revenue system which was carried out by e-Government Authority, and preliminary expenses incurred for new vessel construction in the Indian Ocean and Lake Tanganyika new vessel constructions.

New vessel construction - Contractor Gas Entec Co. Ltd of South Korea in Joint Venture with Kang Nam Corporation of South Korea and M/S SUMA JKT of Tanzania
The company has contracted Gas Entec Co. Ltd as a contractor in joint venture with M/S Kang Nam Corporation of South Korea and M/S SUMA JKT of Tanzania for new vessel construction at an agreed contract amount of USD 46,926,251.00

The new vessel construction is expected to be completed by February 2024 and as of 30 June 2023 the company paid the contractors a total of USD 41,308,820.82equivalent to TZS 93,883,983,136.99.

The payment is 88% of the contract. The contract is designing, building, supplying, and commissioning one new vessel with a capacity of carrying 1,200 passengers and 400 tons.

The project is under consultancy services from OSK - ShipTech A/S from Denmark at an agreed contract amount of USD 1,604,190 and as of 30 June 2023 the company paid to the consultant a total of USD 1,480,439.97 equivalents to TZS 3,425,593,971.33. This is 92% of the contract amount.

Those payments make the total amount paid for the new vessel construction project as of 30 June 2023 to be USD 42,789,260.80 equivalent to TZS 97,309,577,108.33. The company recorded TZS 99,331,002,790.87 in Work in Progress which includes retention money of TZS 2,021,425,682.54 equivalent to USD 877,500.

Rehabilitation MV Umoja - MS SM Solution Co. Ltd

The company has contracted MS SM Solution as a contractor for the rehabilitation of MV Umoja at an agreed contract amount of USD 8,422,840. Vessel rehabilitation started on 25 November 2021. As of 30 June 2023, the company paid to the contractor a total of USD 2,311,663.01equivalent to TZS 5,355,578,183.32. The company recorded TZS 5,482,752,051.79 in Work in Progress which includes retention money of TZS 127,173,868.47 equivalent to USD 55,107.

Rehabilitation MT Sangara - MS KTMI Co. Ltd

The company has contracted MS KTMI as a contractor for the rehabilitation of MT Sangara at an agreed contract amount of USD 3,606,595. Vessel rehabilitation started on 8 November 2021. As of 30 June 2023, the company paid the contractor a total of USD 540,989 equivalent to TZS 1,250,209,927. The payment is an advance payment which is 15% of the contract amount.

Configuration of the revenue collections system - e-Government Authority

The company has contracted the e-Government Authority for the upgrading of the revenue collections system. The new system will be improved by having additional features and is expected to alleviate challenges experienced in the e-ticketing system that is currently used. The agreed contract amount is TZS 329,000,000. The contract started in October 2022 and is expected to complete by December 2023. As of 30 June 2023, the company paid to the contractor a total of TZS 131,688,000. The payment is an advance payment of the contract amount.

Preliminary expenses for the construction of New Vessels - Indian Ocean and Lake Tanganyika

The company has incurred a total of TZS 158,903,000 as preliminary expenses for the projects of construction of new vessels in Lake Tanganyika - Kigoma and Indian Ocean. The preliminary expenses were travel and meeting expenses incurred during site visits, tender processes, and other logistic expenses. These expenses have been deferred by the matching concept which requires' expenses incurred in an accounting period to be matched with revenues during that period. These expenses will be written off from the revenue earned when construction is completed and vessels start operations or when funds related to the expenses incurred are received from the government for the project execution when projectsstarted. The expenses incurred comprised TZS 98,649,000 and TZS 60,254,000 for Lake Tanganyika and the Indian Ocean respectively.

10. TAX RECOVERABLE

	2022/23 TZS '000	2021/22 TZS '000
Tax in dispute deposited	51,590	51,590
Tax paid in advance (provision)	8,252	8,252
Total tax recoverable	59,842	59,842
Less: Provision for tax recoverable	(59,842)	-
	-	59,842

PROVISION FOR BAD DEBTS

Balance brought forward	-	-
Net provision made during the year	59,842	-
Bad debts are written off during the year	(59,842)	-
Balance carried forward	-	-

Tax recoverable consists of a deposit against objections.The amount of TZS 51,590,337 represents the Tax Not in Dispute deposited with the Commissioner for Large Tax Payers included in the additional Tax Assessed relating to PAYE, SDL, VAT, and Corporate Tax being disputed and provisional tax paid TZS 8,252,500, all in aggregate amounting to TZS 1,454,985,926. The makeup of the Tax Not in Dispute is detailed below.

