

LAGHE VENTURE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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COMPANY INFORMATION

BOARD OF DIRECTORS	: Anna Florence Godwin Kajiba : Ashish Srivastava : Shaileshkumar Sanghrajka : Milind Bhalchandra Deshmukh : Kishor Bhanudas Bhomale
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	: Plot no. 354 India/Bridge street, Makunganya road P.O. Box 33031 Dar es Salaam Tanzania.
INDEPENDENT AUDITOR	: Nexia SJ Tanzania Certified Public Accountants 1st Floor, Oyster Plaza, Haile Selassie Road P.O. Box 12729 Dar es Salaam Tanzania.
COMPANY SECRETARY	: Paschal Rwiza Kamala 2nd Floor, Raha Towers Maktaba Street, Bibi Titi Mohamed Road P.O. Box 11104 Dar es Salaam Tanzania
PRINCIPAL BANKERS	: Stanbic Bank Tanzania Limited P.O. Box 72647 Dar es Salaam Tanzania : First National Bank Tanzania Limited P.O. Box 72290 Dar es Salaam Tanzania : Diamond Trust Bank Tanzania Limited P.O. Box 115 Dar es Salaam Tanzania

REPORT OF THE DIRECTORS

The Directors submit their report and the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of the company.

INCORPORATION

Laghe Venture Company Limited was incorporated on 26th August 2016 under the Companies Act 2002 as Private Company limited by shares with certificate of incorporation number 128997.

PRINCIPAL ACTIVITIES

The principal activities of the Company is to import and distribute explosives and related accessories to the mining and quarrying industry.

COMPOSITION OF THE BOARD OF DIRECTORS

The directors who held the office during the year and at the date of this report are shown below:

Name	Age	Position	Nationality	Date of appointment	Date of termination
Anna Florence Godwin Kajiba	63	Director	Tanzanian	26th July 2016	
Ashish Srivastava	58	Director	Indian	13th September 2021	
Shaileshkumar Sanghrajka	64	Director	Kenyan	5th September 2019	
Milind Bhalchandra Deshmukh	56	Director	Indian	5th September 2019	
Kishor Bhanudas Bhomale	42	Director	Indian	5th September 2019	
Menon Suresh	61	Director	Indian	5th September 2019	13th September 2021

In accordance with the company's Articles of Association, no director is due for retirement by rotation.

RESULTS

	2021 TShs '000	2020 TShs '000
Profit before tax	1,176,269	876,259
Tax charge	(352,881)	(245,892)
Profit for the year	<u>823,388</u>	<u>630,367</u>

CORPORATE GOVERNANCE

The Board of Laghe Venture Company Limited consists of 5 directors of which only 1 director hold executive position in the company. The Board takes overall responsibility for the company, including responsibility for identifying key risk areas, considering and monitoring significant 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. for compliance with sound corporate governance principles.

The Company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability to ensure high standards of corporate governance throughout the company.

SHARE CAPITAL

The authorised share capital of the Company is Tanzanian Shillings 500,000,000 divided into 500,000 ordinary shares of Tanzanian Shillings 1,000 each. The issued and fully paid up share capital of the company is TShs 16,002,000.

REPORT OF THE DIRECTORS (CONTINUED)

SHAREHOLDERS

The shareholders of the company with their respective shareholdings is as follows:

Name of shareholders	share holding	share holding	No of shares held	No of shares held
	2021	2020	2021	held
	%	%	Tshs '000	Tshs '000
Anna Florence Godwin Kajiba*	20.00%	20.00%	3,200	3,200
Solar Overseas Mauritius Limited	54.99%	54.99%	8,800	8,800
Ortin Investments Limited	24.99%	24.99%	4,000	4,000
Kishor Bhanudas Bhomale*	0.01%	0.01%	1	1
Rohan Baliram Suryawanshi	0.01%	0.01%	1	1
	100%	100%	16,002	16,002

*Also a Director of the company

DIVIDEND

The directors does not recommend the declaration of a dividend for the year. (2020 : NIL)

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 in order to provide reasonable assurance

- 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 Board assessed the internal control systems throughout the financial year ended 31 December 2021 and is of the opinion that they met the accepted criteria.

