

SOLAR NITROCHEMICALS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS	PAGE
Company information	1
Report of the directors	2 - 4
Statement of directors' responsibilities	5
Declaration of the head of finance/accounting	6
Report of the independent auditor	7 - 9
Financial statements:	
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Statement of cash flows	13
Significant accounting policies	14 - 18
Notes to the financial statements	19 - 24
 The following pages do not form an integral part of these financial statements	
Schedule of expenses capitalized to capital work in progress "project"	25
Schedule of expenses	26

COMPANY INFORMATION

	Name	Appointment date	Age	Nationality
BOARD OF DIRECTORS	: Mr. Shaileshkumar Sanghrajka	09.01.2008	64	Kenyan
	: Mr. Milind Bhalchandra Deshmukh	26.09.2018	56	Indian
	: Mr. Ashish Kumar Srivastava	13.09.2021	58	Indian

PRINCIPAL PLACE OF BUSINESS : Plot No 176 & 177, Block E
Visagese, Coast Region
Kisarawe District
Pwani Region
Tanzania

REGISTERED OFFICE : Haile Selassie Road, Plot no. 1196
P.O. Box 12729
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

PARENT COMPANY : Solar Industries Africa Limited
Level 3, GFin Tower
42 Hotel Street, Cybercity Ebene
72201 Mauritius

ULTIMATE PARENT COMPANY : Solar Industries India Limited
"Solar" House 14, Kachimet
Amravati Road Nagpur 440023
India

BANKER : First National Bank Tanzania Limited
P.O. Box 72290
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

The company was incorporated on 09 January 2008 as a private limited company under the Tanzania Companies Act, 2002.

PRINCIPAL ACTIVITIES

The principal activity of the company is to engage and deal with the erection of an explosives manufacturing plant and to then manufacture other Chemical products.

COMPOSITION OF THE BOARD OF DIRECTORS

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

Name of Directors	Nationality	Age	Date of appointment	Date of termination
Mr Shailesh Sanghrajka	Kenyan	64	09.01.2008	-
Mr Milind Balachandra Deshmukh	Indian	56	26.09.2018	-
Mr. Ashish Kumar Srivastava	Indian	58	13.09.2021	-
Mr. Menon Suresh	Indian	61	5.09.2019	13.09.2021

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

DIRECTORS' INTEREST

The directors do not hold any direct interest in the issued and paid up share capital of the company.

SHARE CAPITAL STRUCTURE

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

Name of the shareholders	2021		2020	
	% shareholding	No. of shares held	% shareholding	No. of shares held
Solar Industries Africa Limited (Mauritius)	64.99%	152,399	64.99%	152,399
Ortin Investments Limited (UAE)	34.99%	82,061	34.99%	82,061
Mr. Kishor Bhomale	0.01%	1	0.01%	1
Mr.Rohan Suryawanshi	0.01%	1	0.01%	1
Total	100%	234,462	100%	234,462

CORPORATE GOVERNANCE

The directors believe that high standards of corporate governance directly influences the organisation's shareholders and investor confidence and the directors recognise the importance of integrity, transparency, responsibility and accountability.

RESULTS FOR THE YEAR

	2021 TShs'000	2020 TShs'000
Loss before tax	(306,436)	(416,248)
Taxation	69,303	128,167
Loss for the year	(237,133)	(288,081)

REPORT OF THE DIRECTORS (CONTINUED)

DIVIDEND

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

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 Solar Nitrochemicals Limited has adequate resources to continue its operations in the foreseeable future.

EMPLOYEES' WELFARE

Management and Employees' Relationship

The Company is 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

Solar Nitrochemicals Limited believes in building the capacity of its staff so as to enable the staff member 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 are 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 15 male employees (2020: 2).

RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are included in Note 12 of the financial statements.

REPORT OF THE DIRECTORS (CONTINUED)

FUTURE DEVELOPMENT PLAN

The company has finished setting a Detonators Assembly plant & Ammonium Nitrate - Fuel Oil (ANFO) explosive plant, which will be used in the mines. The company will service the open pit mining projects in Tanzania by supplying explosives. The initial capacity of Emulsion Matrix will be 5000 TPA & ANFO will be 6000 TPA. The company has the backing of the largest explosive manufacture in India - Solar Industries India Limited for technology and plant set up. Solar Industries India Limited is the ultimate parent company.

