

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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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. 1468/202
Lugoda Street 4, Gerezani
P.O. Box 7079,
Dar es salaam, Tanzania

AUDITORS

Baker Tilly DGP & Co,
Certified Public Accountants
P.O. Box 1314,
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
P.O. Box 76421
Dar es salaam, Tanzania

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

The Directors submit their report together with the audited financial statements for the year ended 31 December 2020 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 domicile in Tanzania. The address of the registered office is set out on page 1.

2. PRINCIPAL ACTIVITIES

The company's principal activity is that of importing, exporting, manufacture, distribute and selling of chemicals for construction and industrial use. The company started import and selling activities in the year 2016. During the year the company was manufacturing chemicals by using its manufacturing plant in Dar Es Salaam.

3. DIRECTORS OF THE COMPANY

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

Name	Position	Nationality	Status
Mr. De Matres Jean Marie Paul	Director	French	Active
Mr. Daniel Emil Lang	Director	Swiss	Active

4. CORPORATE GOVERNANCE

The Board of Directors consists of two directors. Day to day operations of the Company are delegated to the Management. 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 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.

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

5. MANAGEMENT

The management of the Company is under the Country Manager who has been handling administrative functions of the Company for the period under review.

6. FUTURE PLANS

Annual strategic plans are developed and revised as needed to provide operating management with the guidance and direction for assuring business goals and targets are met.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

7. COMPANY SHAREHOLDING

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	2020 TZS'000	2019 TZS'000
SIKA AG, ZUGERSTRASSE 50 CH-8340 BAAR SWITZERLAND	5,065,269	3,459,304
SIKA SERVICES AG TUEFFENWIES 16-22 CH-8064 ZURICH SWITZERLAND	96	1
	<u>5,065,365</u>	<u>3,459,305</u>

Directors' interests in the shares of the company

None of the Directors has any interests in the shares of the Company.

8. RESULTS AND DIVIDENDS

The results for the year are set out on page 11 of these financial statements. The Directors do not recommend the payment of a dividend.

9. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The 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 2020 and is of the opinion that they met accepted criteria.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

10. SOLVENCY

The Company's state of affairs at 31 December 2020 is set out on page 12 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.

11. 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.

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.

14. RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are included in Note xx 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.

15. POLITICAL AND CHARITABLE DONATIONS

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

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

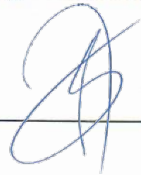
16. AUDITOR

The auditors, M/S Baker Tilly DGP & Co, 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 2021 will be put to the annual general meeting.

17. ACKNOWLEDGEMENT

Your Directors wish to place on records, their sincere thanks and deep sense of appreciation for the overwhelming co-operation and assistance received from the Government of Tanzania, the Tanzania Revenue Authority, various other Government Organizations and the bankers of the company. The management looks forward for the continued support from all.

DIRECTOR



DIRECTOR



SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

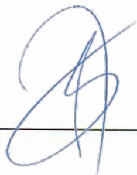
The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 31st December 2020 and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards 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 28/06/2021

DIRECTOR



DIRECTOR



SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**DECLARATION OF HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2020**

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/Governing Body/Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors/Governing Body as under paragraph of Responsibilities of the Authorized Representatives on an earlier page.

I, MSONGA MSIGALA being the HEAD OF FINANCE of Sika Tanzania Construction Chemicals Limited hereby acknowledge my responsibility of ensuring that financial statements for the period ended 31st December 2020 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by: MSONGA MSIGALA

Position: HEAD OF FINANCE/CONTROLLER

NBAA Membership No. GA 3299

Date: 29.06.2021

INDEPENDENT AUDITOR'S REPORT**TO THE MEMBERS OF
SIKA TANZANIA CONSTRUCTION CHEMICALS LIMITED****Opinion**

We have audited the financial statements of Sika Tanzania Construction Chemicals Limited, which comprise the Statement of Financial Position as at 31st December 2020, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, 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 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the 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 National Board of Accountants and Auditors (Code of Ethics) By - Laws, 2013, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Director's Report as required by the Companies Act, 2002, which we obtained prior to the date of this report. Other information 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.