SOLVENCY

The Board of directors 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 reasonable expectation that Laghe Venture Company Limited has adequate resources to continue in operational existence for the foreseeable future.

REPORT OF THE DIRECTORS (CONTINUED)

EMPLOYEES' WELFARE

Management and Employees' Relationship

The Company is 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, tribes, religion and disability which does not impair ability to discharge duties.

Training facilities

Laghe Venture Company Limited believes in building the capacity of its staff so as to enable the staff members to be more effective in executing his/her work. The company shall endeavor, where relevant, applicable and where funding is available to engage its regular contracted staff in short term training involving courses, workshops, seminars and exchange visits.

Health and safety

The Company ensures a safe working environment for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision as necessary.

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged. It is the policy of the Company that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Financial assistance to staff

Salary advances may be provided to employees depending on the assessment of and discretion of management as to the need and circumstances.

Employees benefit plan

The Company pay contributions to a publicly administered pension plan (NSSF) on a mandatory basis which qualifies to be a defined contribution plan.

Gender parity

As at 31 December 2021, the company had 5 male employees (2020:3).

RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are included in Note 15 of this financial statements.

INDEPENDENT AUDITOR

Nexia SJ Tanzania have expressed their willingness to continue in office in accordance with Section 170 of the Companies Act 2002 and are eligible for re-appointment. A resolution proposing the re-appointment as auditor of the company for the year ended 31 December 2022 will be tabled in the Annual General Meeting.

BY ORDER OF THE BOARD



Mr. Milind Balachandra Deshmukh
Director

2022



Mr. Shaileshkumar Sanghrajka
Director

2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required in terms of the Tanzania Companies Act of 2002 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SME's) and the requirements of the Tanzania Companies Act of 2002. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SME's) and the requirements of the Tanzania Companies Act of 2002, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The Directors acknowledge that they are responsible for establishing appropriate policies and procedures to prevent non - compliance with laws and regulation (NOCLAR), including whistleblowing procedures as a necessary part of good internal governance

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the company's cash flow forecast for the year to 31 December 2022 and, in the light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 7 to 9.

The financial statements set out on pages 10 to 25 were authorized and approved by the Board of directors on _____ 2022 and were signed on its behalf by:



Mr. Milind Balachandra Deshmukh
Director



Mr. Shaileshkumar Sanghrajka
Director

DECLARATION OF THE HEAD OF FINANCE/ACCOUNTING

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SME's) and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Statement of Director's Responsibilities as described on page 5.

I Joseph Lubava on behalf of Corporate & Management Consultants Limited being given the Power of Attorney to review the financial statements of Laghe Venture Company Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2021 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by:

Name: Joseph Lubava

Position: Head of Finance/Accounting *by virtue of Power of Attorney

NBAA Membership No: GA 9203

Date:

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021 TShs '000	2020 TShs '000
Revenue	1.	14,620,099	7,714,765
Cost of sales		(11,363,326)	(6,097,523)
Gross profit		3,256,773	1,617,242
Other income	2.	19,237	4,612
Administrative expenses		(1,151,215)	(220,259)
Other operating expenses		(726,928)	(366,665)
Selling and distribution expenses		(123,947)	(97,771)
Operating profit	4.	1,273,921	937,159
Finance costs	5.	(97,652)	(60,900)
Profit before tax		1,176,269	876,259
Tax charge	9.	(352,881)	(245,892)
Profit for the year		823,388	630,367
Total comprehensive income for the year		823,388	630,367

The significant accounting policies on pages 14 to 18 and the notes on pages 19 to 25 form an integral part of these financial statements.

Report of the independent auditor - pages 7 to 9.

