



SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

TABLE OF CONTENTS

| | Page no |
|--|----------------|
| Corporate Information | 2 |
| Report by those charged with governance | 3 – 8 |
| Statement of Directors' Responsibilities | 9 |
| Declaration of Head of Finance | 10 |
| Independent Auditor's Report | 11 – 12 |
| Statement of Profit or Loss and Other Comprehensive Income | 13 |
| Statement of Financial Position | 14 |
| Statement of Changes in Equity | 15 |
| Statement of Cash Flows | 16 |
| Notes to the Financial Statements | 17 – 40 |

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

CORPORATE INFORMATION

BOARD OF DIRECTORS

| <u>Name</u> | <u>Nationality</u> |
|-------------------------------|--------------------|
| Mr. De Matres Jean Marie Paul | French |
| Mr. Daniel Emil Lang | Swiss |

REGISTERED OFFICE AND PLACE OF BUSINESS

Plot No. P22589
Salasala, Mbezi Industrial Area
P.O. Box 7079,
Dar es Salaam, Tanzania

AUDITORS

RSM Eastern Africa,
1st Floor, Plot 1040
Haile Selassie Road, Masaki
P.O. Box 79586,
Dar es Salaam, Tanzania

BANKERS

Citibank (Tanzania) Ltd
P.O Box 71625
Dar es Salaam, Tanzania

Exim Bank Tanzania Ltd
P.O. Box 1431
Dar es Salaam, Tanzania

COMPANY SECRETARY

Karimjee Attorney,
1st Floor, VIVA Tower, Ali Hassan Mwinyi Road
P.O. Box 76421
Dar es Salaam, Tanzania

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors submit their report together with the audited financial statements for the year ended 31 December 2021 which disclose the state of affairs of Sika Tanzania Construction Chemical Ltd (the "Company") as at that date.

1. INCORPORATION

The Company was incorporated on 23rd September 2015 in Tanzania under the Companies Act, 2002 as a company limited by shares and is domiciled in Tanzania. The address of the registered office is set out on page 2.

2. PRINCIPAL ACTIVITIES

The Company's principal activity is that of importing, exporting, manufacturing, distributing and selling of chemicals for construction and industrial use.

3. CORPORATE GOVERNANCE

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

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

Functions

The Board takes overall responsibility for the Company, including responsibility of 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 for compliance with sound corporate governance principles.

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

The Board is meeting at regular intervals. The Board delegates the day to day management of the business to the Country Manager and Senior management team. Senior management team on as needed basis is invited to attend the board meetings and facilitates the effective control of all the Company's operational activities as a medium of communication and coordination between all the various business units.

Composition of the board of directors

The Directors of the Company who served during the year and up to the date of this Report are:

| Name | Position | Date of birth | Qualification | Nationality | Status |
|-------------------------------|----------|---------------|--------------------------|-------------|--------|
| Mr. De Matres Jean Marie Paul | Chairman | 16.05.1966 | Area Manager Africa | French | Active |
| Mr. Daniel Emil Lang | Director | 26.02.1971 | Regional Controller EMEA | Swiss | Active |

The appointment of the directors is in line with the Memorandum and Articles of Association of the Company, as well as the requirements of the Tanzanian Companies Act, 2002. During the year, there was only one board meeting which was attended by all members of the board. There are no sub-committees apart from the main board. The board oversees the affairs of the Company in collaboration with the Country Manager.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

4. CAPITAL STRUCTURE AND CASHFLOWS

Capital Structure

The Company's capital structure for the year is shown below:

Shareholding

The shares of the Company are held as follows:

| Name of Shareholder | 2021 TZS'000 | 2020 TZS'000 |
|--|------------------|------------------|
| SIKA AG, ZUGERSTRASSE 50 CH-6340 BAAR SWITZERLAND | 5,014,712 | 5,014,712 |
| SIKA SERVICES AG TUEFFENWIES 16-22 CH-8064 ZURICH SWITZERLAND | 50,653 | 50,653 |
| | <u>5,065,365</u> | <u>5,065,365</u> |

During the period, the shareholder injected TZS 459,712,000 as an additional capital. The process to register the additional share capital with regulatory authority is still in progress and as at year end the amount has been shown as advance towards share capital.

The directors of the Company are outlined on note 3. None of the directors hold shares in the Company.

5. RESULTS AND DIVIDENDS

The net profit for the year is TZS 1,615,668,000 (2020: TZS 1,203,743,000). The directors do not recommend declaration of dividend for the year.

6. PERFORMANCE FOR THE YEAR

During the year, the Company recorded a net profit after tax of TZS 1,615,668,000 (2020: TZS 1,203,743,000), an increase of 34% as compared to previous year. This increase in profit was mainly attributed by growth of key target markets and securing important projects, which all ensured improved top line as well as bottom line. There has been an increase in overall material costs for key products and this is evidenced by the decrease in gross margin by 4.5% compared to prior year. The main reason for the increase in costs being overall supply chain disruptions as a result of COVID-19 crisis.

A summary of key performance ratios obtained from financial statements are outlined below;

| Metric | 2021 | 2020 |
|--|-------|-------|
| Revenue growth year on year | 67.5% | 25.7% |
| Material margin | 52.2% | 56.7% |
| EBITDA margin | 22.3% | 14.3% |
| EBIT margin | 18.9% | 11.8% |
| Net working capital (% of 12 months rolling sales) | 45.7% | 34.0% |

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

6. PERFORMANCE FOR THE YEAR (CONTINUED)

The decrease in gross margins was largely attributed to supply chain disruptions caused by Covid-19 which led to significant increase in cost of raw materials and freight. The negative impact of cost increase was partly compensated by sales price increase during the year.

Net working capital has been high compared to 2020 as the Company anticipated the rise in cost of raw materials due to higher logistic costs, increasing energy prices, and extremely short availability.

Improvement in EBIT is mainly due to revenue growth as well as efficiencies in cost management that have led to an increase in EBIT margin.

Compared to the budget, the Company performed well above the budget, largely due to projects that were won during the year as well as improved performance during the year. Sales were spread across key target markets. Gross margin was low compared to the budget due to supply chain disruptions that were evident during the year because of COVID-19.

7. BUSINESS OBJECTIVES AND STRATEGIES

The Company's vision is to be market leader in the development and production of systems and products for sealing, bonding, damping, reinforcing, and protecting in the building sector and motor vehicle industry. By targeting strategic pillars of market penetration, innovation, operational efficiency, sustainability as well as being driven by its strong corporate values, the Company is growing successfully.

In order to maximize shareholder value, the Company has set goals and strategies to deliver sustainable profitable growth. During the year, the board has been able to achieve strategic objectives that were set out including growth in other key target markets apart from concrete as well as developing a strong distribution platform.