Other Matter

On 11 March 2020, the world Health Organization declared Corona virus (COVID-19) outbreak a pandemic in recognition of its rapid spread across the globe. COVID-19 affects the company in certain uncertainties for the future financial position and performance of the Company. Uncertainties related to the potential effects of COVID-19 are relevant to understanding our audit of the financial statements. Our audits assess and challenge the reasonableness of estimates made by the company, the related disclosures and the appropriateness of the going concern assumption in the financial statements. The appropriateness of the going concern assumption depends on the assessment of the future economic environment and the company's future prospects and performance. The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to levels of uncertainty. An audit cannot predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to COVID-19.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 disclosure made by the directors.

Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

We communicate with the directors 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 and regulatory requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books;
- iii) the director's report is consistent with the financial statements;
- iv) information specified by the law regarding director's remuneration and transactions with the Company is disclosed; and
- v) the Company's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income are in agreement with the books of accounts.

For Baker Tilly DGP & Co.

Certified Public Accountants,



.....
Vishwanshu H. Trivedi
Partner

Place : Dar es Salaam

Date : 30/06/2021

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2020**

	Note	2020 <u>TZS'000</u>	2019 <u>TZS'000</u>
Sales	7	9,327,079	7,419,246
Cost of Sales	8	<u>(4,808,035)</u>	<u>(4,303,666)</u>
Gross results		<u>4,519,044</u>	<u>3,115,580</u>
Personnel Expenses	9	(1,900,153)	(1,756,345)
Other Operating Expenses	10	<u>(1,285,012)</u>	<u>(803,945)</u>
Operating Profit before depreciation		<u>1,333,879</u>	<u>555,940</u>
Depreciation and amortisation expenses	6&21(b)	<u>(235,176)</u>	<u>(232,669)</u>
Operating Profit		<u>1,098,703</u>	<u>323,271</u>
Interest Expenses	11	(237,910)	(186,351)
Other financial costs	12	<u>(54,590)</u>	<u>(22,608)</u>
Profit before taxes		<u>806,203</u>	<u>114,312</u>
Income taxes (charge)/credit	13(c)	<u>397,540</u>	<u>2,206</u>
Profit after taxes		<u>1,203,743</u>	<u>116,518</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 28/06/2021 and signed on its behalf by:

DIRECTOR



DIRECTOR



Notes and related statements forming part of these financial statements appear on pages 15 to 36.

Report of the Auditor's – pages 9 to 10.

SIKA TANZANIA CINSTRUCTION CHEMICALS LTD

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Notes	2020 TZS'000	2019 TZS'000
ASSETS			
Cash and cash equivalent	17	456,223	401,748
Accounts receivable	15	2,317,213	1,892,279
Inventories	14	1,478,975	991,443
Income tax receivable	13(b)	290,545	73,142
Prepaid expenses and accrued income	16	520,553	478,086
Leased assets	21(b)	<u>5,300,000</u>	<u>-</u>
Current assets		10,363,509	3,836,698
Property, plant, and equipment	6	2,236,910	793,513
Deferred tax asset	13(a)	<u>485,510</u>	<u>-</u>
Total non-current assets		2,722,420	793,513
Total assets		<u>13,085,929</u>	<u>4,630,211</u>
Accounts payable	18	1,544,420	1,317,274
Accrued expenses and deferred income	19	380,896	242,716
Lease Liabilities	21(a)	5,139,380	-
Financial liabilities	23(d)	2,318,348	2,298,889
Provisions	22	<u>396,496</u>	<u>257,364</u>
Current liabilities		9,779,540	4,116,243
Deferred tax liability	13(a)	<u>-</u>	<u>17,382</u>
Non-current liability		-	17,382
Total liabilities			
Share capital		5,065,365	3,459,305
Accumulated losses		<u>(1,758,976)</u>	<u>(2,962,719)</u>
Shareholders' equity		3,306,389	496,586
Liabilities and shareholders' equity		<u>13,083,956</u>	<u>4,630,211</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 28/06/2021 and signed on its behalf by:

DIRECTOR

DIRECTOR

Notes and related statements forming part of these financial statements appear on pages 15 to 36.