STATEMENT OF FINANCIAL POSITION

	Notes	2021 TShs '000	2020 TShs '000
CAPITAL EMPLOYED			
Equity			
Share capital	10.	16,002	16,002
Advance towards share capital	10.	94,834	94,834
Retained earnings		1,584,398	761,010
		1,695,234	871,846
Non current Liabilities			
Borrowings	13.	-	953,475
		1,695,234	1,825,321
REPRESENTED BY			
Non current assets			
Property, plant and equipment	11.	243,481	325,891
Deferred tax	8.	56,821	36,253
		300,302	362,145
Current Assets			
Inventories	6.	4,983,056	2,588,834
Trade and other receivables	7.	2,387,603	1,728,856
Cash and cash equivalents	12.	1,268,338	131,170
		8,638,997	4,448,860
Current liabilities			
Trade and other payables	14.	7,142,023	2,728,495
Borrowings	13.	78,593	73,775
Tax payable	9.	23,449	183,414
		7,244,066	2,985,684
Net current assets		1,394,931	1,463,176
		1,695,234	1,825,321

The financial statements on pages 10 to 25 were authorized and approved for issue by the Board of Directors on2022 and were signed on its behalf by:



Mr. Milind Balachandra Deshmukh
Director



Mr. Shaileshkumar Sanghrajka
Director

The significant accounting policies on pages 14 to 18 and the notes on pages 19 to 25 form an integral part of these financial statements.

Report of the independent auditor - pages 7 to 9.

STATEMENT OF CHANGES IN EQUITY

	Share capital TShs '000	Advance towards share capital TShs '000	Retained earnings TShs '000	Total TShs '000
Year ended 31 December 2021				
At start of year	16,002	94,834	761,010	871,846
Total comprehensive income for the year	-	-	823,388	823,388
At end of year	16,002	94,834	1,584,398	1,695,234
Year ended 31 December 2020				
At start of year	16,002	94,834	130,642	241,478
Total comprehensive income for the year	-	-	630,367	630,367
At end of year	16,002	94,834	761,010	871,846

The significant accounting policies on pages 14 to 18 and the notes on pages 19 to 25 form an integral part of these financial statements.

Report of the independent auditor - pages 7 to 9.

STATEMENT OF CASH FLOWS

	Notes	2021 TShs '000	2020 TShs '000
Operating activities			
Cash generated from operations	16.	2,619,239	(939,593)
Tax paid	9.	(533,414)	(137,668)
Net cash generated from /(used in) operations		2,085,825	(1,077,261)
Cash flow from investing activities			
Purchase of plant and machinery	11.	-	(178,873)
Capital work in progress	11.	-	34,496
Net cash (used in) investing activities		-	(144,377)
Cash flows from financing activities			
Proceeds from borrowings	13.	-	959,018
Repayment of borrowings	13.	(948,656)	-
Net cash (used in) / generated from financing activities		(948,656)	959,018
Net increase/(decrease) in cash and cash equivalents		1,137,169	(262,620)
Movement in cash and cash equivalents			
At start of year		131,170	393,790
Increase/(decrease)		1,137,169	(262,620)
At end of year	12.	1,268,338	131,170

The significant accounting policies on pages 14 to 18 and the notes on pages 19 to 25 form an integral part of these financial statements.

Report of the independent auditor - pages 7 to 9.

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards for Small and Medium Sized Enterprises (IFRS for SME's) and the requirements of Companies Act of United Republic of Tanzania. The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below. The historical cost convention is generally based on the fair value of the consideration given in exchange of assets.

Going concern

The financial performance of the Company is set out in the Director's report and in the statement of comprehensive income. The financial position of the company is set out in the statement of financial position.

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

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

b) Key sources of estimation uncertainty

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

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

(i) Useful life of Property, plant and equipment - Management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

(ii) Revenue recognition - In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the performance of services as set out in section 23 of IFRS for SMEs.

(iii) Impairment of trade receivables - The company reviews their portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cashflows expected.

(iv) Taxes - The Company is subjected to several taxes and levies by various government and quasi - government regulatory bodies. As a rule of thumb, the Company recognizes liabilities for the anticipated tax/levies payable with utmost care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes/levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable on the sale of goods and performance of services and in the ordinary course of business and is stated net of Value Added Tax (VAT), rebates and discounts.