8. FUTURE PROSPECTS/DEVELOPMENTS

The Company plans to further grow and diversify sales in all key target markets as well as utilise the opportunity to serve the growing construction market in Tanzania. The Company also plans to enhance further its distribution channel in the Country. The Company has a strategy 2023 which among others emphasizes on sustainability, operational efficiency which are all key to achieving a sustainable growth in the future. The Company plans to follow the strategy 2023 to achieve both its short term and long-term goals.

The Company also plans to continuously monitor supply chain disruptions and be agile in order to maintain profitability levels and ensure the Company grows in such unprecedented times.

In 2021, the Company installed a new production line which will produce mortar products. This move is expected to steer the Company to achieve its growth in building finishing target market. The event to open the new production line was graced by H.E Prime Minister Majaliwa Kassim Majaliwa.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Company is committed and remains conscious of environmental, social and governance issues and have always identified better ways of measuring the same. At Sika, sustainability has long been a core element of the Company's strategy, business operations and corporate culture. The Company's sustainability strategy is therefore linked to its corporate strategy and encompasses six targets that cover the environmental, social, governance/economic conditions. These targets were identified through the Material Analysis conducted in 2018 and contribute to eight of the 17 goals of the UN 2030 Agenda for Sustainable Development (UN SDGs).

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

Environmental

The Company has identified some key performance indicators (KPIs) which measures how the Company reduces its impact to the environment. These KPIs range from climate performance where the entity has planned to reduce carbon dioxide emission by 12%/tonne sold, energy consumption where the entity plans to reduce the level of energy consumption by 15%. The Company also plans to increase material and waste water efficiency by ensuring that there is 15% less waste generation per tonne sold and having 15% less water consumption per tonne sold. This also means that the Company introduces new solutions which are sustainable and less water consuming. All these environmental goals align to UN SDGs number 8, 11, 12 and 13 which are decent work and economic growth, sustainable cities and communities, responsible consumption and production, and climate action respectively.

Social

The Company has a number of initiatives which are societal, including diversity, employee education and training where the Company gives training to its employees in an aid to increase productivity as well as personal life, occupation health and safety where the Company plans to have 50% less accidents (the Company reported zero accidents during work for the entire year 2021), customer health and safety, human rights and labour standard, supplier compliance and local community engagement. The Company is still in line to achieve its 2023 sustainability target. All of the societal goals are linked to SDGs number 3,4,6,8 and 11 which are good health and wellbeing, quality education, clean water and sanitation, decent work and economic growth and sustainable cities and communities respectively.

Governance

The Company also has a number of governance measures including business integrity which is a core principle of the Company (acting with Integrity), customer relationship and satisfaction, sustainable solutions and innovation, product quality and reliability as well as economic performance. The Company is leading the industry by pioneering a comprehensive portfolio of customer-focused solutions, combining both high performance and improved sustainability. This is in line with SDGs number 8,9,11 and 13 which are decent work and economic growth, industry innovation and infrastructure, sustainable cities and communities, and climate action respectively.

10. COMMERCIAL AND OPERATIONAL RISKS

The global pandemic brought suffering and hardship to many people, challenging most of us in our industry. Our response to the pandemic was swift and decisive, having established 3 key priorities which were to protect our people, our business and ensuring steady availability of cash/working capital surplus.

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

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

To ensure its financial stability and profitability, the Company has implemented policies and practices for a sound and prudent management and control of the principal financial risks to which it is exposed. The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance. A summary of the risk management procedures is disclosed on page 28.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 Company's internal control system is designed to provide the Board with reasonable assurance that the procedures in place are operating efficiently. The Board assessed the internal control systems throughout the financial year ended 31 December 2021 and is of the opinion that they met accepted criteria.

12. LIQUIDITY

The Company is financed solely from its shareholder's funds. Occasionally, in case of working capital deficits and other investments, the Company seeks fund from a related party, SIKA FINANZ AG which may come in form of debt.

13. TECHNOLOGY AND INNOVATION

As a technology leader, the Company focuses on creating value for all stakeholders across the entire value chain. The Company can make the largest positive impact by developing and offering innovative technologies which allow construction and transportation industry to be more sustainable, helping customers to construct healthier and safer buildings and vehicles with a lower carbon footprint.

14. SOLVENCY

The Company's state of affairs as at 31 December 2021 is set out on page 14 of these financial statements. The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on going concern basis. The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

15. EMPLOYEE WELFARE

Management/employee relationship

The relationship between employees and management continued to be good. There were no unresolved complaints received by management from the employees.

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.

Persons with disabilities

The Company has an inclusive, non-discriminatory hiring policy and strives to accommodate the reasonable requirements of its staff.

Training facilities

The Company provides on-the-job training to all its employees in order to improve their technical skills and effectiveness. Where necessary, employees are also considered for external training courses that upgrade skills and enhance development.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

15. EMPLOYEE WELFARE (CONTINUED)

Medical assistance

Medical cover is provided to all employees.

Health and safety

A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision as necessary.

Pension contribution

The employee and employer contribute to NSSF. The Company does not contribute to any other private Pension Fund.

16. RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are included in Note 24 of the notes to the financial statements. The Company had transactions with its related parties during the period. All these transactions were carried out at an arm's length and the details are provided in notes of the financial statements.

17. POLITICAL AND CHARITABLE DONATIONS

During the period, no donations or contributions made to political and charitable institution.

18. AUDITOR

The auditors, RSM Eastern Africa, have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing their re-appointment as auditors of the Company for the year 2022 will be put to the annual general meeting. The details of the firm are put on page 1.

19. RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE


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

By order of the Board of those charged with Governance



Jean De Martres

DIRECTOR



Daniel Emil Lang

DIRECTOR

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2021

The Tanzanian Companies Act 2002 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its Statement of comprehensive income for that year. It also requires the directors to ensure that the company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

The Directors accept responsibility for the preparation and fair presentation of these financial statements, which are free from material misstatement whether due to fraud or error, that have been prepared in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act 2002. They also accept responsibility for:

- i. designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii. selecting and applying appropriate accounting policies; and
- iii. making accounting estimates and judgements that are reasonable in the circumstances

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 as at 31st December 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, 2002.

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.

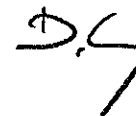
Approval of financial statements

The financial statements of Sika Tanzania Construction Chemicals Ltd, as identified in the first paragraph, were approved and authorised for issue by the Directors on July 15, 2022.



Jean De Martres

DIRECTOR



Daniel Emil Lang

DIRECTOR

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**DECLARATION OF HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 Statement of Declaration issued by the Head of Finance 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 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 paragraph of Responsibilities of the Authorized Representatives on an earlier page.

I, Morgan Mbiata being the Head of finance of Sika Tanzania Construction Chemicals Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2021 have been prepared in compliance with International Financial Reporting standards and statutory requirements.