INDEPENDENT AUDITOR

The company's auditors, 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's 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

Date



Mr. Shaileshkumar Sanghrajka
Director

Date

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required in terms of the 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 Tanzanian 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 Tanzanian 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 endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour 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 commence its operations in 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 24, which have been prepared on the going concern basis, were authorised and approved by the board on 2022 and signed on its behalf by:



Mr. Milind Balachandra Deshmukh
Director



Mr. Shaileshkumar Sanghrajka
Director



INTERNATIONAL TAX CONSULTANTS LIMITED

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 Shamsa Ibrahim on behalf of International Tax Consultants Limited being given the Power of Attorney to review the financial statements of Solar Nitrochemicals 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 Solar Nitrochemicals Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed by:

Name: Shamsa Ibrahim

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

NBAA Membership No: GA 9188

Date:

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021 TShs'000	2020 TShs'000
Revenue	2.	104,671	-
Cost of sales		(67,868)	-
Gross profit		36,803	-
Other income	3.	686,271	103,786
Administrative expenses		(348,139)	(239,350)
Other operating expenses		(196,162)	(110,961)
Operating profit / loss	4.	178,773	(246,525)
Finance (costs)	5.	(485,209)	(169,723)
Loss before taxation		(306,436)	(416,248)
Taxation	6.	69,303	128,167
Loss for the year		(237,133)	(288,081)
Total comprehensive loss for the year		(237,133)	(288,081)

The significant accounting policies on pages 14 to 18 and the notes on pages 19 to 24 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			
Share capital	8.	2,344,620	2,344,620
Accumulated loss		(1,344,849)	(1,107,716)
Shareholders' surplus		999,771	1,236,904
Non-current liabilities			
Borrowings	15.	9,617,419	3,927,172
Lease liability	10.	128,654	128,654
		9,746,073	4,055,825
		10,745,844	5,292,730
REPRESENTED BY			
Non-current assets			
Land	19.	844,162	854,232
Right-of-use asset	18.	124,364	124,364
Deferred tax	7	197,470	128,167
Plant and equipment	17.	4,683,812	277,022
Capital work in progress	20.	4,088,593	2,416,946
Trade and other receivables	16.	431,897	1,101,196
		10,370,298	4,901,926
Current assets			
Cash and cash equivalents	13.	370,047	426,436
Trade and other receivables	16.	643,001	37,113
Inventory	14.	140,222	-
		1,153,270	463,549
Current liabilities			
Trade and other payables	9.	777,726	72,745
		777,726	72,745
Net current assets		375,545	390,804
		10,745,844	5,292,730

The financial statements on pages 10 to 24 were authorised and approved for issue by the Board of Directors on 2022 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 24 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	Accumulated loss TShs'000	Total TShs'000
Year ended 31 December 2021			
At start of the year	2,344,620	(1,107,716)	1,236,904
Total comprehensive loss for the year	-	(237,133)	(237,133)
At end of year	2,344,620	(1,344,849)	999,771
Year ended 31 December 2020			
At start of the year	1,350,020	(819,635)	530,385
Issued during the year	994,600	-	994,600
Total comprehensive loss for the year	-	(288,081)	(288,081)
At end of year	2,344,620	(1,107,716)	1,236,904

The significant accounting policies on pages 14 to 18 and the notes on pages 19 to 24 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 / (used in) operating activities	11.	413,637	(542,840)
Net cash generated from / (used in) operating activities		413,637	(542,840)
Financing activities			
Borrowings from related parties:			
Advances	15.	5,465,317	1,754,893
Effect of exchange differences	15.	15,547	(11,932)
Interest accrued	15.	209,384	105,004
Interest accrued on other borrowings		-	71,681
Net cash generated from financing activities		5,690,247	1,919,647
Investing activities			
Additions to plant and equipment	17.	(4,488,626)	(299,011)
Additions to capital work in progress	20.	(6,160,273)	(1,853,624)
Transfer from capital work in progress to plant and equipment	17.	4,488,626	-
Proceeds from issue of share capital		-	994,600
Net cash used in investing activities		(6,160,273)	(1,158,035)
Net (decrease) / increase in cash and cash equivalents		(56,390)	218,771
Movement in cash and cash equivalents			
At start of year		426,436	207,665
(Decrease) / increase		(56,390)	218,771
At end of year	13.	370,047	426,436