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the performance of services as set out in section 23 of IFRS for SME's and, in particular, whether the company had transferred to the buyer the significant risks and rewards on the services provided. Following the detailed quantification of the company's liability in respect of the customers ability to require the rectification of the services supplied, the directors are satisfied that the significant risks and rewards have been transferred.

d) Other Income

Other Income comprises of sales of detonator shipment containers, used to send consignment to Tanzania

e) Translation of foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency are not translated using the exchange rate at the date of transaction.

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

- exchange differences on transactions entered into in order to hedge certain foreign currency risks;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

f) Property, plant and equipment

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

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

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

Freehold land is not depreciated. Depreciation on all other assets is calculated on a straightline method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates and basis:

Item	Rates %
Land	0
Buildings	5
Concrete fence	12.5
Road infrastructure	12.5
Containerized magazines	25
Furniture and fittings	25
Computer and accessories	33.33

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Property, plant and equipment (continued)

The assets residual values and useful lives are reviewed and adjusted if appropriate, at the statement of financial position date.

Gains and losses on disposal of plant and machinery are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/(loss).

g) Impairment of non-financial assets.

At the end of each reporting period, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised 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 purposes 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 an impairment are reviewed for possible reversal of the impairment at each statement of financial position date.

h) Financial instruments

The Company's financial instruments includes. Trade and other receivables, Trade and other payables, Cash and cash equivalents, and Borrowings.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Trade and other payables

Trade and other payables are classified as loans and liabilities.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and at bank.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Share capital

Ordinary shares are classified as equity.

j) Taxation

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

Current tax assets and liabilities

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

Deferred tax

Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Currently enacted tax rates are used to determine deferred tax.

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

k) Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by weighted average method and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimate of the selling price in the ordinary course of the business, less the cost of completion and selling expenses.

At each reporting period inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less cost to complete and sell; the impairment loss is recognized immediately in profit or loss.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Provisions

A provision for impairment is established when there is objective evidence that the Company will not be able to collect the amounts due according to the original terms of the original receivable. Allowances for impairment are recorded in the year in which they are identified.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

The amount recognised as a provision is the best estimate of the present value of expenditures expected to be incurred to settle the obligation using a pre - tax rate that reflects the current market assessments of time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in profit or loss under finance costs.

n) Employee entitlements

Short term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Retirement benefit obligations

The company and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate.

o) Workers' Compensation Fund (WCF)

Workers' Compensation Fund (WCF) is a social security scheme established by the government responsible for compensating workers who suffer occupational injuries or contract occupational diseases arising out of and in the course of their employment.

Private entities are statutorily required to contribute 1% (up to June 2021) and thereafter 0.6% (from July 2021) of monthly employees' earnings (wage bill) to the Fund. Monthly employees' earnings (wage bill) include basic salaries plus all fixed allowances which are regularly paid along with basic salaries. The contributions are part of Company's costs and are not deducted from salaries of the employees.

Once the payment has been effected by the Company to the Fund, there is no further obligation to the Company for any claim from the employee out of the occupational injuries suffered by them.

p) Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS

	2021	2020
	TShs '000	TShs '000
1. Revenue		
Revenue from sale of goods	13,736,669	7,437,408
Export other MFG sales	493,623	157,045
Sales recoveries from domestic freight	53,590	81,512
Export to related parties	326,747	-
Sales recoveries from freight export	9,471	38,799
	14,620,099	7,714,765
2. Other income		
Sales of Scrap	19,237	-
Miscellaneous income	-	4,612
	19,237	4,612
3. Direct cost		
Loading & offloading charges	19,228	11,257
Clearing and custom processing fee	-	2,771
	19,228	14,028
4. Operating profit		
The following items have been charged in arriving at the operating profit:		
Administrative expenses	1,151,215	220,259
Other operating expenses	726,928	366,665
Selling and distribution expenses	123,947	97,771
5. Finance cost		
Bank charges	17,686	17,647
Interest charges	66,691	49,385
Foreign exchange loss/(gain) - unrealised	13,274	(6,132)
	97,652	60,900
6. Inventories		
Finished goods	1,741,293	2,588,834
Goods in transit	3,241,763	-
	4,983,056	2,588,834