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

Signature: 

NBAA Membership No. GA 3299

Date: 15-07-2022

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

We have audited the financial statements of Sika Tanzania Construction Chemicals Limited (the "Company"), set out on pages 13-40, which comprise the Statement of Financial Position as at 31st December 2021, and the Statement of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Tanzanian Companies Act, 2002.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with ethical responsibilities that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, 2002 and for such internal control as the directors determine 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, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF
SIKA TANZANIA CONSTRUCTION CHEMICALS LTD**

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We 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 our 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.


We 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 we identify during our audit.

Report on other legal requirements

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Tanzanian Companies Act, 2002 and not for any other purpose.

As required by the Tanzanian Companies Act, 2002, we report to you, based on our audit, that:

- we obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- the report of the directors is consistent with the financial statements;
- in our opinion, proper accounting records have been kept by the Company, so far as appears from our examination of those records;
- the Company's statement of financial position and profit or loss and other comprehensive income are in agreement with the accounting records; and
- information specified by the law regarding directors' remuneration and transactions with the is appropriately disclosed.


Prabhjot Kaur
FCPA No. 1619
For and on behalf of RSM Eastern Africa
Certified Public Accountants



15th July 2022
Dar es Salaam
Ref no. 103/2022

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Note | 2021 TZS'000 | 2020 TZS'000 |
|---|---------|--------------------------------|--------------------------------|
| Sales | 7 | 15,623,673 | 9,327,079 |
| Cost of Sales | 8 | <u>(8,498,022)</u> | <u>(4,808,035)</u> |
| Gross results | | <u>7,125,651</u> | <u>4,519,044</u> |
| Personnel Expenses | 9 | (2,371,033) | (1,900,153) |
| Other Operating Expenses | 10 | <u>(1,275,975)</u> | <u>(1,285,012)</u> |
| Operating Profit before depreciation | | 3,478,643 | 1,333,879 |
| Depreciation and amortisation expenses | 6&21(b) | <u>(518,881)</u> | <u>(235,176)</u> |
| Operating Profit | | <u>2,959,762</u> | <u>1,098,703</u> |
| Interest Expenses | 11 | (629,694) | (237,910) |
| Other financial costs | 12 | <u>(32,544)</u> | <u>(54,590)</u> |
| Profit before taxes | | <u>2,297,524</u> | <u>806,203</u> |
| Income taxes (charge)/credit | 13(c) | <u>(681,856)</u> | <u>397,540</u> |
| Profit after taxes | | <u><u>1,615,668</u></u> | <u><u>1,203,743</u></u> |

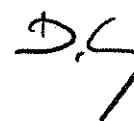
Approval of financial statements

The financial statements of Sika Tanzania Construction Chemicals Ltd were approved and authorised for issue by the Board of Directors on July 15, 2022 and signed on its behalf by:



Jean De Martres

DIRECTOR



Daniel Emil Lang

DIRECTOR

Notes and related statements forming part of these financial statements appear on pages 17 to 40.

Report of the Auditor's – pages 11 to 12.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

| | Notes | 2021 TZS'000 | 2020 TZS'000 |
|---|-------|--------------------------|--------------------------|
| ASSETS | | | |
| Cash and cash equivalent | 17 | 382,982 | 456,223 |
| Accounts receivable | 15 | 4,641,122 | 2,317,213 |
| Inventories | 14 | 4,919,895 | 1,478,975 |
| Income tax receivable | 13(b) | 261,272 | 290,545 |
| Prepaid expenses and accrued income | 16 | <u>626,569</u> | <u>520,553</u> |
| Current assets | | 10,831,840 | 10,363,509 |
| Property, plant, and equipment | 6(a) | 3,182,843 | 2,236,910 |
| Intangible assets | 6(b) | 157,430 | - |
| Leased assets | 21(b) | 5,084,491 | 5,300,000 |
| Deferred tax asset | 13(a) | <u>44,126</u> | <u>485,510</u> |
| Total non-current assets | | 8,468,890 | 2,722,420 |
| Total assets | | <u>19,300,730</u> | <u>13,085,929</u> |
| | | | |
| Accounts payable | 18 | 5,588,312 | 1,544,420 |
| Accrued expenses and deferred income | 19 | 369,002 | 380,896 |
| Lease Liabilities | 21(a) | 5,237,510 | 5,139,380 |
| Financial liabilities | 23 | 2,302,637 | 2,318,348 |
| Provisions | 22 | <u>421,498</u> | <u>396,496</u> |
| Current liabilities | | 13,918,959 | 9,779,540 |
| Non-current liability | | <u>-</u> | <u>-</u> |
| Total liabilities | | 13,918,959 | 9,779,540 |
| Total liabilities | | | |
| Share capital | | 5,065,365 | 5,065,365 |
| Advance towards share capital | | 459,712 | - |
| Accumulated losses | | <u>(143,306)</u> | <u>(1,758,976)</u> |
| Shareholders' equity | | 5,381,771 | 3,306,389 |
| Liabilities and shareholders' equity | | <u>19,300,730</u> | <u>13,083,956</u> |

Approval of financial statements

The financial statements of Sika Tanzania Construction Chemicals Ltd were approved and authorised for issue by the Board of Directors on July 15, 2022 and signed on its behalf by:



Jean De Matres
DIRECTOR



Daniel Emil Lang
DIRECTOR

Notes and related statements forming part of these financial statements appear on pages 17 to 40.
 Report of the Auditor's – pages 11 to 12.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Share capital | Advance towards share capital | Accumulated losses | Total |
|---|------------------|--|-----------------------|------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> | <u>TZS'000</u> | <u>TZS'000</u> |
| Balance as at 1 January 2020 | 3,459,305 | - | (2,962,719) | 496,586 |
| Comprehensive income | | | | |
| Profit for the year | - | - | 1,203,743 | 1,203,743 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | - | - | <u>1,203,743</u> | <u>1,203,743</u> |
| Issue of ordinary shares | <u>1,606,060</u> | - | - | <u>1,606,060</u> |
| Balance as at 31 December 2020 | <u>5,065,365</u> | - | <u>(1,758,976)</u> | <u>3,306,389</u> |
| Balance as at 1 January 2021 | 5,065,365 | - | (1,758,976) | 3,306,389 |
| Comprehensive income | | | | |
| Profit for the year | - | - | 1,615,668 | 1,615,668 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the year | - | - | <u>1,615,668</u> | <u>1,615,668</u> |
| Advance towards share capital | - | 459,712 | - | 459,712 |
| Balance as at 31 December 2021 | <u>5,065,365</u> | <u>459,712</u> | <u>(143,306)</u> | <u>5,381,771</u> |

Notes and related statements forming part of these financial statements appear on pages 17 to 40.