Year	VAT TZS	PAYE TZS	SDL TZS	Corp Tax TZS	Total TZS

2003	0	0	0	8,252,500	8,252,500
2010	13,582,515	0	0	0	13,582,515
2011	33,963,960	4,043,862	0	0	38,007,822
Total	**47,546,475**	**4,043,862**	**0**	**8,252,500**	**59,842,837**

The Company is liable for corporation tax under the Income Tax Act, (2006). However, given the loss sustained in the previous years and during the year under review; no provision for taxation has been made in the accounts. The balance of TZS 8,252,500 represents payments against the provisional Tax Assessment for the financial year 2003.

This amount has been transferred to the deposit against the objection account for 2014 to have a total amount of TZS 59,842,837 to be offset from the Total tax liability of the company which is still in dispute.

11. INVENTORIES

	2022/23 TZS '000	2021/22 TZS '000
Heavy Duty Equipment and Truck	3,965,552	4,044,467
Spare parts	2,274	1,802
Curtains and Uniforms	1,155	3,991
Stationery and consumables	38,387	56
Oil and Lubricants	23,246	8,279
	4,030,614	4,058,595

IAS 2 'Inventories' requires inventory to be measured at the lower of cost and realisable value (NRV) and accepts Specific Identification (in some cases) as a method for determining the cost of inventory. Inventories of the company were physically counted as of 30 June 2023 and the company has applied Specific Identification as a method to determine the cost of inventory. The company applied the method for the following reasons:

(i) The detailed physical count of inventory was taken (Stocktaking) and the attached cost to each item was known.

(ii) Inventory is significantly comprised of frequently moving items and therefore the number and value of inventory are not significantly affected by changes in market prices.

The value of stock TZS 4,030,614,000 consists of inventory with a total value of TZS 1,942,574,721 proposed to be sold by auction.

12 TRADE AND OTHER RECEIVABLES

	2022/23 TZS '000	2021/22 TZS '000
Trade debtors	1,295,154	1,268,704
Tanzania Ports Authority	30,966	30,966
Branch receivables outstanding	122,571	121,571
Gross trade and other receivables	1,448,691	1,421,241
Less: Provision for bad debtors	(1,266,828)	(1,201,207)
	181,863	220,034
Advances and other receivables		
Staff advance	30,246	43,649
Other receivables and advances	386,295	-
	416,541	43,649
Trade and other receivables	**598,404**	**263,683**

PROVISION FOR BAD DEBTS

	2022/23 TZS '000	2021/22 TZS '000
Balance brought forward	1,201,207	1,201,207
Net provision made during the year	65,621	-
Bad debts are written off during the year	(1,266,828)	-
Balance carried forward	-	**1,201,207**

The trade and receivables have no significant financing components; the company applied a simplified approach to recognise the impairment of financial assets in the amount of expected credit loss, under the simplified approach impairment loss is measured at lifetime expected credit loss for all assets and loss rates are applied to an actual portfolio of trade and receivables as of 30 June 2023.

There was no impairment allowance recognised in the opening balance of retained earnings and reserves, and prior periods were not restated concerning classification and measurements (including impairment) requirements.

Branch receivables outstanding is an unretired amount spent from branch earnings, the outstanding amount was not recovered from station staff through salary deductions, as members of staff were either terminated or left the services of the company and no other means for recovery, Management has fully provided as doubtful receivables and the Board of Directors approved write off TZS 1,266,828,000.

13 PREPAYMENTS

	2022/23 TZS '000	2021/22 TZS '000
Prepaid Insurance - Motor Vehicles	-	10,816
Prepaid insurance	-	10,816

Prepayments comprised of prepaid insurance for Motor vehicles insurance up to April 2023.

14 CASH AND CASH EQUIVALENTS

	2022/23 TZS '000	2021/22 TZS '000
Own source collection account - NBC	1,198	100
Recurrent expenditure cash account	100	381
Own source collection account - NBC USD	233	60,916
Own source collection account - CRDB	54,722	1,609
Own source collection account - NMB	-	9,048
BOT's own source collection account	69,800	4,042,768
Own source recurrent expenditure -NBC	-	8,448
Own source collection account - Atlas Mara Zambia	3,186	3,399
Unapplied cash account	-	13,144
Cash in hand	471	503
Branch imprest	235	412
USD BOT Collection account	103,859	-
Marine Catering NBC account	764	-
Total	**234,568**	**4,140,728**

The cash and cash equivalents consist of the company's bank balances and cash in hand.