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021	2020
	TShs '000	TShs '000
7. Trade and other receivables		
Trade receivables	2,218,467	1,217,308
Advance to suppliers	5,931	6,483
Other receivables - related party (Note 15(vi))	-	5,729
Receivables from related party (Note 15(iv))	3,342	197,573
Prepayments	93,200	42,657
VAT recoverable	66,663	259,107
	<u>2,387,603</u>	<u>1,728,856</u>

In the opinion of the directors, the carrying amounts of the company's trade and other receivables approximate to their fair value.

The company's credit risk arises primarily from trade receivables. The directors are of the opinion that the company's exposure is limited because the debt is widely held.

8. Deferred tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2020: 30%). The movement on the deferred tax account is as follows:

	2021	2020
	TShs '000	TShs '000
At start of year	(36,253)	(9,777)
Statement of comprehensive income (Note 9)	(20,568)	(26,476)
At end of year	<u>(56,821)</u>	<u>(36,253)</u>

Deferred tax (asset), deferred tax (credit) in the statement of comprehensive income are attributable to the following items:

	At start of year	Charge/ (Credit) to SCI	At end of year 2021
	TShs '000	TShs '000	TShs '000
Year ended 31 December 2021			
Deferred tax (asset)			
Excess depreciation over capital allowances	(38,093)	(14,746)	(52,839)
Forex unrealised	1,840	(5,822)	(3,982)
Net deferred tax (asset)	<u>(36,253)</u>	<u>(20,568)</u>	<u>(56,821)</u>
Year ended 31 December 2020			
Deferred tax (asset)			
Excess depreciation over capital allowances	(10,648)	(27,445)	(38,093)
Forex unrealised	871	969	1,840
Net deferred tax (asset)	<u>(9,777)</u>	<u>(26,476)</u>	<u>(36,253)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021	2020
	TShs '000	TShs '000
9. Tax		
Current tax	373,449	272,368
Deferred tax credit (note 8)	(20,568)	(26,476)
Tax charge	352,881	245,892

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:

Profit before tax	1,176,269	876,259
Tax calculated at a tax rate of 30% (2020: 30%)	352,881	262,878
Tax effect of:		
-Under/over provision of prior year's deferred tax	-	(16,985)
Tax charge	352,881	245,892

Tax movement

Payable at start of year	183,414	48,715
Charge for the year	373,449	272,368
Tax paid	(183,414)	(47,969)
Provisional tax paid	(350,000)	(89,700)
Payable at end of year	23,449	183,414

The normal procedure for agreeing final income tax liability in Tanzania involves the company filing its final income tax returns with the Tanzania Revenue Authority (TRA) followed by TRA performing their own review of the company's submissions and issuing their notice of income tax assessments to the company. The final income tax liability as determined by TRA after their review may differ from the liability determined by the company and procedures are in place for the company to object and appeal against such assessments. It is common that a time frame from the company's own submission of its final tax returns and for TRA performing their review and issuing of notice of final tax assessment may take several months or years.

	2021	2020
	TShs '000	TShs '000
10. Share capital		
Authorized share capital: (2019: 500,000 ordinary shares of TShs 1000 each)	500,000	500,000
Issued and fully paid: (16,002 ordinary shares of TShs 1000 each)	16,002	16,002
Advance towards share capital (note (vii))	94,834	94,834

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Property, plant and equipment