Report of the Auditor's – pages 11 to 12.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Note | 2021 TZS'000 | 2020 TZS'000 |
|---|-------------|-------------------------|-------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 2,297,524 | 806,203 |
| Adjustments for: | | | |
| - Depreciation and amortisation | 6(a)&6(b) | 305,424 | 199,606 |
| - Amortisation of right of use | 21(b) | 213,458 | 35,570 |
| - Loss/(gain) on disposal of fixed assets | | 84 | (1,151) |
| - Interest expense on loans and lease liability | 11 | 629,694 | 237,910 |
| - Foreign exchange loss on revaluation of loans | | (54,862) | 19,459 |
| - Allowance for doubtful debts | 5(b) | (8,017) | 174,914 |
| - Provision for obsolete stock | | 3,316 | (68,115) |
| | | 3,386,621 | 1,404,396 |
| Working capital changes: | | | |
| - Increase in Inventories | | (2,960,616) | (487,532) |
| - Increase in trade and other receivables | | (2,761,033) | (639,621) |
| - Increase in trade and other payables | | 3,936,096 | 308,333 |
| Cash generated from operations | | 1,601,068 | 585,576 |
| Income tax paid | 13(b) | (211,199) | (322,755) |
| Interest Paid | | (377,519) | (239,219) |
| Net cash generated in operating activities | | 1,012,350 | 23,602 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | 6(a) | (1,257,858) | (1,385,776) |
| Acquisition of intangible assets | 6(b) | (166,691) | - |
| Proceeds from disposal of fixed assets | | 15,678 | 6,779 |
| Net cash used in investing activities | | (1,408,871) | (1,378,997) |
| CASHFLOW FROM FINANCING ACTIVITIES | | | |
| Repayment of lease liability-principal | 21 | (136,432) | (196,190) |
| Issue of additional share capital | | 459,711 | 1,606,060 |
| Net cash generated from financing activities | | 323,280 | 1,409,870 |
| Net movement in cash and cash equivalents | | (73,241) | 54,475 |
| Cash and cash equivalents at the beginning of the year | | 456,223 | 401,748 |
| Cash and cash equivalents at the end of the year | | 382,982 | 456,223 |

Notes and related statements forming part of these financial statements appear on pages 17 to 40.

Report of the Auditor's – pages 11 to 12.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

1. GENERAL INFORMATION

Sika Tanzania Construction Chemicals Limited ("The Company") is incorporated in Tanzania on 23rd September 2015 under the Companies Act, 2002 as a limited liability company and it is domiciled in Tanzania. The principal activity of the company is disclosed in the Directors Report.

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Tanzanian Companies Act, 2002.

(b) Basis of measurement

The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

(c) Functional and presentation currency

The financial statements are presented in Tanzanian Shillings (TZS), which is the Company's functional currency. All amounts have been rounded to the nearest thousand (TZS'000), unless otherwise indicated.

(d) Use of estimates and judgments

In preparing these financial statements, management has made judgements and estimates 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 recognized prospectively.

Critical estimates for the company include the following;

- i. Determination on useful life and depreciation charge for items of property, plant and equipment as described in note 4 (c), and amortization of intangible assets as described in note 4(m)
- ii. Allowance for doubtful debts as described in note 4(g),
- iii. Recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilized as described in note 4(j)

3. NEW STANDARDS OR AMENDMENTS FOR 2021 AND FORTH COMING REQUIREMENTS

A number of amendments have been issued by the IASB, effective for periods commencing on or after 1 January 2022. These pronouncements are not expected to have a material impact on these financial statements.

New accounting pronouncements effective on 1 January 2021

The following new accounting pronouncements, none of which were considered by the Company as significant on adoption, were adopted by the Company to comply with amendments to IFRS:

- Amendments to IFRS 16 relating to COVID-19 Related rental concessions.
- Amendment to IFRS 16 relating to COVID-19 Related rent concessions beyond 30 June 2021.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2.

None of the above standards had material impact to the Company.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

3. NEW STANDARDS OR AMENDMENTS FOR 2021 AND FORTH COMING REQUIREMENTS (CONTINUED)

New accounting pronouncements effective on 1 January 2022

- Amendments to IFRS 3 relating to the reference to the Conceptual Framework;
- Amendments to IAS 16 relating to proceeds before intended use;
- Amendments to IAS 37 relating to costs of fulfilling a contract;
- Amendments to IFRS 1 relating to a subsidiary as a first-time adopter;
- Amendments to IFRS 9 relating to fees in the '10 per cent' test for derecognition of financial liabilities;
- Annual Improvements to IFRS Standards 2018-2020.

New accounting pronouncements to be adopted on or after 1 January 2023

- Amendments to IAS 1 relating to the classification of liabilities as current or non-current;
- Amendments to IAS 8 relating to definition of accounting estimates;
- Amendments to IAS 1 and IFRS Practice Statement 2 relating to disclosure of accounting policies; and
- Amendments to IAS 12 relating to deferred tax associated with assets and liabilities arising from a single transaction.

The Company continues to assess the impact of these new accounting pronouncements; the changes are not expected to have a material impact on the income statement, statement of financial position or cash flow statement

4. 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 all years presented, unless otherwise stated.

(a) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good to the customer. For goods delivered to customers, revenue is recognised when such goods have been delivered and control has been passed onto customers with delivery note signed by the customer. For goods collected at office warehouse, revenue is recognised immediately after being issued to the customers.

(b) Functional currency and translation of foreign currencies

Transactions are recorded on initial recognition in Tanzanian Shillings, being the currency of the primary economic environment in which the company operates (the functional currency). Transactions in foreign currencies are converted into Tanzanian Shillings using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

(c) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

(c) Property, plant and equipment (continued)

Any gain or loss on disposal of an item of property, plant and equipment is recognized in the Statement of Comprehensive Income.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

All other repairs and maintenance costs are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

| | |
|---|----------|
| • Furniture and fixtures | 6 years |
| • Laboratory and small equipment | 4 years |
| • IT Hardware | 3 years |
| • Motor Vehicles | 4 years |
| • Heavy machinery and factory equipment | 10 years |
| • Infrastructure | 15 years |
| • Buildings | 25 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Property, plant and equipment 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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(d) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the open market less any selling expenses.

(e) Financial Instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provision of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(i) Recognition and initial measurement(continued)

that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income) FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at Fair Value through Profit & Loss (FVTPL);

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

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL;

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms 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 equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets-Business model assessment

The company assesses the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (Continued)

(ii) Classification and subsequent measurement(continued)

Financial assets-Business model assessment(continued)

- the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the company's management.

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on fair value basis are measured at FVTPL.

Financial assets: Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

The company classifies its financial assets into trade receivables, other receivables and cash and cash equivalent. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities-Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) De-recognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows 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 asset 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.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognized in profit or loss.

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(f) Share capital

Ordinary shares are classified as equity.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment

(a) Non-derivative financial assets

Financial instruments and contract assets

The Company recognizes loss allowances for Expected Credit Loss (ECL) on:

- Financial assets measured at amortised cost

The Company measures loss allowance at an amount equal to lifetime ECLs. Loss allowance for trade receivable are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. 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:

- significant financial difficulty of the borrower or issuer;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or another financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in Other Comprehensive Income (OCI).