15 TRADE AND OTHER PAYABLES

	2022/23 TZS '000	2021/22 TZS '000
Trade Creditors	3,119,596	2,891,486
Tanzania Ports Authority facilitation	340,000	340,000
Tanzania Railways Corporation facilitation	100,000	100,000
Embarkation fees payable	330,559	172,871
Port Service charges payable	514,813	910,843
Directors' fee payable	25,500	-
External Audit Fee	99,374	80,080
Retention fund	2,148,692	2,021,519
Accruals (other trade creditors)	5,179,161	5,400,128
Security expenses	11,060	9,900
Staff claims	41,964	63,501
Unapplied deposits	-	13,587
Miscellaneous accounts payable	36,549	64,176
Advances received	522,737	-
	12,470,005	**12,068,092**

Trade and other payables consist of trade creditors which are payables to suppliers, Tanzania Ports Authority (TPA) and Tanzania Railway Corporation (TRC) liabilities comprise fund arrangements provided as facilitation funds for minor rehabilitation of MV. Clarias, ML Wimbi and transition process cost in 2016.

Other payables include the new vessel project and MV Umoja retention TZS 2,148,692,000, advances received TZS 522,737,000 being insurance premium payable to Zanzibar Insurance, accrued expenses TZS 5,179,161,000 which include TZS 5,070,752,050 corporate tax provision as a result of TRA demand note dated 2 November 2020 with reference No.TRA/LTD/101-331-741/WAIV/JN and Alternative Minimum taxes for the years 2021/22 and 2022/23. The Port service charge consists of the amount of tax provided after the TRA demand notice issued in June 2020 and the balance of unpaid port service charges during the year.

16 STATUTORY DEDUCTIONS PAYABLE

	2022/23 TZS '000	2021/22 TZS '000
Pension contributions payable	406,389	445,354
Skills and Development levy payable	288,300	204,748
Workers' compensation Fund payable	1,079,725	1,083,587
Employees' terminal benefits payable	-	35,821
Gratuity payable	-	4,672
PAYE Payables	906,335	595,764
WHT tax payable	172,244	276,174
Contribution from staff (Maafa)	-	1,224
Workers Union Contribution (Dowuta)	2,017	8,917
	-	
	2,855,009	2,656,261

The Pay as You Earn (PAYE) outstanding comprised of unpaid tax TZS 164,246,315, TZS 56,384,701 tax assessed after a comprehensive tax audit conducted by Tanzania Revenue Authority (TRA), and TZS 375,133,080 assessed tax liability for years from 2007 to 2017. TRA agreed with the company repayment plan which settlement plan started in February 2019.

Other statutory payable consist of the penalties charged to the company for late payment of Pension contributions to National Social Security Fund (NSSF) TZS 293,630,688` for the period February 2016 to August 2018 before government support to pay salaries and social security contributions for the period. The company paid principal liabilities. The company requested a waiver for the penalties from respective offices. The Public Service Social Security Fund (PSSSF) has approved a waiver after payment of the 75% penalty outstanding of TZS 537,323,454, penalty waived was recognised as miscellaneous income in the statement of the profit or loss and other comprehensive income in the year ended 30 June 2021. The company has also provided TZS 1,079,725,247 as liability based on the demand note issued by WCF for late payment of the workers' compensations for the period from 2016 to December 2018.

17 PROVISION VALUE-ADDED TAX (VAT) PAYABLE

The provision for VAT has been made to allow adjustments and prior years' balance based on the VAT Act 2014:

	2022/23 TZS '000	2021/22 TZS '000
VAT Payable	1,523,763	1,523,763
VAT liability (Asset)	**1,523,763**	**1,523,763**

The VAT liability of TZS 1,523,763,222 comprised TZS 1,362,060,773 which was provided as the total VAT outstanding for the financial year 2007 and 2011 based on the TRA demand note dated 15 June 2020 with reference number TRA/LTD/101/331 - 741/MDM and TZS 161,702,449 which was provided as a result of TRA comprehensive tax audit for the financial years from 2015 -2019. The comprehensive audit report was issued on 11th February 2022 with reference number TIN - 101 - 3331 - 741.