Report of the Auditor's – pages 9 to 10.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital <u>TZS'000</u>	Retained earnings <u>TZS'000</u>	Total <u>TZS'000</u>
Balance at 1 January 2019	3,459,305	(3,080,429)	378,876
Prior year adjustments		1,192	1,192
Comprehensive income			
Profit for the year	-	116,518	116,518
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>116,518</u>	<u>116,518</u>
Balance at 31 December 2019	<u>3,459,305</u>	<u>(2,962,719)</u>	<u>496,586</u>
Balance 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 loss for the year	<u>-</u>	<u>1,203,743</u>	<u>1,203,743</u>
Issue of ordinary shares	<u>1,606,060</u>	<u>-</u>	<u>1,606,060</u>
Balance at 31 December 2020	<u>5,065,365</u>	<u>(1,758,976)</u>	<u>3,306,389</u>

Notes and related statements forming part of these financial statements appear on pages 15 to 36.

Report of the Auditor's – pages 9 to 10.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>Note</u>	<u>2020</u> <u>TZS'000</u>	<u>2019</u> <u>TZS'000</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		806,203	114,312
Adjustments for:			
- Depreciation	6	199,606	232,668
- Amortisation of right of use	21(b)	35,570	-
- (Gain)/Loss on disposal of fixed assets		(1,151)	5,353
- Interest expense on loans and lease liability	11	237,910	-
- Prior period adjustment		-	1,192
- Foreign exchange loss on revaluation of loans		19,459	-
- Allowance for doubtful debts	15	174,914	38,988
- Provision for obsolete stock		(68,115)	-
		<u>1,404,396</u>	<u>392,513</u>
Working capital changes:			
- Inventories		(487,532)	160,913
- Trade and other receivables		(639,621)	(782,538)
- Trade and other payables		308,333	325,634
Cash generated from operations		<u>585,576</u>	<u>96,522</u>
Income tax paid		(322,755)	(73,142)
Interest Paid	13(b)	(239,219)	-
Net cash generated in operating activities		<u>23,602</u>	<u>23,380</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6	(1,385,776)	(135,923)
Proceeds from disposal of fixed assets		6,779	12,119
Net cash used in investing activities		<u>(1,378,997)</u>	<u>(123,804)</u>
CASHFLOW FROM FINANCING ACTIVITIES			
Repayment of lease liability	21	(196,190)	-
Issue of additional share capital		1,606,060	-
Net cash generated from financing activities		<u>1,409,870</u>	<u>0</u>
Net movement in cash and cash equivalents		<u>54,475</u>	<u>(100,424)</u>
Cash and cash equivalents at the beginning of the year		<u>401,748</u>	<u>502,172</u>
Cash and cash equivalents at the end of the year		<u>456,223</u>	<u>401,748</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 28/06/2021 and signed on its behalf by:

DIRECTOR



DIRECTOR



Notes and related statements forming part of these financial statements appear on pages 15 to 36.

Report of the Auditor's – pages 9 to 10.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (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 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),
- ii. Allowance for doubtful debts as described in note 4(d),
- 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(i)

3. NEW STANDARDS OR AMENDMENTS FOR 2020 AND FORTH COMING REQUIREMENTS

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

New currently effective requirements: This table lists the recent changes to the Standards that are required to be adopted in annual periods beginning on 1 January 2020.

Effective date	New standards or amendments
1 January 2020	Amendments to References to the Conceptual Framework in IFRS Standards Definition of Material (Amendments to IAS 1 and IAS 8) Definition of a Business (Amendments to IFRS 3) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. NEW STANDARDS OR AMENDMENTS FOR 2020 AND FORTH COMING REQUIREMENTS INTERPRETATIONS (CONTINUED)

Forthcoming requirements: This table lists the recent changes to the Standards that are required to be applied for annual periods beginning after 1 January 2020 and that are available for early adoption in annual periods beginning on 1 January 2020.