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (Continued)

(a) Non-derivative financial assets (Continued)

Write off (continued)

of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. Judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Reversal of impairment

For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

For available for sale debt security: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI. Any subsequent recovery in the fair value of an impaired available for sale equity security was always recognised in OCI.

(b) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Unit (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill (if any) allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(h) Employee benefits

Post-employment benefits

The Company makes statutory Contributions to the National Social Security Fund (NSSF). The Company's obligations in respect of contributions to such funds are 10% of the employees' gross emoluments.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee benefits (continued)

The Company's contributions to the fund are charged to the Statement of profit or loss and other comprehensive Income in the year to which they relate. The Company has no further obligation once the contributions have been paid.

Other entitlements

The estimated monetary liability for employee accrued leave entitlement at the balance sheet date is recognised as an expense accrual.

(j) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans.

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 realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(l) Leases

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

Company acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component because of its relative stand-alone price.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the 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 using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leases (Continued)

Short term leases and leases of low value assets.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases including guesthouse rent. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(m) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using straight line method over the estimated useful lives and is generally recognised in profit or loss. Estimated useful life of intangible assets is 3 years.

Useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the company does not hedge any risks.

Risk management is carried out under policies approved by the Board of Directors.

Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(a) Foreign exchange risk

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

Exposure to currency risk for foreign denominated amounts in the following classes of financial instruments; disclosure around market risk also relates to sensitivity analysis of the type of market risk – currency risk, showing how the income profit or loss and equity would have been affected by reasonably possible changes in the relevant risk variable at the year-end date.

| TZS'000 | 31 December 2021 | | | | |
|---------------------------|--------------------|------------------|------------------|------------------|--------------------|
| | USD | EUR | CHF | ZAR | Total |
| Accounts receivables | 1,609,589 | - | - | - | 1,609,589 |
| Cash and cash equivalents | 130,063 | - | - | - | 130,063 |
| Loan from SIKA | (2,302,637) | - | - | - | (2,302,637) |
| Accounts payable | (3,864,629) | (337,476) | (739,684) | (149,803) | (5,091,592) |
| Net exposure | (4,427,614) | (337,476) | (739,684) | (149,803) | (5,654,577) |

| TZS'000 | 31 December 2020 | | | | |
|---------------------------|--------------------|------------------|------------------|------------------|--------------------|
| | USD | EUR | CHF | ZAR | Total |
| Accounts receivables | 1,265,288 | - | - | - | 1,265,288 |
| Cash and cash equivalents | 190,672 | - | - | - | 190,672 |
| Loan from SIKA | (2,318,348) | - | - | - | (2,318,348) |
| Accounts payables | (878,042) | (345,581) | (258,552) | (101,301) | (1,583,476) |
| Net exposure | (1,740,430) | (345,581) | (258,552) | (101,301) | (2,445,864) |

The rate of exchange as at 31 December 2021 is USD 1 = TZS 2,304.44 (2020: USD 1 = TZS 2,318.42), CHF 1=TZS 2,525.52 (2020: CHF 1=TZS 2,633.58), EUR 1=TZS 2,610.16 (2020: EUR 1=TZS 2,844.80), ZAR 1=TZS 144.51 (2020: ZAR 1=TZS 157.85).

Sensitivity analysis

A reasonably strengthening(weakening) of EUR, CHF, USD, and ZAR against the local currency at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

This analysis assumes that all other variables remain constant and ignores any impact of forecast sales and purchases.

| Effect in TZS'000 | 31 December 2021 | | | |
|-------------------|------------------|-----------|---------------------|-----------|
| | Profit or loss | | Equity (net of tax) | |
| | Strengthening | Weakening | Strengthening | Weakening |
| EUR (10%) | (33,748) | 33,748 | (23,624) | 23,624 |
| USD (10%) | (447,739) | 447,739 | (313,417) | 313,417 |
| CHF (10%) | (73,968) | 73,968 | (51,778) | 51,778 |
| ZAR (10%) | (14,980) | 14,980 | (10,486) | 10,486 |

| Effect in TZS'000 | 31 December 2020 | | | |
|-------------------|------------------|-----------|---------------------|-----------|
| | Profit or loss | | Equity (net of tax) | |
| | Strengthening | Weakening | Strengthening | Weakening |
| EUR (10%) | (34,558) | 34,558 | (24,191) | 24,191 |
| USD (10%) | (174,043) | 174,043 | (121,830) | 121,830 |
| CHF (10%) | (25,855) | 25,855 | (18,099) | 18,099 |
| ZAR (10%) | (10,130) | 10,130 | (7,091) | 7,091 |

(b) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables from customers.

The Company does not have any significant concentrations of credit risk. The management assesses the credit quality of each customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilization of credit limits is regularly monitored.

Category of trade and other receivables as defined by IFRS 9, analyzing the carrying amounts – similar to their fair values at the reporting date and showing maximum exposure to credit risk, if different from carrying amount.

| | At 31 December 2021 | | At 31 December 2020 | |
|---------------------------|---------------------|-------------------------|---------------------|-------------------------|
| | Amortised cost | Exposure to credit risk | Amortised cost | Exposure to credit risk |
| | <u>TZS'000</u> | <u>TZS'000</u> | <u>TZS'000</u> | <u>TZS'000</u> |
| Cash at bank | 369,581 | 369,581 | 447,671 | 447,671 |
| Accounts receivables | 4,338,185 | 4,338,185 | 2,311,313 | 2,311,313 |
| Prepaid exp& accr. income | 500,180 | 500,180 | 386,801 | 386,801 |
| | <u>5,207,946</u> | <u>5,207,946</u> | <u>3,145,785</u> | <u>3,145,785</u> |

The aging of trade receivables at the financial reporting date was as follows:

| | Loss rate (%) | 2021 | 2020 |
|---------------------------------|---------------|------------------|------------------|
| | | <u>TZS'000</u> | <u>TZS'000</u> |
| Current (Not overdue) | 0.2% | 2,700,592 | 1,319,896 |
| Past due 1 – 30 days | 1.5% | 907,276 | 634,667 |
| Past due 31 – 60 days | 5% | 271,301 | 83,185 |
| Past due 61-120 days | 12% | 226,802 | 212,990 |
| Past due 121-180 days | 27% | 166,514 | 26,831 |
| Past due 181-360 days | 70% | 107,205 | 89,757 |
| Past due 361-720 days | 70% | 56,607 | 153,331 |
| Past due more than 720 days | 70% | 4,071 | 15,733 |
| Total gross account receivables | | <u>4,440,368</u> | <u>2,536,390</u> |
| Less: Impairment provision | | <u>(222,137)</u> | <u>(230,154)</u> |
| | | <u>4,218,231</u> | <u>2,306,236</u> |

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

The above classification reflects the timing at which the respective customers in the database made payments. This does not necessarily imply consistency of payments from the respective customers based on the contractual terms.