The significant accounting policies on pages 14 to 18 and the notes on pages 19 to 24 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. These policies have been consistently applied to the period presented, unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SME's) issued by the International Accounting Standards Board and the Companies Act of United Republic of Tanzania. The financial statements have been prepared on the historical cost basis except where otherwise stated, and incorporate the principal accounting policies set out 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 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 Tanzanian 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) Critical accounting estimates, judgments and assumptions

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) 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 judgement 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.

(ii) Useful lives of plant and equipment

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

(iii) Land

Relates to expenses incurred before obtaining the derivative rights of land.

(iv) 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 SME.

c) Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Taxation (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

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

d) Translation of foreign currencies

A foreign currency transaction is recorded, on initial recognition in US Dollars, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

The resulting differences from conversion and translation are dealt with in the statement of comprehensive income in the year in which they arise.

e) 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 payables

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

Trade and other payables are classified as financial liabilities at amortised costs.

Trade and other receivables

Trade and other receivables 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)

f) Plant and equipment

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

Any directly attributable costs to bring the asset in the condition necessary for it to be capable of operating in the manner intended by the Directors are considered as additions to plant and equipment.

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.

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

Depreciation is calculated on a straight line basis to write down the cost of each asset to its residual value using the following annual rates and basis

Item	Rate
Buildings	5%
Plant and machinery	10%
Electric installations	10%
Office equipment	25%
Furniture & fittings	25%
Computer & accessories	33.33%

g) Capital work in progress

These include expenses incurred wholly and exclusively during the year for the construction of the plant for the manufacture of explosives which are capitalized on the date of completion/ at year end whichever is earlier

h) 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.

i) Land

The development expenditure incurred on land before obtaining the derivative rights is amortised over the term of the lease of 99 years. The lease rent is classified as right of use asset as per the group requirements.

Rights of use of assets held under finance leases are recognised as assets of the Company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included under plant and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability by using the effective interest method and by reducing the carrying amount amount to reflect lease payments made. Interest charged on the lease liability is included under finance cost

k) Right of use assets

Right-of-use assets are presented as a separate line item on the statement of financial position.

- the initial amount of the corresponding lease liability
- any lease payments made at or before the commencement date
- any direct costs incurred
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right of use assets are depreciated over the shorter of lease term and useful lives of the underlying asset. Depreciation charge for each year is recognized in profit or loss unless it is included in the carrying amount of another asset.

l) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the company's activities. Revenue is shown net of sales/value-added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the company's activities.

m) Other income

Other income relates from rental of Mobile Mixing Unit (MMU) and Technical consulting services

n) Share capital

Ordinary shares are classified as equity.

o) 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) 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 0.6% from July 2021(1% previously) 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.

q) Comparatives

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

r) Export processing zone incentives

As per the Export processing zones act, Solar Nitrochemicals Limited is eligible for exemptions which includes:

- Payment of corporate tax, withholding tax on dividends, rent and interest for a initial period of 10 years.
- Remission of customs duty, value added tax, and any other tax charged on raw materials and goods of capital nature related to production in export processing zone
- Payment of all taxes and levies imposed by the local government authorities for products produced in the export processing zone for a period of 10 years.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparing the financial statements

The company has reported a loss before tax of TShs 306,436,408 (2020: TShs 416,247,632) for the year ended 31 December 2021.

The Company meets its day to day working capital requirements through its related parties which include Solar Explochem Zambia Ltd, Solar Industries Africa Ltd, Ortin Investments Ltd and Solar Overseas Mauritius Ltd. The related parties have confirmed their willingness to provide continued financial support to the Company and shall not demand repayment until the company becomes operational.

Based on these facts, the directors consider it appropriate to prepare the financial statements on a going concern basis which assumes that the company will be in operational existence for the foreseeable future.