Effective date	New standards or amendments
1 June 2020	COVID-19-Related Rent Concessions (Amendment to IFRS 16)
1 January 2021	Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) Annual Improvements to IFRS Standards 2018–2020 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) Reference to the Conceptual Framework (Amendments to IFRS 3)
1 January 2023	Classification of Liabilities as Current or Non-current (Amendments to IAS 1) IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
Available for optional adoption/ effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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.

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	4 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.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

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 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.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

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 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;

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

- 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 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.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (Continued)

(iii) De-recognition (Continued)

Financial liabilities

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.

(iv) 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.

(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

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (Continued)

(a) Non-derivative financial assets (Continued)

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 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

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (Continued)

(b) Non-financial assets (continued)

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.

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.

(i) 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.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income tax (Continued)

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.

(j) 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.

(k) 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.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leases (Continued)

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.

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 guest-house rent. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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 by the finance department 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.

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 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 payable	(878,042)	(345,581)	(258,552)	(101,301)	(1,583,476)
Net exposure	<u>(1,740,430)</u>	<u>(345,581)</u>	<u>(258,552)</u>	<u>(101,301)</u>	<u>(2,445,864)</u>

TZS'000	31 December 2019				
	USD	EUR	CHF	ZAR	Total
Accounts receivables	679,867	-	-	-	679,867
Cash and cash equivalents	47,697	-	-	-	47,697
Loan from SIKA	(2,298,889)	-	-	-	(2,298,889)
Accounts payables	(609,108)	(8,743)	(320,218)	(123,231)	(1,061,300)
Net exposure	<u>(2,180,433)</u>	<u>(8,743)</u>	<u>(320,218)</u>	<u>(123,231)</u>	<u>(2,632,625)</u>

The rate of exchange as at 31 December 2020 is USD 1 = TZS 2,318.42 (2019: USD 1 = TZS 2,298.89), CHF 1=TZS 2,633.58 (2019: CHF 1=TZS 2,379.31),EUR 1=TZS 2,844.80(2019: EUR 1=TZS 2,582.50), ZAR 1=TZS 157.85 (2019:ZAR 1=TZS 163.68).

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

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

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 2020		At 31 December 2019	
	Amortised cost TZS'000	Exposure to credit risk TZS'000	Amortised cost TZS'000	Exposure to credit risk TZS'000
Cash at bank	447,671	447,671	389,065	389,065
Accounts receivables	2,317,213	2,317,213	1,892,279	1,892,279
Prepaid exp& accr. income	782,409	782,409	417,130	417,130
	3,547,293	3,547,293	2,698,474	2,698,474

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

	Loss rate (%)	2020	2019
		TZS'000	TZS'000
Current (Not overdue)	0.2%	1,330,873	989,247
Past due 1 – 30 days	1.5%	634,667	603,099
Past due 31 – 60 days	5%	83,185	105,809
Past due 61-120 days	12%	212,990	233,782
Past due 121-180 days	27%	26,831	2
Past due 181-360 days	70%	89,757	3,561
Past due 361-720 days	70%	153,331	2,066
Past due more than 720 days	70%	15,733	9,953
Total gross account receivables		2,547,367	1,947,519
Less: Impairment provision		(230,154)	(55,240)
		2,317,213	1,892,279

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.