The movement in the allowance for impairment in respect of the trade debtors during the year is indicated below.

| | 2021 TZS '000 | 2020 TZS '000 |
|---------------------------------|------------------|------------------|
| Opening balance as at 1 Jan | 230,154 | 55,240 |
| (Release)/additional Impairment | (8,017) | 174,914 |
| Write offs | - | - |
| Closing Balance | 222,137 | 230,154 |

The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort applicable for the Company. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information where applicable.

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. It is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the company's liquidity reserve based on expected cash flows.

Maturity profile of non-derivative financial liabilities based on the contractual cash flows, "undiscounted" including interest and excluding impact of netting is as follows:

| At 31 December 2021 | Carrying amount TZS'000 | Contractual cash flow TZS'000 | Within 1 year TZS'000 | 1 year and above TZS'000 |
|---|-------------------------------|-------------------------------------|--------------------------|--------------------------------|
| Non-derivative financial liabilities | | | | |
| Accounts Payable | 5,588,312 | 5,588,312 | 5,588,312 | - |
| Accr. expenses & deferred Income | 243,906 | 243,906 | 243,906 | - |
| Lease liability | 5,237,510 | 5,494,408 | 5,494,408 | - |
| Loan from SIKA | 2,302,637 | 2,302,637 | 2,302,637 | - |
| Provisions for expenses | 342,342 | 342,342 | 342,342 | - |
| | 13,714,707 | 13,971,605 | 13,971,605 | - |

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

| At 31 December 2020 | Carrying amount <u>TZS'000</u> | Contractual cash flow <u>TZS'000</u> | Within 1 year <u>TZS'000</u> | 1 year and above <u>TZS'000</u> |
|---|--------------------------------------|--|---------------------------------|---------------------------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Accounts Payable | 1,631,848 | 1,631,848 | 1,631,848 | - |
| Accr. expenses & deferred Income | 290,939 | 290,939 | 290,939 | - |
| Lease Liability | 5,139,380 | 5,566,000 | 5,566,000 | - |
| Loan from SIKA | 2,318,348 | 2,318,348 | 2,318,348 | - |
| Provisions for expenses | 313,879 | 313,879 | 313,879 | - |
| | <u>9,694,394</u> | <u>10,121,014</u> | <u>10,121,014</u> | <u>-</u> |

(d) Interest rate profile

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows.

| Fixed rate Instruments | 2021 <u>TZS'000</u> | 2020 <u>TZS'000</u> |
|------------------------------|------------------------|------------------------|
| <u>Financial assets</u> | | |
| | - | - |
| <u>Financial liabilities</u> | | |
| Loan from SIKA | 2,302,637 | 2,318,348 |
| Lease liabilities | 5,237,510 | 5,139,380 |
| Net exposure | <u>7,540,147</u> | <u>7,457,728</u> |

The Company does not hold financial instruments with variable interest rates.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

6. (a) PROPERTY, PLANT AND EQUIPMENT

| Cost | Infrastructure TZS'000 | Heavy Machinery and Factory Equipment TZS'000 | Furniture and Fixtures TZS'000 | Laboratory and small equipment TZS'000 | IT Hardware TZS'000 | Motor vehicles TZS'000 | Plant under construction TZS'000 | Total TZS'000 |
|---------------------------------|---------------------------|---|---|---|------------------------|------------------------------|--|------------------|
| At 1 January 2020 | 201,043 | 583,193 | 12,252 | 231,334 | 136,507 | 256,166 | - | 1,420,495 |
| Additions | 1,078,859 | 167,032 | 90,092 | 12,860 | 36,933 | - | 262,856 | 1,648,632 |
| Disposal | - | - | - | - | (996) | (18,574) | - | (19,570) |
| At 31 December 2020 | <u>1,279,902</u> | <u>750,225</u> | <u>102,344</u> | <u>244,194</u> | <u>172,444</u> | <u>237,592</u> | <u>262,856</u> | <u>3,049,557</u> |
| At 1 January 2021 | 1,279,902 | 750,225 | 102,344 | 244,194 | 172,444 | 237,592 | 262,856 | 3,049,557 |
| Additions | 20,356 | 1,016,085 | 9,919 | 179,751 | 31,747 | - | - | 1,257,858 |
| Transfers | - | 262,856 | - | - | - | - | (262,856) | - |
| Disposal | - | - | - | - | - | (45,000) | - | (45,000) |
| At 31 December 2021 | <u>1,300,258</u> | <u>2,029,166</u> | <u>112,263</u> | <u>423,945</u> | <u>204,191</u> | <u>192,592</u> | <u>-</u> | <u>4,262,415</u> |
| Accumulated depreciation | | | | | | | | |
| At 1 January 2020 | 37,502 | 156,239 | 4,021 | 142,138 | 105,588 | 181,494 | - | 626,982 |
| Charge for the year | 19,541 | 62,054 | 3,433 | 57,519 | 27,173 | 29,886 | - | 199,606 |
| Disposal | - | - | - | - | (380) | (13,561) | - | (13,941) |
| At 31 December 2020 | <u>57,043</u> | <u>218,293</u> | <u>7,454</u> | <u>199,657</u> | <u>132,381</u> | <u>197,819</u> | <u>-</u> | <u>848,217</u> |
| At 1 January 2021 | 57,043 | 218,293 | 7,454 | 199,657 | 132,381 | 197,819 | - | 848,217 |
| Charge for the year | 85,666 | 112,480 | 18,484 | 35,756 | 27,214 | 16,563 | - | 296,163 |
| Disposal | - | - | - | - | - | (29,238) | - | (29,238) |
| At 31 December 2021 | <u>142,709</u> | <u>330,773</u> | <u>25,938</u> | <u>235,413</u> | <u>159,595</u> | <u>185,144</u> | <u>-</u> | <u>1,079,572</u> |
| Net book value | | | | | | | | |
| At 31 December 2020 | <u>1,222,859</u> | <u>531,932</u> | <u>94,890</u> | <u>44,537</u> | <u>40,063</u> | <u>39,773</u> | <u>262,856</u> | <u>2,236,910</u> |
| At 31 December 2021 | <u>1,157,549</u> | <u>1,698,393</u> | <u>86,325</u> | <u>188,532</u> | <u>44,596</u> | <u>7,448</u> | <u>-</u> | <u>3,182,843</u> |

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

6. (b) INTANGIBLE ASSETS

| | 2021 | 2020 |
|-----------------|-----------------------|-----------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Opening balance | - | - |
| Additions | 166,691 | - |
| Amortisation | (9,261) | - |
| | <u>157,430</u> | <u>-</u> |

7. SALES

| | 2021 | 2020 |
|----------------------|--------------------------|-------------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Sales Sika Companies | 134,510 | 5,031 |
| sales third parties | 15,489,163 | 9,322,048 |
| | <u>15,623,673</u> | <u>9,327,079</u> |