	2021 TShs'000	2020 TShs'000
2. Revenue	<u>104,671</u>	<u>-</u>
3. Other income	<u>686,271</u>	<u>103,786</u>
4. Operating profit / loss		
The following items have been charged in arriving at operating profit / loss:		
Administrative expenses (page 26)	348,139	239,350
Other operating expenses (page 26)	<u>196,162</u>	<u>110,961</u>
5. Finance costs		
Net unrealised foreign exchange (gain)	(35,855)	(44,285)
Interest charges on borrowings	504,021	197,899
Interest cost on lease	<u>17,043</u>	<u>16,109</u>
	<u>485,209</u>	<u>169,723</u>
Exchange rate used for conversion of US Dollar balances at year end Tshs	2,297.81 (2020: 2,291.49)	
6. Taxation		
Current tax		-
Deferred tax recognised charge / (credit)	163,051	(128,167)
Previous year deferred tax recognised	<u>(232,354)</u>	<u>-</u>
Tax (credit)/charge	<u>(69,303)</u>	<u>(128,167)</u>
The tax on the company's loss before tax differs from the theoretical amount that would arise using the basic rate as follows:		
Loss before tax	<u>(306,436)</u>	<u>(416,248)</u>
Tax calculated at a tax rate of 30% (2020: 30%)	(91,931)	(124,874)
Tax effect of:		
(Under)/overprovision in prior year	-	8,783
Previous year deferred tax recognised	(232,354)	-
Deferred tax asset now recognised	<u>254,983</u>	<u>(12,076)</u>
Tax (credit)/charge	<u>(69,302)</u>	<u>(128,167)</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2021 TShs'000	2020 TShs'000
7. Deferred tax	At start of year TShs '000	Charge to SCI TShs '000	At end of year TShs '000
Deferred tax (asset) for the year 31 December 2021			
Excess of capital allowances over depreciation	15,829	204,241	220,070
Tax losses carried forward	(389,636)	(290,622)	(680,258)
Exchange gain	13,285	(2,529)	10,756
Right of use and Lease Liability	-	251,962	251,962
Net deferred tax asset	(360,521)	163,051	(197,470)
Deferred tax (asset) for the year 31 December 2020			
Excess of capital allowances over depreciation	-	15,829	15,829
Tax losses carried forward	(245,129)	(144,507)	(389,636)
Exchange gain	699	12,587	13,285
Net deferred tax asset	(244,430)	(116,091)	(360,521)
Deferred tax recognised (Note 5)		128,167	128,167
Deferred tax now recognised (Note 5)	244,430	(12,076)	232,354
8. Share capital		2021 TShs'000	2020 TShs'000
Authorised			
690,000 (2019: 690,000) ordinary shares @ TShs 10,000 each		6,900,000	6,900,000
Issued and paid			
234,462 (2019: 234,462) ordinary shares @ TShs 10,000 each		2,344,620	2,344,620
9. Trade and other payables			
Trade payables		57,121	12,497
Capital advances		684,040	-
Other payables to related party (note 12)		-	5,729
Statutory payables		17,615	9,391
Withholding tax payables		18,950	9,266
Other provisions		-	35,862
Total trade and other payables		777,726	72,745
Non-current liabilities			
10. Leases			
Lease liability		128,654	128,654

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021	2020
	TShs'000	TShs'000
11. Cash generated from / (used in) operations		
Loss before tax	(306,436)	(416,248)
Depreciation (note 17, 18 and 19)	91,904	38,325
Adjustments for:		
Changes in working capital (excluding related parties):		
- Trade and other receivables (note 16)	63,411	(207,170)
- Trade and other payables (note 9)	704,981	38,927
- Increase in right of use (note 18)	-	(125,327)
- Increase in inventory (note 14)	(140,222)	-
- Increase in lease liability (note 10)	-	128,654
Cash generated from / (used in) operations	413,637	(542,840)
12. Related party transactions and balances		
The shares of the company are held by Solar Industries Africa Limited (64.99%), Ortin Investments Limited (34.99%), Mr.Kishor Bhomale (0.01%) and Mr.Rohan Suryawanshi (0.01%).Solar Industries Africa Limited is incorporated in Mauritius and Ortin Investments Limited in UAE .		
(i) Key management		
Key management remuneration	442,245	251,023
The following transactions were carried out with related parties		
(ii) Purchase of goods and services		
Laghe Venture Company Limited	86,941	-
(iii) Sale of goods and services		
Laghe Venture Company Limited	104,671	-
(iv) Professional Services		
Professional services from Laghe Venture Company Limited	434,464	
(v) Outstanding balances with related parties arising from		
Borrowing, payables and receivables from related party		
- Borrowings from related parties (Note 15)		
Solar Explochem Zambia Limited	214,799	201,493
Ortin Investments Ltd	1,164,333	-
Solar Overseas Mauritius Limited	6,875,824	2,436,715
	8,254,957	2,638,208
- Other payables to Laghe Venture Company Limited (note 9)	-	5,729
- Trade and other receivables from related party (Note 16)		
Other receivables from Ortin Investments Limited (note 16)	1,518	1,515
Receivables from related party (note 16)	414,612	-
13. Cash and cash equivalents		
Cash balance	6,259	8,918
Bank balance	363,789	417,518
	370,047	426,436