18 DEFERRED INCOME

As per IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' the company recognise government grants in the statement of profit or loss and other comprehensive income on a systematic basis over the period in which the

company recognises expenses for the related costs for which the grants are intended to compensate, which in case of unused grants are recorded as deferred income.
The company's total deferred income of TZS 609,917,987 (2021/22: TZS 4,766,321,387) consists of unutilized Projects fund TZS 412,385,987 (2021/22: TZS 412,385,987) and revenue collections system improvement fund TZS 197,532,000 (2021/22: NIL). The income is recognised from deferred project funds when project payment is affected after the completion of the project stage as per the contract and upon receipt of the interim payment certificate (IPC). The income is recognised from the transition deferred fund when the related cost for which the grant is intended to compensate is recognised.

The movement of deferred grant income is as provided below:

18 DEFERRED INCOME (CONTINUED)

(a) Deferred Grant 30 June 2023

	Balance as of 1st July,2022 TZS '000	Receipts TZS '000	Credited to Profit and loss TZS '000	Balance as at 30 June 2023 TZS '000	Balance as at 30 June 2022 TZS '000
Deferred development income					
Projects	412,386	22,068,352	(22,068,352)	412,386	412,386
M&E	-	798,500	(798,500)	-	-
Transition fund	4,353,935	-	(4,353,935)	-	4,353,935
Revenue system	-	329,220	(131,688)	197,532	-
Deferred Recurrent income					
Other charges	-	541,642	(541,642)	-	-
	4,766,321	23,737,714	(27,894,117)	609,918	4,766,321

(b) Deferred Grant 30 June 2022

	Balance as of 1st July, 2021 TZS '000	Receipts TZS '000	Credited to Profit and loss TZS '000	Balance as at 30 June 2022 TZS '000	Balance as at 30 June 2021 TZS '000
Deferred development income					
Projects	321,108	13,143,974	(13,052,696)	412,386	321,10
M & E	-	202,500	(202,500)	-	
Transition period	541,636	4,986,297	(1,173,998)	4,353,935	541,63
M/V Purchase	427,517		(427,517)	-	427,51
Deferred Recurrent income					
Other charges	--	634,495	(634,495)	--	-
	1,290,261	18,967,266	(15,491,206)	4,766,321	1,290,261

The deferred project fund as at 30 June 2023 was TZS 609,917,987 (2021/22: TZS 4,766,321,387) consists of unutilized Projects fund TZS 412,385,987 (2021/22: TZS 412,385,987) and revenue collections system improvement fund TZS 197,532,000 (2021/22: NIL).

19 RELATED PART TRANSACTIONS

In the ordinary course of business, transactions are entered into with Government of Tanzania through Parent Ministry - Ministry of Works, Transport and Communication. The relevant transactions are shown below: -

	2022/23 TZS '000	2021/22 TZS '000
Transactions with Government through the Parent Ministry - Receipts		
Development Fund - Projects	23,196,071	18,332,771
Recurrent Fund - Other Charges	541,642	634,495
Total receipts	23,737,713	18,967,266
Amount utilised in profit and loss	(27,894,117)	(15,491,204)
Capitalised amount (Project WIP)	(21,966,888)	(14,536,814)

The company received a total of TZS 23,737,713,000 for development and recurrent expenses. The amount totalled TZS 27,894,117,000 utilised and recorded in the statement of profit or loss and other comprehensive income while TZS 21,966,888,000 recorded as work in progress in the statement of the financial position.

Advances to employees

Balance brought forward on 1 July 2022	43,649	37,689
Net movement during the year	(13,403)	5,960
Balance brought down on 30 June 2023	30,246	43,649

The company provides salary advances to employees to cater for emergency cases and staff welfare issues when issues arise before the salary date. Advances are extended to employees for a period not exceeding 12 months. Staff advances have been included under note 12- Trade and other receivables.

Key management personnel compensation	**2022/23** **TZS '000**	**2021/22** **TZS '000**
Salary and other benefits	408,406	408,406

	408,406	408,406

Key management compensation is included in the personnel expenses for the year.

