

SOLAR NITROCHEMICALS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2016

CONTENTS	PAGE
Company information	1
Report of the directors	2 - 3
Statement of directors responsibilities	4
Declaration of head of finance	5
Report of the independent auditor	6 - 8
Financial statements:	
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Significant accounting policies	13 - 14
Notes to the financial statements	15 - 17

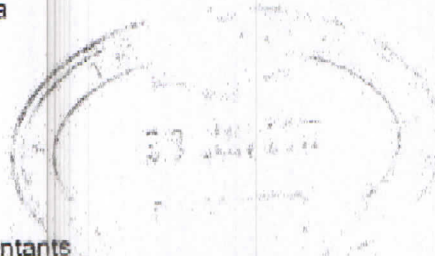
COMPANY INFORMATION

	Name	Position	Age	Nationality
BOARD OF DIRECTORS	: Mr. Manish Nuwal	Director	42	Indian
	Mr. Shailesh Sanghrajka	Director	59	Kenyan

REGISTERED OFFICE : 1st Floor, Oyster Plaza
Haile Selassie Road
P.O. Box 12729
Dar es Salaam
Tanzania

INDEPENDENT AUDITOR : Nexia SJ Tanzania
Certified Public Accountants
1st Floor, Oyster Plaza, Haile Selassie Road
P.O. Box 12729
Dar es Salaam
Tanzania

COMPANY SECRETARY : Corporate & Legal Services Limited
1st Floor, Oyster Plaza, Haile Selassie Road
P.O. Box 12729
Dar es Salaam
Tanzania



REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2016 which disclose the state of affairs of the company.

INCORPORATION

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

PRINCIPAL ACTIVITIES

The principal activity of the company is to engage and deal with erection of explosives manufacturing.

COMPOSITION OF THE BOARD OF DIRECTORS

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

Name of Directors	Nationality	Age	Date of appointment
Mr Manish Nuwal	Indian	42	09.01.2008
Mr Shalleah Sanghrajka	Kenyan	59	09.01.2008

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

DIRECTORS' INTEREST

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

SHARE CAPITAL STRUCTURE

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

Name of the shareholders	Shareholding	Number of shares held
Solar Industries Africa Limited (Mauritius)	65 %	6,500
Ortin Investments Limited (UAE)	35 %	3,500
Total	100 %	10,000

CORPORATE GOVERNANCE

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

RESULTS FOR THE YEAR

	2016 TShs'000	2015 TShs'000
Loss before tax	(68,361)	(220,869)
Tax charge	-	-
Loss for the year	(68,361)	(220,869)

DIVIDEND

The directors do not recommend the declaration of a dividend for the year. (2015:Nil)

REPORT OF THE DIRECTORS (CONTINUED)

SOLVENCY

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of directors has reasonable expectation that Solar Nitro Chemicals Limited has adequate resources to commence its operations in foreseeable future.

EMPLOYEES' WELFARE

Management and Employees' Relationship

The company had no employees.

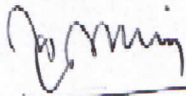
RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are included in Note 10 of the financial statements.

INDEPENDENT AUDITOR

The company's auditors' Nexia SJ Tanzania have expressed their willingness to continue in office in accordance with Section 170 of the Companies Act 2002 and are eligible for re-appointment. A resolution proposing the re-appointment as auditors of the company for the year ended 31 December 2017 will be tabled in the Annual General Meeting.

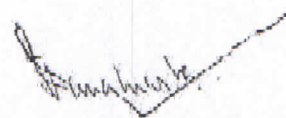
BY ORDER OF THE BOARD



Mr. Manish Nuwal
Director

30/06/2017

Date



Mr. Shallesh Sanghrajka
Director

30/06/2017

Date

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

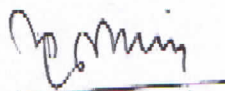
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal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

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

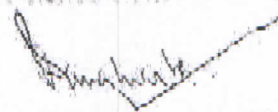
The directors have reviewed the company's cash flow forecast for the year to 31 December 2017 and, in the light of this review and the current financial position, they are satisfied that the company has access to adequate resources to commence its operations in foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 6 to 8.

The financial statements set out on pages 9 to 17, which have been prepared on the going concern basis, were authorised and approved by the board on30/06/... 2017 and signed on its behalf by:



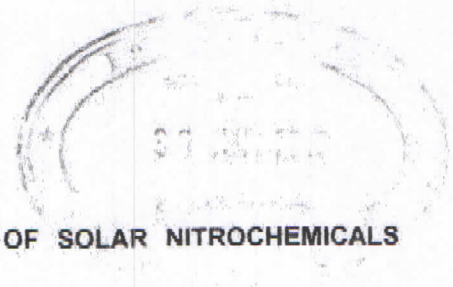
Mr. Manish Nuwal
Director



Mr. Shailesh Sanghrajka
Director



Corporate &
Management
Consultants Limited



DECLARATION OF THE HEAD OF FINANCE/ACCOUNTING OF SOLAR NITROCHEMICALS LIMITED

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Financial Reporting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Statement of directors' responsibilities as described on page 4.

I Yagna .H. Solanki on behalf of Corporate & Management Consultants Limited being given the Power of Attorney to review the financial statements of Solar Nitrochemicals Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2016 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by:

Name: Yagna H. Solanki

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

NBAA Membership No: ACPA 2853

Date: 30th June 2017.

Physical Address
1st Floor, Oyster Plaza, Oysterbay
Halle Selassie Road,
P.O. Box 12729
Dar es Salaam

Telephones
022 2826252 /53

Mobile Number
0713 444 254 tigo
0756 444 254 Vodacom

E-mail
info@nexiasjtz.com
www.nexiasjtz.com



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOLAR NITROCHEMICALS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Solar Nitrochemicals Limited, which comprise the statement of financial position as at December 31, 2016, and the statement of 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 present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) for Small and Medium Sized Entities (SME's) and 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 ethical requirements that are relevant to our audit of the financial statements in Tanzania 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.

Material Uncertainty Related to Going Concern

We draw your attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of TShs 68,380,504 during the year ended December 31, 2016 and as of that date the shareholders' deficit amounted to TShs 421,388,504. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) for Small and Medium Sized Entities (SME's), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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



INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF SOLAR NITROCHEMICALS LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Except for the matters described in the Material Uncertainty Relating to Going Concern paragraph, we have determined that there are no other key audit matters to communicate in our audit report.

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.

A further description of the auditor's responsibilities for the audit of the financial is given in the Appendix to Independent Auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with Tanzanian Companies Act and for no other purpose.

As required by the Companies Act 2002 we report to you, based on our audit, except for the matters referred to in the Material Uncertainty Related to Going Concern paragraph 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; and
- (iii) the company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Nexia S.J.

Nexia SJ Tanzania
Certified Public Accountants
1st Floor, Oyster Plaza, Haile Selassie Road
P.O. Box 12729, Dar es Salaam, Tanzania.

S. Jaffer

Sujata Jaffer
Engagement Partner
NBAA registration number: ACPA 718
Dar es Salaam
Ref: NS/J/49/2017

Date: *8/06* 2017

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF SOLAR NITROCHEMICALS LIMITED

Report on the Audit of the Financial Statements (continued)*

Appendix to Independent Auditors Report

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

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2016 TShs'000	2015 TShs'000
Revenue	2.	-	-
Administrative expenses	3.	(57,051)	(23,310)
Operating loss		(57,051)	(23,310)
Net finance costs	4.	(11,309)	(197,569)
Loss before taxation		(68,361)	(220,869)
Taxation	5.	-	-
Loss for the year		(68,361)	(220,869)
Total comprehensive loss for the year		(68,361)	(220,869)

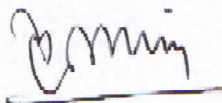
The significant accounting policies on pages 13 to 14 and the notes on pages 16 to 17 form an integral part of these financial statements.

Report of the independent auditor - pages 6 to 8.

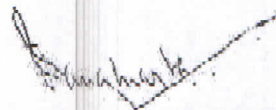
STATEMENT OF FINANCIAL POSITION

	Notes	2016 TShs'000	2015 TShs'000
CAPITAL EMPLOYED			
Share capital	7	100,000	100,000
Accumulated loss		(521,369)	(463,008)
Shareholder's deficit		(421,369)	(353,008)
Non-current liabilities			
Other payables	8	1,085,827	1,030,987
		664,458	677,979
REPRESENTED BY			
Non-current assets			
Property	12	598,741	678,063
Current assets			
Cash and cash equivalents	11	65,717	99,916
		664,458	677,979

The financial statements on pages 9 to 17 were authorised and approved for issue by the Board of Directors on 30/06/2017 and were signed on its behalf by:



Mr. Manish Nuwal
 Director



Mr. Shailesh Sanghrajka
 Director

The significant accounting policies on pages 13 to 14 and the notes on pages 15 to 17 form an integral part of these financial statements.

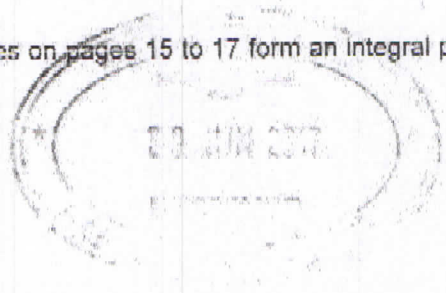
Report of the independent auditor - pages 6 to 8.

STATEMENT OF CHANGES IN EQUITY

	Share capital TShs'000	Accumulated loss TShs'000	Total TShs'000
Year ended 31 December 2016			
At start of the year	100,000	(453,008)	(353,008)
Total comprehensive loss for the year	-	(68,361)	(68,361)
At end of year	100,000	(521,369)	(421,369)
Year ended 31 December 2015			
At start of the year	100,000	(232,139)	(132,139)
Total comprehensive loss for the year	-	(220,869)	(220,869)
At end of year	100,000	(453,008)	(353,008)

The significant accounting policies on pages 13 to 14 and the notes on pages 15 to 17 form an integral part of these financial statements.

Report of the Independent auditor - pages 6 to 8.

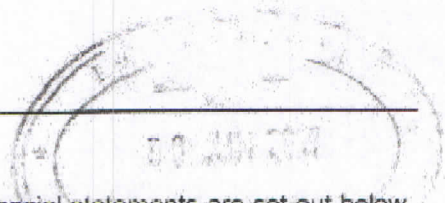


STATEMENT OF CASH FLOWS

	Notes	2016 TShs'000	2015 TShs'000
Operating activities			
Cash (used in)/generated from operating activities	9	(25,754)	52,183
Net cash (used in)/generated from operating activities		<u>(25,754)</u>	<u>52,183</u>
Financing activities			
Advances from related parties	10(i)	6,389	8,385
Repayments from related parties		-	100,000
Effect of exchange differences		5843	100,827
Net cash generated from financing activities		<u>12,232</u>	<u>209,212</u>
Investing activities			
Additions to property	12	(20,678)	(161,480)
Net cash used in investing activities		<u>(20,678)</u>	<u>(161,480)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(34,200)</u>	<u>99,915</u>
Movement in cash and cash equivalents			
At start of year		99,915	
(Decrease)/increase		(34,200)	99,915
At end of year	11	<u>65,715</u>	<u>99,915</u>

The significant accounting policies on pages 13 to 14 and the notes on pages 15 to 17 form an integral part of these financial statements.

Report of the independent auditor - pages 6 to 8.



SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SME's) issued by the International Accounting Standards Board and the Companies Act of United Republic of Tanzania. The financial statements have been prepared on the historical cost basis except where otherwise stated, and incorporate the principal accounting policies set out below. The historical cost convention is generally based on the fair value of the consideration given in exchange of assets.

Going concern

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

Based on the financial performance and position of the company the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

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

New and amended standards adopted by the company

There are no IFRS's for SME's or IFRIC interpretations that are effective or adopted in advance for the first time for the financial period beginning on or after 1 January 2016 that would be expected to have a material impact on the company.

b) Critical accounting estimates, judgments and assumptions

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

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

(i) Taxes

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

c) Taxation

Current tax assets and liabilities

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Taxation (Continued)

Deferred tax assets and liabilities

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

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

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

d) Translation of foreign currencies

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

At the end of the reporting period:

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

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

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

e) Financial instruments

Loans to/from related parties

These include loans to and from the related party companies and they are recognised initially at fair value plus direct transaction costs.

Loans to related party companies are classified as loans and receivables.

Trade and other payables

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

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

f) Property

Property consists of capitalised costs incurred in the process of buying the land, is recorded at cost and not depreciated.

Additional costs represents directly attributable costs to bring the asset in the condition necessary for it to be capable of operating in the manner intended by Management.

g) Cash and cash equivalents

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

h) Share capital

Ordinary shares are classified as equity.

i) Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparing the financial statements

The company has reported a net loss of TShs 68,360,504 (2015: TShs 220,869,364) and the shareholders deficit amounted to TShs 421,368,504 (2014: TShs 353,008,684) for the year ended 31 December 2016.

The Company meets its day to day working capital requirements through its related parties which include Nitro Chemicals Limited Kenya and Ortin Investments Limited. The related parties have confirmed their willingness to provide continued financial support to the Company and shall not demand repayment until the company improves its cash flow position.

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

	2016 TShs'000	2015 TShs'000
2. Revenue		
During the year the company did not have any revenue because it was still in the process of acquiring land and completing the procedures and formalities of transfer of title		
3. Administrative expenses		
Audit fees	6,095	2,363
Professional fees	44,567	12,477
Travel expenses	6,389	8,385
TT charges	-	84
	57,051	23,310
4. Finance costs		
Net foreign exchange loss	11,309	197,560
Exchange rate used for conversion of foreign balances at year end Tshs 2,173 (2015:2,140.52)		
5. Taxation		
Current tax	-	-
Deferred tax (credit)/charge	-	-
Tax (credit)/charge	-	-
The tax on the company's loss before tax differs from the theoretical amount that would arise using the basic rate as follows:		
Loss before tax	(68,361)	(220,869)
Tax calculated at a tax rate of 30%	(20,508)	(66,261)
Tax effect of:		
Deferred tax asset not recognised (Note 6)	20,508	66,261
Tax (credit)/charge	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Deferred tax

	At start of year TShs '000	Charge to SCI TShs '000	At end of year TShs '000
Deferred tax (assets)			
Tax losses carried forward	(135,903)	20,508	(115,395)
Net deferred tax asset	(135,903)	20,508	(115,395)
Deferred tax not recognised (Note 5)	135,903	(20,508)	115,395
	-	-	-

No provision has been made for the deferred tax asset because it is not expected that the company will have taxable profits in the foreseeable future against which the tax losses can be utilised.

	2016 TShs'000	2015 TShs'000
7. Share capital		
Authorised, issued but unpaid		
10,000 ordinary shares @ TShs 10,000 each	100,000	100,000
8. Other payables		
Non-current liabilities		
Amounts due to related parties (Note 10 (i))	526,116	513,883
Sundry creditors	17,145	29,220
Other payable	542,566	487,884
	1,085,827	1,030,987

The carrying amounts of the company's other payables are denominated in US Dollars.

9. Cash (used in)/generated from operations

Reconciliation of loss before tax to cash (used in)/generated from operations:

Loss before tax	(68,361)	(220,869)
Adjustments for:		
Changes in working capital (excluding related parties):		
- Other payables	42,607	273,052
Cash (used in)/generated from operations	(25,754)	52,183

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Related party transactions and balances

The shares of the company are held by Solar Industries Africa Limited (65%) and Ortin Investments Limited (35%).

Solar Industries Africa Limited is Incorporated in Mauritius and Ortin Investments Limited in UAE.

The following are outstanding balances with related parties.

(i) Amounts due to related parties (Note 8)

	Nitro Chemicals Limited Kenya TShs'000	Ortin Investments Limited TShs'000	Total 2015 TShs'000	Total 2014 TShs'000
At start of year	180,938	332,946	513,884	404,670
Advances	6,389	-	6,389	8,385
Exchange differences	2,050	3,793	6,843	100,827
At end of year	<u>189,377</u>	<u>336,739</u>	<u>526,116</u>	<u>513,882</u>

The balances with the related parties arose through financing of expenses by the related parties on behalf of the company.

The balances with the Ortin Investments Limited arose for the purchase of Land.

11. Cash and cash equivalents

	2016 TShs'000	2015 TShs'000
Cash balances	<u>65,717</u>	<u>99,916</u>

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

The carrying amounts of the company's cash and cash equivalents are denominated in US Dollars.

12. Property

At start of year	678,063	416,583
Additions	<u>20,678</u>	<u>161,480</u>
At end of year	<u>598,741</u>	<u>578,063</u>

The company is in the process of acquiring land for the erection of explosives manufacturing and all the costs incurred in this process qualifies for recognition as an asset. Additions relates to payments toward professional fees amounting to Tshs 16,865,800 and for fencing work and land clearing amounting to Tshs 144,614,000.

13. Country of incorporation

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

14. Presentation currency

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