	2020	2019
	TZS '000	TZS '000
Opening balance as at 1 Jan	55,240	16,252
Additional Impairment	174,914	38,988
Write offs	-	-
Closing Balance	230,154	55,240

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

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 2020	Carrying amount TZS'000	Contractual cash flow TZS'000	Within 1 year TZS'000	1 year and above TZS'000
<u>Non-derivative financial liabilities</u>				
Accounts Payable	1,631,848	1,631,848	1,631,848	-
Accr. expenses & deferred Income	380,896	380,896	380,896	-
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	311,522	311,522	311,522	-
	<u>9,781,994</u>	<u>10,208,614</u>	<u>10,208,614</u>	<u>-</u>
At 31 December 2019	Carrying amount TZS'000	Contractual cash flow TZS'000	Within 1 year TZS'000	1 year and above TZS'000
<u>Non-derivative financial liabilities</u>				
Accounts Payable	1,101,306	1,101,306	1,101,306	-
Accr. expenses & deferred Income	242,716	242,716	242,716	-
Loan from SIKA	2,298,889	2,298,889	2,298,889	-
Provisions for expenses	97,974	97,974	97,974	-
	<u>3,740,885</u>	<u>3,740,885</u>	<u>3,740,885</u>	<u>-</u>

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

6. PROPERTY, PLANT AND EQUIPMENT

	Infrastructu re <u>TZS'000</u>	Heavy Machinery and Factory Equipment <u>TZS'000</u>	Furniture and Fixtures <u>TZS'000</u>	Laboratory and small equipment <u>TZS'000</u>	IT Hardware <u>TZS'000</u>	Motor vehicles <u>TZS'000</u>	Plant under constructi on	Totals <u>TZS'000</u>
Cost								
At 1 January 2019	201,043	579,803	9,323	211,286	96,950	223,469	-	1,321,874
Additions	-	3,390	2,929	20,048	39,557	70,000	-	135,924
Disposal	-	-	-	-	-	(37,303)	-	(37,304)
At 31 December 2019	201,043	583,193	12,252	231,334	136,507	256,166	-	1,420,495
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	1,279,902	750,225	102,344	244,194	172,444	237,592	262,856	3,049,557
Accumulated depreciation								
At 1 January 2019	24,092	98,230	2,213	88,431	63,981	139,251	-	416,198
Charge for the year	13,410	58,009	1,808	53,707	41,607	64,128	-	232,669
Disposal	-	-	-	-	-	(21,885)	-	(21,885)
At 31 December 2019	37,502	156,239	4,021	142,138	105,588	181,494	-	626,982
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	57,043	218,293	7,454	199,657	132,381	197,819	-	848,217
Net book value								
At 31 December 2019	163,541	426,954	8,231	89,196	30,919	74,672	-	793,513
At 31 December 2020	1,222,859	531,932	94,890	44,537	40,063	39,773	262,856	2,236,910

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

7. REVENUE

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
IC Trading Products (Exempt)	5,032	117,849
IC Trading Products	996,856	1,504,357
Manufacturing Products	7,956,179	5,492,909
Trading Product Third Party	369,012	304,131
	<u>9,327,079</u>	<u>7,419,246</u>

8. COST OF SALES

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Opening stock	926,486	1,053,865
Add: Purchases	4,342,116	3,527,260
Add/(Less): Obsolete stock movement	(68,115)	53,831
Add: Impact of foreign exchange on purchases	(8,476)	1,805
Less: Closing stock excluding inventory in transit (Note 14)	1,155,854	926,485
	<u>4,036,157</u>	<u>3,709,626</u>
<u>Add: Direct Cost</u>		
Rent	314,305	374,189
Energy and utilities	135,350	90,762
Distribution costs	322,223	128,439
	<u>4,808,035</u>	<u>4,303,016</u>

9. PERSONNEL EXPENSES

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Salaries	1,240,014	1,057,895
Pension costs	143,185	102,472
Skills and Development levy	53,411	46,222
Other personnel related costs	463,543	549,756
	<u>1,900,153</u>	<u>1,756,345</u>

10. OTHER OPERATING EXPENSES

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Marketing and promotion costs	207,169	231,446
Professional fees	70,017	61,465
Bad debt expense	174,914	38,988
Other administration expenses	832,912	472,046
	<u>1,285,012</u>	<u>803,945</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

11. INTEREST EXPENSES

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Interest expense-Lease liability	79,810	-
Interest expense-SIKA Companies	158,100	186,351
	<u>237,910</u>	<u>186,351</u>