Director's emoluments	2022/23 TZS '000	2021/22 TZS '000
Director's fees	76,500	25,592
	76,500	25,592

The director's emolument consists of the Director's fees incurred during the year in which TZS 76,500,000 (2021/22: 25,591,667).
The company collects Port embarkation on behalf of TPA to the tune of TZS 600 and TZS 300 per each adult and non-adult passenger respectively. During the year TZS 157,688,000 was collected. The amount collected is as provided below:

Port Embarkation Fees	2022/23 TZS '000	2021/22 TZS '000
Port embarkation fee collected on behalf of TPA	157,688	172,871
	157,688	172,871

20 SHARE CAPITAL

	2022/23 TZS '000	2021/22 TZS '000
Authorised share capital		
1,000 Ordinary shares of TZS 1,000 each	1,000,000	1,000,000
Issued and fully paid capital		
10 Ordinary shares of TZS 1,000 each issued and paid	10	10

The company has an authorised share capital of TZS 1,000,000 divided into ordinary shares of TZS 1,000 each. Ten shares have so far been issued and subscribed. The ten shares are held as under: -

As at 30th June, 2023

Name of Shareholder	No. of Shares	Nominal value of shares
Treasury registrar	10	10,000
	10	**10,000**

As at 30 June 2022

Name of Shareholder	No. of Shares	Nominal value of shares
Treasury registrar	10	10,000
	10	10,000

21 CAPITAL RESERVES

	2022/23 TZS '000	2021/22 TZS '000
Error corrections on assets cost	5,195,510	5,195,510
Net assets transferred from TRC - Capital reserve	20,096,033	20,096,033
Capital reserve	**25,291,543**	**25,291,543**

The capital reserve account represents the value of assets net of liabilities TZS 20,096,033,000 transferred from TRC to the company on 30th June 1999. According to the Government Notice number 125 of 21 June 1999 upon valuation of assets by the approved Valuer.

Error corrections on assets cost consist of the increase in value of assets after corrections are made on the value of the accumulated depreciation in which accumulated depreciation was adjusted/reduced to correct error resulting from prior years over charging of the depreciation, the correction has increased in value of assets. The increased value of assets TZS 5,195,510,000 recognized in capital reserves. A correction was done on 30 June 2019 and the balance of the error corrections reserve was carried forward and reported again as of 30 June 2023. Asset surplus and capital reserves are non-distributable reserves.

22 CASH FLOW RECONCILIATION -CASH PAID FROM OPERATING ACTIVITIES

A total of TZS 11,652,369,000 cash paid from operating activities comprised of payments done to suppliers for the supply of goods and services. The reconciliation is presented hereunder: -

	Notes	2022/23 TZS '000	2021/22 TZS '000
Maintenance expenses			
Electrical and other cabling expenses		181,980	79,096
Docking expenses		-	-
Motor vehicle maintenance expenses		74,339	21,509
Plumbing supplies and fixtures		-	250
Repair and maintenance of furniture		-0	50
Sub Total I		**256,319**	**100,905**
Other operating expenses			
Audit fees		80,080	-
Audit Supervision expenses		19,294	4,655
Bank charges and commissions		10,428	5,720
Burial expenses		5,150	2,100
Business license expenses		-	-
Directors' fees		76,500	25,592
Insurance expenses		219,665	4,127
Shipping administration		92,680	-
Sub Total II		**516,206**	**42,194**
Use of goods and services			
Advertising and Publications		174,138	53,586
Travel expenses		2,017,846	1,063,673
Cleaning and laundry expenses		-	6,164
Communication and network services		-	5,913
Fuel and lubricant expenses		3,556,583	3,069,099
Electricity and gas		29,883	13,070
Entertainment		29,527	10,328
Exhibition and Festivals		29,813	-
Food and refreshments		93,432	191,091
Fumigation		5,125	-
Internet and email connections		22,805	18,656