	Land TShs '000	Buildings TShs '000	Concrete fence TShs '000	Road Infrastructure TShs '000	Containerized magazines TShs '000	Furniture & fittings TShs '000	Computer & accessories TShs '000	Capital work in progress TShs '000	Total TShs '000
Year ended 31 December 2021									
Cost									
At start of year	44,860	23,676	63,721	65,774	255,104	2,194	2,148	-	457,477
Additions	-	-	-	-	-	-	-	-	-
	44,860	23,676	63,721	65,774	255,104	2,194	2,148	-	457,477
Depreciation									
At start of year	-	3,619	24,157	16,620	85,011	1,642	537	-	131,585
Charge for the year	-	1,184	7,965	8,222	63,776	549	715	-	82,411
At end of year	-	4,803	32,122	24,842	148,787	2,190	1,252	-	213,996
Net book value	44,860	18,873	31,598	40,932	106,317	4	896	-	243,481
Year ended 31 December 2020									
Cost									
At start of year	44,860	23,676	63,721	41,870	102,284	2,194	-	34,496	313,099
Additions	-	-	-	23,904	152,820	-	2,148	(34,496)	144,377
	44,860	23,676	63,721	65,774	255,104	2,194	2,148	-	457,477
Depreciation									
At start of year	-	2,435	16,192	10,640	31,228	1,093	-	-	61,587
Charge for the year	-	1,184	7,965	5,981	53,783	549	537	-	69,998
At end of year	-	3,619	24,157	16,620	85,011	1,642	537	-	131,585
Net book value	44,860	20,057	39,564	49,154	170,093	553	1,612	-	325,891

In the opinion of directors, there is no impairment in the value of property, plant and equipment.

Capital work in progress of prior year relates to construction of containerized magazines, during the prior year it was put into use and transferred to containerized magazines.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021	2020
	TShs '000	TShs '000
12. Cash and cash equivalents		
Cash in hand	113	5,368
Cash at bank	1,268,225	125,802
	<u>1,268,338</u>	<u>131,170</u>

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the above.

The company is not exposed to credit risk on cash and bank balances as these are held with sound financial institution.

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

Tanzanian Shillings	123,002	12,599
US Dollars	1,145,336	118,571
	<u>1,268,338</u>	<u>131,170</u>

13. Borrowings

The borrowings are made up as follows (note 15(i))

Non-current

Related parties	-	<u>953,475</u>
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Current

Related parties	<u>78,593</u>	<u>73,775</u>
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The purpose of the loan is to meet working capital needs. Interest is charged at the rate of 7% per annum effective from 1st July 2020 to present and have no specific terms of repayment.

14. Trade and other payables

Trade payables	36,687	17,157
Related party payables (Note 15(iv))	7,004,610	2,693,837
Advance received from customers	32,519	-
Other payables	28,463	1,948
Provision for statutory deductions	5,931	4,028
Other provision	-	9,480
Withholding tax payables	33,813	2,046
	<u>7,142,023</u>	<u>2,728,495</u>

In the opinion of the Directors, the carrying amounts of trade and other payables approximate to their fair value.

15. Related party transaction and balances

The following transactions were carried out with related parties

(i) Borrowings from related parties (note 13)

Solar Overseas Mauritius Ltd	-	953,475
Ortin Investments Limited	78,593	73,775
	<u>78,593</u>	<u>1,027,250</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Related party transaction and balances (continued)

	2021 TShs '000	2020 TShs '000
(ii) Sale of goods and services		
LVC Company Limited	-	849,275
Solar Nitrochemicals Ltd	86,941	-
Solar Explochem Zambia Limited	326,214	194,318
	413,155	1,043,593
(iii) Purchase of goods and services		
Solar Industries India Limited	1,610,918	896,832
Solar Explochem Zambia Limited	3,743,904	2,761,215
Solar Nitrochemicals Limited	104,671	-
Solar Overseas Mauritius Limited	4,237,718	-
Economic Explosives Limited	1,069,178	783,736
	10,766,387	4,441,783
(iv) Outstanding balances with related parties arising from sale and purchase with related party		
Receivables from related party (Note 7)		
LVC Company Limited	3,342	3,254
Solar Explochem Zambia Limited	-	194,318
	3,342	197,572
Payables to related parties (Note 14)		
Solar Industries India Limited	539,533	668,772
Solar Explochem Zambia Limited	2,505,380	1,583,614
Solar Overseas Mauritius Limited	3,241,763	-
Solar Nitrochemicals Limited	414,612	-
Economic Explosives Limited	303,323	441,451
	7,004,610	2,693,837
(v) Professional Services		
Solar Mining Services	366,225	-
Solar Nitrochemicals Ltd	434,464	-
	800,689	-
(vi) Other receivables (note 7)		
Solar Nitrochemicals Limited	-	5,729
(vii) Advance towards share capital (note 10)		
	94,834	94,834
(viii) Remuneration to director		
Anna Florence Godwin Kajiba	13,858	18,473
(ix) Sitting fees to director		
Anna Florence Godwin Kajiba	-	500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Cash generated from operations	2021	2020
Reconciliation of profit before tax to cash generated from operations:	TShs '000	TShs '000
Profit before tax	1,176,269	876,259
Adjustments for:		
Depreciation on property, plant and machinery (Note 11)	82,411	69,998
Interest charged	-	-
Changes in working capital:		
- Trade and other payables (note 14)	4,413,529	(968,560)
- Trade and other receivables (note 7)	(658,747)	(802,201)
- Inventories (note 6)	(2,394,222)	(115,089)
Cash generated from operations	<u>2,619,239</u>	<u>(939,593)</u>