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021	2020
	TShs'000	TShs'000
14. Inventory		
Stock of raw materials	135,783	-
Stock of semi-finished goods	4,439	-
	140,222	-
15. Borrowings		
Non-current borrowings		
Other borrowings	1,362,462	1,288,963
Borrowings from related parties (Note 12)	8,254,957	2,638,208
	9,617,419	3,927,172

Other borrowings relate to unsecured loan from Diamond Gate General Trading LLC on which interest of 6.5% is being accrued and repayment to start once the company generates revenue.

Movement of borrowing is as follows:

	Ortin Investments Ltd	Solar Explochem Zambia Ltd	Solar Overseas Mauritius Ltd	Total 2021	Total 2020
	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000
At start of year	-	201,493	2,436,715	2,638,208	790,243
Addition	1,148,255	-	4,150,490	5,298,745	1,754,893
Exchange difference	-	3,615	-	3,615	(11,932)
Interest accrued for the year	16,078	9,691	288,618	314,388	105,004
At end of year	1,164,333	214,799	6,875,824	8,254,957	2,638,208

The loan from Solar Overseas Mauritius Ltd, Ortin Investments Ltd and Solar Explochem Zambia Ltd was to finance construction of plant to manufacture explosives. Interest at the rate of 7%, 9.5% and 10% respectively was accrued on the principal amount from the date of disbursement of the loan and from July 2020 onwards interest rate for Solar Explochem Zambia Ltd and Solar Mauritius Ltd moved to 7%. Principal repayments will start upon mutual consent between the lender and borrower.

	2021	2020
	TShs'000	TShs'000
16. Trade and other receivables		
Non current asset		
Deposit	1,837	1,833
Capital advances	430,060	1,099,363
	431,897	1,101,196
Current asset		
Amount due from related party (note 12)	414,612	-
Other receivables from related party (note 11)	1,518	1,515
Advance to suppliers for goods and services	110,266	5,651
Staff advances	30	144
Prepaid expenses	8,906	21,738
VAT recoverable	107,669	8,065
	643,001	37,113
Total trade and other receivables	1,074,898	1,138,309

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Plant and equipment

31 December 2021	Buildings	Plant & machinery	Electric installation	Office equipment	Furniture & fittings	Computer & accessories	Total
	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000	TShs'000
Cost							
At start of year	-	299,011	-	-	-	-	299,011
Additions (note 20)	1,552,403	2,078,041	814,911	8,563	26,024	8,685	4,488,626
At end of year	1,552,403	2,377,053	814,911	8,563	26,024	8,685	4,787,638
Depreciation							
At start of year	-	21,989	-	-	-	-	21,989
Charge for the year	6,296	67,913	5,880	138	210	1,399	81,836
At end of year	6,296	89,902	5,880	138	210	1,399	103,825
Net book value	1,546,106	2,287,151	809,031	8,425	25,814	7,286	4,683,812
31 December 2020							
Cost							
At start of year	-	-	-	-	-	-	-
Additions	-	299,011	-	-	-	-	299,011
At end of year	-	299,011	-	-	-	-	299,011
Depreciation							
At start of year	-	-	-	-	-	-	-
Charge for the year	-	21,989	-	-	-	-	21,989
At end of year	-	21,989	-	-	-	-	21,989
Net book value	-	277,022	-	-	-	-	277,022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021	2020
	TShs'000	TShs'000
18. Right of use asset		
Right of use asset (NPV)	124,364	125,327
Less: Depreciation charge	-	(963)
	124,364	124,364
19. Land		
At start of year	854,233	869,603
Amortization	(10,071)	(15,370)
	844,162	854,233
20. Capital work in progress		
At start of year	2,416,946	563,322
Additions	6,160,273	1,853,624
Moved to plant and equipment (note 17)	(4,488,626)	-
At end of year	4,088,593	2,416,946

21 Country of incorporation

The company was incorporated on 09 January 2008 as a limited company under the Tanzania Companies Act, 2002.