Newspapers and magazines		-	1,367
Office consumables		112,896	233,513
Posts and telegraphs		-	655
Printing and photocopy expenses		13,013	4,549
Regulatory levy		-	9,368
Sewage expenses		-	1,800
Staff training expenses		57,141	64,829
Subscription fees		5,100	948
Telephone expenses		29,666	29,899
Water charges		692	1,376
Uniforms		25,651	-
Sub Total III		**6,203,311**	**4,779,884**
Wages, Salaries, and employee benefits			
Casual labourers		235,667	117,032
Civil servants		2,858,443	1,605,495
Court attire allowance		-	500
Extra Duty		699,789	272,244
Furniture allowance		42,000	28,000
Gratuities		21,972	49,656
Honoraria		42,540	36,000
Housing expenses		51,200	29,804
Leave travel expenses		11,560	5,059
Medical refund expenses		-	3,800
Statutory contributions		-	579,927
Sitting allowances		482,568	207,287
Subsistence allowance		150,569	102,336
Telephone allowance		17,400	55,611
Sub Total IV		**4,613,708**	**3,092,751**
Staff advances - social benefits		**62,825**	**-**
Total cash paid from operating activities during the year (I - IV)	CFS	**11,652,369**	**8,015,734**
Opening balance of stock		4,058,595	4,033,104
Closing stock (current)		(4,030,614)	(4,058,595)
Deferred tax expense		(4,925,060)	11,937,825
Deferred government receipts		609,918	3,476,060
Unpaid suppliers and consumables		13,677,418	9,567,454
Total current liabilities	SOFP	**21,511,234**	**24,955,858**

Total current liabilities breakdown			
Trade and Other Payables	15	12,880,606	11,399,561
Statutory deduction payables	16	3,014,318	2,656,261
VAT payable	17	1,013,695	1,523,763
Deferred tax liability	7 (d)	4,602,615	9,376,274
Total current liabilities breakdown	**SOFP**	**21,511,234**	**24,955,858**

The deferred tax expense tax is included to arrive at total current liability because the same is noncash (not included in the determination of the net cash flow from operating activities) but has effects on the outstanding current liabilities as the source of deferred tax liability of TZS 4,602,615,000.

The deferred government receipts of TZS 609,918,000 which is the net after deducting the utilised government grant of TZS 27,894,117,000 from the government revenue grant of TZS 23,737,713,000 has been also itemised to differentiate the same from other unpaid items. This has been adjusted because it also forms part of the revenue from operating activities in the cash flow statement.

23 CASH FLOW RECONCILIATION - CASH RECEIPTS

Total cash receipts from operating activities TZS 29,821,561,000comprised of receipts from operating activities TZS 5,575,073,000, receipts from other revenue TZS 508,775,000 and receipts from government subvention TZS 23,737, 713,000. The reconciliation is presented hereunder: -

	Notes	2022/23 TZS '000	2021/22 TZS '000
Receipts from transport fare		4,659,486	3,879,570
Receipts from parcel delivery		278,396	47,231
Receipts from goods delivery		637,191	789,200
Receipts - settlement receivables for goods delivery		-	59,512
Receipts from operating activities	SCF	5,575,073	4,775,513
Receipts from other revenue	SCF	508,775	6,864
Subvention from the government	SCF	23,737,713	18,967,266
Total receipts from operating activities	**SCF**	**29,821,561**	**23,749,643**
Total operating revenue breakdown			
Receipts from transport fare		4,659,486	3,879,570
Receipts from parcel delivery		278,396	47,231
Receipts from goods delivery		637,191	789,200
Accrued revenue		44,032	28,712
Total operating revenue	**6**	**5,619,105**	**4,744,713**

Other revenue and foreign currency translations is made up of revenue generated from sources other than main business operations. During the year company earned TZS 574,784,767(2021/22: TZS 7,500,000) as sundries income of which TZS 1,144,068 is rental revenue earned from renting a room to contractors - KTMI.

The company earned foreign exchange profit of TZS 108,568,997 (2021/22: 13,537,822) from foreign currency holding and transactions which includes the United States Dollar which is the main currency for Project transactions and Zambian Kwacha at Mpulungu bank account leaving a gross revenue of TZS 683,352,764(2021/22: TZS 21,038,000)

The increase in other income was mainly attributed to operations of the Marine Catering and the company's contract entered with East Africa Marine (EAM) for the training of EAM in which TZS 381,111,770 earned from catering services and TZS 158,724,016 from EAM being food and accommodation charges. The total income of TZS 5,619,105,000 earned during the year includes accrued income of TZS 44,032,000 in which TZS 38,032,000 is the accrued income for the cargo transportation services provided to TBL and TZS 6,000,000 for parcel transportation services to Tanzania Posts Corporation. The actual cash collected TZS 5,575,073,000 was reported in the Statement of the Cash Flows.