17. Incorporation

Laghe Venture Company Limited is incorporated in Tanzania under the Companies Act 2002 as a private limited liability company and is domiciled in Tanzania.

18. Presentation currency

These financial statements are presented in thousands of Tanzanian Shillings (TShs '000).

19. Capital commitments

The company had no capital commitments as at 31st December 2021.

20. Events after reporting period

The Directors are not aware of any material event which occurred after the reporting date up to the date of this report which require adjustments to or disclosure in this financial statements.

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the company, COVID-19 may impact various parts of its future operations and financial results, including organisation's activities. Management believes the company is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated.

SCHEDULE OF EXPENSES

	2021	2020
	TShs '000	TShs '000
1. Cost of sales		
Opening stock of finished goods	2,588,834	826,205
Purchases	10,496,557	7,846,124
Direct costs (1(a))	19,228	14,028
Less: Closing stock of finished goods (note 6)	(1,741,293)	(2,588,834)
	11,363,326	6,097,523
1(a). Direct cost		
Loading & offloading charges	19,228	11,257
Clearing and custom processing fee	-	2,771
	19,228	14,028
2. Administrative expenses		
Employment costs (2(a))	131,478	76,870
Remuneration to directors	13,858	18,473
Directors' sitting fees	-	500
Printing & stationery expenses	697	972
EFD machine	-	600
Insurance charges	13,596	3,079
Repairs vehicles	127	421
Repairs others	7,082	3,448
Office staff food expenses	1,795	1,749
Site cleaning expenses	-	20,500
Legal expenses	975	180
Travelling expenses	59,011	34,690
Conveyance expenses	5,996	5,069
Telephone expenses	999	726
Audit fees	15,676	16,348
Consultancy and professional fees	887,564	26,991
Protective clothing	1,280	3,924
Stamp duty expenses	4,203	3,497
Staff welfare expenses	6,651	2,062
Information technology expenses	225	159
	1,151,215	220,259
2(a). Employment costs		
Salaries and wages	116,610	69,252
NSSF contribution	11,721	6,925
Skill and development levy	2,234	-
Workers compensation expenses	914	693
	131,478	76,870

SCHEDULE OF EXPENSES (CONTINUED)

	2021	2020
	TShs '000	TShs '000
3. Other operating expenses		
Licence and permit charges	6,213	21,615
Rent	526,227	237,838
Rates & taxes	14,321	9,996
Interest and Penalty	21,416	3,721
Pump truck expenses	81	-
City service levy	43,895	-
Postage & courier charges	324	-
Training and development expenses	602	-
Security service charges	31,438	23,497
Depreciation on property, plant and equipment	82,411	69,998
	726,928	366,665
4. Selling and distribution expenses		
Sales commission selling agents - domestic	38,559	22,578
Sales promotion expenses (export)	3,672	-
Outward delivery freight	81,717	75,193
	123,947	97,771
5. Finance cost		
Bank charges	17,686	17,647
Interest charges	66,691	49,385
Foreign exchange loss/(gain) - unrealised	13,274	(6,132)
	97,652	60,900