22. Presentation currency

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

23. Subsequent events

Subsequent to year-end, 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 company's activities. Management has taken appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

24. Commitments

The company has finished setting up a Detonator Assembly plant & ANFO explosive plant & started manufacturing of explosives, which will be used in the mines. The company has the backing of the largest explosive manufacture in India - Solar Industries India Limited which is the ultimate parent company. The company has committed to spend USD 2 million for the ongoing project whereby their shareholders Solar Industries Africa Limited will share 64.99% of the project cost ie. USD 1,299,800, Ortin Investments Limited will share 34.99% of the project cost ie. USD 699,800 Mr.Kishor Bhomale 0.01% of the project cost ie. USD 200 and Mr.Rohan Suryawanshi 0.01% of the project cost ie. USD 200.

SCHEDULE OF EXPENSES CAPITALIZED TO CAPITAL WORK IN PROGRESS "PROJECT"

	2021	2020
	TShs'000	TShs'000
Capital work in progress project		
Expenses		
Employment		
Salaries and wages	272,083	228,273
NSSF contribution - employer contribution	27,436	22,827
Skills development levy	9,515	-
Workers compensation fund	2,263	2,283
Total employment costs	<u>311,297</u>	<u>253,383</u>
Other expenses		
Conveyance expenses	3,791	12,607
Rent	-	50,288
Professional services	70,794	67,139
Security fee	29,025	14,400
Staff welfare expenses	-	60
Travelling & accomodation expenses	6,572	16,273
Guest house expenses	-	6,775
Repairs to vehicle	-	54
Power & fuel	-	250
Construction costs attributed to project	-	31,468
Total other expenses	<u>110,182</u>	<u>199,315</u>
Total expenses capitalized to Capital work in progress	<u><u>421,479</u></u>	<u><u>452,698</u></u>

SCHEDULE OF EXPENSES

	2021	2020
	TShs'000	TShs'000
1. Cost of sale		
Opening stock of finished goods	-	-
Purchases	203,651	-
Closing stock	(135,783)	-
	67,868	-
2. Administrative expenses		
Employment		
Salaries and wages	154,670	20,682
NSSF contribution - employers contribution	15,492	2,068
Workers compensation fund	646	207
Skills development levy	3,689	-
Staff welfare expenses	7,598	4,325
Total employment costs	182,096	27,282
Other administrative expenses		
Audit fees	7,147	7,484
Donation	1,472	-
Office and miscellaneous	4,372	3,029
Printing & stationery	1,783	1,040
Factory expenses	3,995	-
Membership and subscription	2,173	311
Travelling expenses	4,293	20,303
EFD machine	-	590
Insurance charges	15,549	2,427
Bank commission charges	16,897	8,337
Legal expenses	1,094	590
Professional services	18,122	26,044
Communication	1,551	989
Security fee	15,125	2,545
Rental charges	72,470	138,380
	166,043	212,068
Total administrative expenses	348,139	239,350
3. Other operating expenses		
Maintenance charges	29,320	25,780
Visa charges	-	575
Conveyance expenses	5,262	1,002
Licenses	-	950
Rates & taxes	45,339	29,562
Repairs and maintenance	2,219	40
Stamp duty	868	7,178
Pump truck expenses	1,781	2,030
Power & fuel expenses	8,356	3,919
Repairs - vehicles	119	191
Postage & courier charges	1,019	271
Protective clothing	2,556	334
Information technology expenses	7,419	804
Depreciation - plant & equipment	67,913	21,989
Depreciation on right of use asset	10,068	16,335
Depreciation expenses	13,923	-
Total other operating expenses	196,162	110,961