8. COST OF SALES

| | 2021 | 2020 |
|--|-------------------------|-------------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Opening stock | 1,155,854 | 926,486 |
| Add: Purchases | 10,749,760 | 4,333,640 |
| Add/(Less): Obsolete stock movement | 3,316 | (68,115) |
| Less: Closing stock excluding inventory in transit (Note 14) | 4,439,593 | 1,155,854 |
| | <u>7,469,337</u> | <u>4,036,157</u> |
| <u>Add: Direct Cost</u> | | |
| Rent | 62,910 | 314,305 |
| Energy and utilities | 331,021 | 135,350 |
| Distribution costs | 634,754 | 322,223 |
| | <u>8,498,022</u> | <u>4,808,035</u> |

9. PERSONNEL EXPENSES

| | 2021 | 2020 |
|-------------------------------|-------------------------|-------------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Salaries | 1,630,165 | 1,240,014 |
| Pension costs | 193,482 | 143,185 |
| Skills and Development levy | 59,790 | 53,411 |
| Other personnel related costs | 487,596 | 463,543 |
| | <u>2,371,033</u> | <u>1,900,153</u> |

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

10. OTHER OPERATING EXPENSES

| | 2021 | 2020 |
|-------------------------------|-------------------------|-------------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Marketing and promotion costs | 389,564 | 207,169 |
| Professional fees | 48,259 | 61,914 |
| Audit fees | 17,363 | 8,103 |
| Bad debt (release)/expense | (8,017) | 174,914 |
| Other administration expenses | 828,806 | 832,912 |
| | <u>1,275,975</u> | <u>1,285,012</u> |

11. INTEREST EXPENSES

| | 2021 | 2020 |
|----------------------------------|-----------------------|-----------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Interest expense-Lease liability | 468,181 | 79,810 |
| Interest expense-SIKA Companies | 161,513 | 158,100 |
| | <u>626,694</u> | <u>237,910</u> |

12. OTHER FINANCIAL EXPENSES

| | 2021 | 2020 |
|--------------------------|-----------------------|-----------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Foreign exchange loss | 20 | 19,702 |
| Other financial expenses | 32,524 | 34,888 |
| | <u>32,544</u> | <u>54,590</u> |

13. INCOME TAX

(a) Deferred tax

Deferred tax is calculated using the enacted income tax rate of 30% (2020: 30%). The movement in the deferred tax account is as follows:

| | 2021 | 2020 |
|--|------------------------|-------------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| At the beginning of the year | (485,510) | 17,382 |
| Deferred tax charge/(credit) during the year | 441,384 | (502,892) |
| At the end of the year (asset) | <u>(44,126)</u> | <u>(485,510)</u> |

The deferred tax (asset)/liability arises from:

| | | |
|---|-------------------------|---------------------------|
| Excess of book value over tax carrying value for an item of P.P.E | 476,852 | 259,193 |
| IFRS 16 adjustment | (199,018) | (69,380) |
| Provisions | (424,921) | (394,718) |
| Carried forward tax losses | - | (1,413,460) |
| Total giving rise to deferred tax (asset)/ liability | <u>(147,087)</u> | <u>(1,618,365)</u> |
| Deferred tax (asset) at 30% | <u>(44,126)</u> | <u>(485,510)</u> |

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

13. INCOME TAX(CONTINUED)

(b) Income tax receivable

| | 2021 | 2020 |
|--|------------------------|------------------------|
| | <u>TZS '000</u> | <u>TZS '000</u> |
| Tax recoverable | | |
| At beginning of year | 290,545 | 73,142 |
| Withholding tax receivable (during the year) | 5,544 | 447 |
| Income tax paid during the year | 205,655 | 322,308 |
| Current taxation charge for the year | <u>(240,472)</u> | <u>(105,352)</u> |
| At end of year | <u>261,272</u> | <u>290,545</u> |

(c) Tax expense

| | 2021 | 2020 |
|--|-----------------------|-------------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Current tax charge at 30% of tax-adjusted profit | 240,472 | 105,352 |
| Deferred tax charge/(credit) – see note 13 (a) | <u>441,384</u> | <u>(502,892)</u> |
| | <u>681,856</u> | <u>(397,540)</u> |

Reconciliation of accounting profit to tax expense

| | 2021 | 2020 |
|---|-----------------------|-------------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Profit before tax | 2,297,524 | 806,203 |
| Theoretical tax expense (30%) | (689,257) | (241,861) |
| Tax expense as per books | <u>(681,856)</u> | <u>(397,540)</u> |
| Difference to reconcile | 7,401 | (639,401) |
| -Tax effect of non-deductible expenses | 18,898 | 80,911 |
| -Tax effect of under provision of prior year deferred tax | (26,299) | (748,584) |
| -70% restricted utilization of loss b/f | - | 105,352 |
| -Others | - | (77,080) |
| Total reconciling items | <u>7,401</u> | <u>(639,401)</u> |

The tax affairs of the Company are subject to agreement with the Tanzania Revenue Authority (TRA).

14. INVENTORIES

| | 2021 | 2020 |
|----------------------|-------------------------|-------------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Packing materials | 70,785 | 13,698 |
| Finished goods | 1,053,053 | 267,545 |
| Raw materials | 3,315,755 | 874,611 |
| Inventory in transit | <u>480,302</u> | <u>323,121</u> |
| | <u>4,919,895</u> | <u>1,478,975</u> |

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

15. ACCOUNTS RECEIVABLE

| | 2021 | 2020 |
|--------------------------------------|-------------------------|-------------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Trade receivables (Gross) | 4,440,368 | 2,536,390 |
| Allowance for doubtful debts | (222,137) | (230,154) |
| Trade receivable (Net) | <u>4,218,231</u> | <u>2,306,236</u> |
| Account receivables(non-trade) | 302,937 | 5,900 |
| Account receivables (Sika Companies) | 119,954 | 5,077 |
| | <u>4,641,122</u> | <u>2,317,213</u> |

16. PREPAID EXPENSES AND ACCRUED INCOME

| | 2021 | 2020 |
|---|-----------------------|-----------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Prepayments to suppliers | 500,180 | 386,801 |
| Other prepaid expenses and accrued income | 126,389 | 133,752 |
| | <u>626,569</u> | <u>520,553</u> |

17. CASH AND CASH EQUIVALENT

| | 2021 | 2020 |
|--------------|-----------------------|-----------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Cash on hand | 13,401 | 8,552 |
| Cash at Bank | 369,581 | 447,671 |
| | <u>382,982</u> | <u>456,223</u> |

18. ACCOUNTS PAYABLE

| | 2021 | 2020 |
|--|-------------------------|-------------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Accounts Payable- Trade third parties | 208,495 | 177,402 |
| Accounts Payable-Non-trade third parties | 425,512 | (35,784) |
| Accounts Payable- Sika Companies | 4,954,305 | 1,402,802 |
| | <u>5,588,312</u> | <u>1,544,420</u> |