24 PRIOR YEAR ADJUSTMENTS

As per IAS 8 'Correction of prior period accounting errors' the company has corrected prior period errors occurred in deferred tax computations and adjusted deferred tax reported as well as retained earnings as of 30 June 2022.The retained earnings was affected because deferred tax had impacts on either tax expenses or tax credits reported in the respective periods.

The company adjusted deferred tax liability of TZS 9,376,274,000 which was reported previous year to a deferred tax asset of TZS 6,423,887,000 also adjusted opening balance of deferred tax from TZS 2,561,551,118 to TZS 2,744,117,188. Adjustments were done as response to corrections done on deferred tax computations of the financial year 2021/22. The adjustments have affected both retained earnings and deferred taxes reported, and were restated accordingly. All adjustments were done to the opening balances of retained earnings and deferred tax as of 1st July 2021

As per IAS 8 'Correction of prior period accounting error', the company has adjusted prior period errors retrospectively and restated retained earnings and deferred tax except the one stated above.

The following table summarises the impact on the opening balance of retained earnings and deferred tax:

	Deferred tax TZS '000	Retained earnings TZS '000
Opening balance 30 June 2022 (Before adjustment)	(9,376,275)	117,211,828
Adjustment on the reported loss as results of error	-	(9,417,379)
Adjustment on the opening balance of deferred tax	182,566	-
Reversal deferred tax liability to correct error	9,558,841	9,558,841
Restating opening balance to correct error	2,561,551	2,561,551
Reconciled Deferred tax asset 1st July 2021	2,744,117	-
Deferred tax (note 13 (d)) - adjustment to correct error 2022	3,679,770	3,679,770
Balance as of 30 June 2022	**6,423,887**	**123,594,611**
Deferred tax (note 13 (d)) - current year	5,981,812	-
Comprehensive income for the year 2022/23	-	18,993,161
Closing balance 30 June 2023	**12,405,699**	**142,587,772**

The net adjustment on retained earnings to be reported in the statement of changes in equity is summarised below;

	Retained earnings TZS '000
Adjustment on the reported loss as results of error	(9,417,379)
Adjustment on the opening balance of deferred tax	182,566
Reversal deferred tax liability to correct error	9,558,841
Restating opening balance to correct error	2,561,551
Deferred tax (note 13 (d)) - adjustment to correct error 2022	3,679,770
Adjustment on the correct tax after error correction	(6,176,455)
Net impact to be adjusted (previous year alternative minimum tax note number 7a)	**206,328**

25 CONTINGENT ASSETS AND LIABILITIES

The company has arbitration proceedings instituted by M/S Yutek of Turkey in which the claimant wanted compensation of USD 70,000,000, all costs incurred to the claimant in initiating and pursuing the arbitration, and commercial interest of 21%. The proceeding arose as a result of the termination of the four contracts for designing, building, supplying, and commissioning of four vessels in both Lake Victoria and Lake

Tanganyika. The contracts were executed on 15 June 2021 and terminated on 29 March 2022. The total value for all contracts was USD 178,150,000 (VAT inclusive).

The likely outcome of this arbitration cannot be determined as of the date of signing these financial statements.

26 COMMITMENTS

Capital commitments	2022/23 TZS '000'	2021/22 TZS '000'
Budgeted and not contracted for	94,809,903	85,643,258
Budgeted and contracted for	5,000,000	48,589,702
Total	**99,809,903**	**135,000,000**

The company has budgeted TZS 99,809,902,592 (2021/22: TZS 135, 000,000,000) for capital commitments, in which TZS 5,000,000,000 contracted and TZS 94,809,902,592 has not yet contracted. The capital commitments are for the completion of one (1) existing project for MV Mwanza Hapa Tu construction, rehabilitation of two (2) vessels MV Umoja and MT Sangara, project infrastructure, and installation of Information and Communication Technology (ICT) equipment to enhance revenue collections.

As of 30 June 2023, there were no capital or operating lease commitments.

27 ASSETS PLEDGED AS SECURITY

As of 30 June 2023, there were no assets pledged by the Company to secure any liabilities and there were no secured Company liabilities.

28 CURRENCY

These financial statements are presented in Tanzania Shillings, rounded to the nearest thousand (TZS'000), which is also the functional currency.

29 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affect the financial position of the Company and the results of its operations as of 30 June 2023.

Major General John Julius Mbungo
Board Chairman

18/03/2024

Eric Benedict Hamissi
Managing Director

18/03/2024