12. OTHER FINANCIAL EXPENSES

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Foreign exchange loss	19,702	3,851
Other financial expenses	34,888	18,757
	<u>54,590</u>	<u>22,608</u>

13. INCOME TAX

(a) Deferred tax

Deferred tax is calculated using the enacted income tax rate of 30% (2019: 30%). The movement in the deferred tax account is as follows:

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
At the beginning of the year	17,382	19,588
Deferred tax (credit)/charge during the year	(502,892)	(2,206)
At the end of the year (asset)/liability	<u>(485,510)</u>	<u>17,382</u>

The deferred tax (asset)/liability arises from:

Excess of book value over tax carrying value for an item of P.P.E	259,193	18,953
IFRS 16 adjustment	(69,380)	-
Provisions	(394,718)	38,988
Carried forward tax losses	(1,413,460)	-
Total giving rise to deferred tax (asset)/ liability	<u>(1,618,365)</u>	<u>57,941</u>
Deferred tax (asset)/ liability at 30%	<u>(485,510)</u>	<u>17,382</u>

(b) Income tax receivable

	2020	2019
	<u>TZS '000</u>	<u>TZS '000</u>
Tax recoverable		
At beginning of year	73,142	-
Withholding tax receivable (during the year)	447	2,382
Income tax paid during the year	322,308	70,760
Current taxation charge for the year	(105,352)	-
At end of year	<u>290,545</u>	<u>73,142</u>

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

13. INCOME TAX (CONTINUED)

(c) Tax expense

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Current tax charge at 30% of tax-adjusted profit	105,352	-
Deferred tax (credit)/charge – see note 13 (a)	(502,892)	(2,206)
	<u>(397,540)</u>	<u>(2,206)</u>

Reconciliation of accounting profit to tax expense

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Profit before tax	806,203	114,312
Theoretical tax expense (30%)	(241,861)	34,293
Tax expense as per books	(397,540)	(2,206)
Difference to reconcile	<u>(639,401)</u>	<u>36,499</u>
-Tax effect of non-deductible expenses	80,911	3,218
-Excess depreciation on non-qualifying asset	-	41,427
-Tax effect of under provision of prior year deferred tax	(748,584)	-
-70% restricted utilization of loss b/f	105,352	-
-Others	(77,080)	(81,144)
Total reconciling items	<u>(639,401)</u>	<u>36,499</u>

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

14. INVENTORY

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Packing materials	13,698	18,954
Finished goods	264,915	425,821
Work in progress and semi-finished goods	2,630	756
Raw materials	874,611	480,955
Inventory in transit	323,121	64,957
	<u>1,478,975</u>	<u>991,443</u>

15. ACCOUNTS RECEIVABLE

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Trade receivables (Gross)	2,547,367	1,947,519
Allowance for doubtful debts	(230,154)	(55,240)
	<u>2,317,213</u>	<u>1,892,279</u>

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

16. PREPAID EXPENSES AND ACCRUED INCOME

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Prepayments to suppliers	386,801	211,317
Other prepaid expenses and accrued income	133,752	266,769
	<u>520,553</u>	<u>478,086</u>

17. CASH AND CASH EQUIVALENT

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Cash on hand	8,552	12,683
Cash at Bank	447,671	389,065
	<u>456,223</u>	<u>401,748</u>

18. ACCOUNTS PAYABLE

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Accounts Payable- Trade third parties	177,402	59,477
Accounts Payable-Non-trade third parties	(35,784)	255,416
Accounts Payable- Sika Companies	1,402,802	1,002,381
	<u>1,544,420</u>	<u>1,317,274</u>

19. ACCRUED EXPENSES AND DEFERRED INCOME

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Accrued expenses - Sika companies	18,042	19,351
Accruals on other taxes	89,957	52,751
Prepayments from customers	163,254	40,053
Accrued expenses for compensation and benefits	108,536	118,663
Other accrued expenses and deferred income	1,107	11,898
	<u>380,896</u>	<u>242,716</u>

20. SHARE CAPITAL

Authorised share capital (each TZS 1,000)	7,500,000	5,000,000
	<u>7,500,000</u>	<u>5,000,000</u>
Issued and paid up (each TZS 1,000)	5,065,365	3,459,305
	<u>5,065,365</u>	<u>3,459,305</u>

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

21. LEASES

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
21 (a) Lease Liability		
Opening Balance	-	-
Additional Lease Liability	5,335,570	-
Interest Expense on lease liability	79,810	-
Repayment of lease liability	(276,000)	-
	<u>5,139,380</u>	<u>-</u>
21 (b) Right of use asset		
Opening Balance	-	-
Additions to right of use asset	5,335,570	-
Amortisation of right of use asset	(35,570)	-
Derecognition of right of use asset	-	-
	<u>5,300,000</u>	<u>-</u>

22. PROVISIONS

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Provision for obsolete and damaged stock	82,617	159,390
Provision for expenses and third-party bills	313,879	97,974
	<u>396,496</u>	<u>257,364</u>

23. RELATED PARTY TRANSACTIONS

Through common shareholdings and/or common directorship, the company is related to the following companies,

- i. Sika (Guangzhou) Trading Co. Ltd
- ii. Sika Egypt
- iii. Sika France S.A.S
- iv. Sika Kenya Ltd
- v. Sika Schweiz Ag
- vi. Sika South Africa (Pty) Ltd
- vii. Sika Supply Centre Ag
- viii. Sika Thailand Ltd
- ix. Sika Information System Ag
- x. Sika Deutschland Gmbh
- xi. Sika Finanz Ag
- xii. Sika Mozambique Ltd
- xiii. Sika Portugal - Produtos Construção E Indústria, Sa
- xiv. Sika UAE Llc
- xv. Sika Australia Pty. Ltd
- xvi. Sika Europe Management Ag

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

23. RELATED PARTY TRANSACTIONS (CONTINUED)

The following transactions were carried out with related parties:

(a) Trading transactions with related parties

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
SIKA Kenya Limited	5,032	-
SIKA Mozambique	-	4,119
SIKA Abyssinia Chemicals Manufacturing Plc	-	11,814
	<u>5,032</u>	<u>15,933</u>

(b) Purchases and operating expenses

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Sika (Guangzhou) Trading Co. Ltd	1,532,965	1,094,361
Sika Egypt	8,319	6,040
Sika France S.A.S	24,731	5,653
Sika Schweiz Ag	184,935	144,366
Sika South Africa (Pty) Ltd	113,592	609,522
Sika Supply Centre Ag	80,119	29,796
Sika Thailand Ltd	6,609	24,827
Sika Information System Ag	152,342	123,017
Sika Deutschland Gmbh	784	7,397
Sika Gulf B.S.C. (C)	1,311	-
Sika S A U	9,028	1,033
Sika East Africa Limited	132,532	169,573
Sika Morocco	-	6,819
Sika Portugal - Produtos Construção E Indústria,Sa	-	1,675
Sika UAE Llc	-	137,187
Sika Australia Pty. Ltd	-	26
Sika Europe Management Ag	230,246	176,389
	<u>2,477,513</u>	<u>2,537,681</u>

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
(c) Capital Expenditures		
Sika France S.A.S	339,716	-
Sika Nederland's	9,734	-
	<u>349,450</u>	<u>-</u>

(d) Financing transactions

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Advance for lease		
SIKA AG	23,158	22,988
	<u>23,158</u>	<u>22,988</u>

	2020	2019
	<u>TZS'000</u>	<u>TZS'000</u>
Loan taken		
SIKA FINANZ AG	2,318,348	2,298,889

SIKA TANZANIA CONSTRUCTION CHEMICALS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	<u>2,318,348</u>	<u>2,298,889</u>
24. 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.

25. COMMITMENTS AND CONTINGENCIES

The Directors confirm that there are no capital/operating commitments and/or contingencies against the Company at 31 December 2020.

26. 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.

27. COMPARATIVES

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