19. ACCRUED EXPENSES AND DEFERRED INCOME

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Accrued expenses - Sika companies | 17,321 | 18,042 |
| Accruals on other taxes | 125,096 | 89,957 |
| Prepayments from customers | 65,888 | 163,254 |
| Accrued expenses for compensation and benefits | 136,833 | 108,536 |
| Other accrued expenses and deferred income | 23,864 | 1,107 |
| | <u>369,002</u> | <u>380,896</u> |

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

20. SHARE CAPITAL

| | | |
|---|------------------|------------------|
| Authorised share capital (each TZS 1,000) | 7,500,000 | 7,500,000 |
| | <u>7,500,000</u> | <u>7,500,000</u> |
| Issued and paid up (each TZS 1,000) | 5,065,365 | 5,065,365 |
| | <u>5,065,365</u> | <u>5,065,365</u> |

21. LEASES

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| 21 (a) Lease Liability | | |
| Opening Balance | 5,139,380 | - |
| Remeasurement/Additional Lease Liability | (2,051) | 5,335,570 |
| Interest Expense on lease liability | 468,181 | 79,810 |
| Repayment of lease liability | (368,000) | (276,000) |
| | <u>5,237,510</u> | <u>5,139,380</u> |

21 (b) Right of use asset

| | | |
|---|------------------|------------------|
| Opening Balance | 5,300,000 | - |
| Remeasurement/Additions to right of use asset | (2,051) | 5,335,570 |
| Amortisation of right of use asset | (213,458) | (35,570) |
| | <u>5,084,491</u> | <u>5,300,000</u> |

22. PROVISIONS

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Provision for obsolete and damaged stock | 79,156 | 82,617 |
| Provision for expenses and third-party bills | 342,342 | 313,879 |
| | <u>421,498</u> | <u>396,496</u> |

23. FINANCIAL LIABILITIES

The Company has loan with a related party (SIKA FINANZ AG). The loans are unsecured, are in USD and bear an interest rate of 6.89%. Interest is accrued on a monthly basis and paid annually in arrears. Below is the movement for loans and borrowing as at year end;

| | 2021 | 2020 |
|------------------------------|-----------------------|-----------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Opening balance | 2,318,348 | 2,298,889 |
| Repayment** | - | - |
| Foreign exchange gain/(loss) | (15,711) | 19,459 |
| | <u>2,302,637</u> | <u>2,318,348</u> |

** Interest is accrued and paid annually. The principal amount is carried forward and a new interest rate is issued annually.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

24. RELATED PARTY TRANSACTIONS AND BALANCES

The following transactions were carried out with related parties:

(a) Revenue/Income transactions

| | 2021 | 2020 |
|---------------------------|-----------------------|-----------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| SIKA Kenya Limited | 84,750 | 5,032 |
| SIKA Europe Management Ag | 203,824 | - |
| | <u>288,574</u> | <u>5,032</u> |

(b) Purchases and operating expenses

| | 2021 | 2020 |
|--|-------------------------|-------------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Sika (Guangzhou) Trading Co. Ltd | 5,251,163 | 1,532,965 |
| Sika Egypt | 309,847 | 8,319 |
| Sika France S.A.S | 386,423 | 24,731 |
| Sika Schweiz Ag | 443,251 | 184,935 |
| Sika South Africa (Pty) Ltd | 240,532 | 113,592 |
| Sika Supply Centre Ag | 34,262 | 80,119 |
| Sika Thailand Ltd | - | 6,609 |
| Sika Information System Ag | 343,970 | 152,342 |
| Sika Deutschland GmbH | 8,204 | 784 |
| Sika Gulf B.S.C. (C) | 196,097 | 1,311 |
| Sika S A U | 20,748 | 9,028 |
| Sika Kenya Limited | 399,639 | 132,532 |
| Sika Yapi Kimyasallari A.S. | 12,146 | - |
| Modern waterproofing Company | 104,116 | - |
| Sika UAE Llc | 62,094 | - |
| Sika Finanz Ag | 145,951 | - |
| Akkim Yapi Kimyasallari San. Vetic A.S | 81,618 | - |
| Sika Services Ag | 14,826 | - |
| Sika Europe Management Ag | 289,836 | 230,246 |
| | <u>8,344,723</u> | <u>2,477,513</u> |

(c) Capital Expenditures

| | 2021 | 2020 |
|-------------------|-----------------------|-----------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| Sika France S.A.S | - | 339,716 |
| Sika Nederland's | - | 9,734 |
| | <u>-</u> | <u>349,450</u> |

(d) Financing transactions

| | 2021 | 2020 |
|----------------------------|-------------------------|-------------------------|
| | <u>TZS'000</u> | <u>TZS'000</u> |
| SIKA AG (Equity injection) | 459,712 | 1,606,060 |
| | <u>459,712</u> | <u>1,606,060</u> |
| Loan | <u>2021</u> | <u>2020</u> |
| | <u>TZS'000</u> | <u>TZS'000</u> |
| SIKA FINANZ AG | <u>2,302,637</u> | <u>2,318,348</u> |

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

24. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

| (e) Key management compensation | 2021 <u>TZS'000</u> | 2020 <u>TZS'000</u> |
|---------------------------------|------------------------|------------------------|
| Salaries and benefits | 836,506 | 752,105 |
| | <u>836,506</u> | <u>752,105</u> |

There were no directors' remunerations during the year (2020: Nil)

(f) Related party payables

| | 2021 <u>TZS'000</u> | 2020 <u>TZS'000</u> |
|----------------------------------|------------------------|------------------------|
| Sika (Guangzhou) Trading Co. Ltd | 3,263,636 | 555,633 |
| Sika Egypt | 62,044 | 21,319 |
| Sika France S.A.S | 332,826 | 335,431 |
| Sika Schweiz Ag | 216,765 | - |
| Sika South Africa (Pty) Ltd | 136,390 | 101,301 |
| Sika Supply Centre Ag | 117,788 | - |
| Sika Netherlands | 9,314 | - |
| Sika Information System Ag | 301,708 | 105,865 |
| Sika Gulf B.S.C. (C) | 31,903 | 115,236 |
| Sika Kenya Limited | 117,814 | 15,345 |
| Sika UAE Llc | 85,224 | - |
| Sika Services Ag | 24,303 | - |
| Sika Europe Management Ag | 254,590 | 152,672 |
| | <u>4,954,305</u> | <u>1,402,802</u> |

25. FINANCIAL INSTRUMENTS – FAIR VALUE AND MEASUREMENT

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observed for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobserved inputs).

If the input used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company has not disclosed the fair values of financial instruments because their carrying amounts are a reasonable approximation of their values due to their short-term nature.

26. COMMITMENTS AND CONTINGENCIES

The Directors confirm that there are no capital/operating commitments and/or contingencies against the Company at 31 December 2021.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

27. SUBSEQUENT EVENTS

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

28. COMPARATIVES

Where necessary, the comparatives figures have been reclassified to conform to changes in presentation in the current year.

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING