SOLAR

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SOLAR EXPLOCHEM ZAMBIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

PKF

Accountants &
Business Advisors

CONTENTS

COMPANY INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	: Zambia
COMPANY REGISTRATION	: L.C.O 79731
TAX PIN	: 1001953671
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	: Manufacturing of explosives and trading in accessories : ISO 9001:2008 Certified
BOARD OF DIRECTORS	: Sydney Chisenga : Suresh Menon : Shaileshkumar Sangrajka : Milind Bhalchandra Deshmukh : Lupiya Simusokwe : Vennam Tirupathi Reddy
CHIEF OFFICERS	: Mr. C.A.Bensam : Mr.V.T. Reddy
REGISTERED OFFICE	: Plot No. L/38251M : Luano Area : Kitwe-Chingola Road : Copperbelt Province : ZAMBIA
PRINCIPAL PLACE OF BUSINESS	: Plot No. L/38251M : Luano Area : Kitwe-Chingola Road : Copperbelt Province : ZAMBIA : Telephone +260-212-251219
POSTAL ADDRESS	: P. O. Box 22831 Chambeshi Copperbelt ZAMBIA
INDEPENDENT AUDITOR	: PKF Zambia Chartered Accountants
COMPANY SECRETARY	: Messrs Corpus Globe Consultants Limited
PRINCIPAL BANKERS	: Indo Zambia Bank Plc : First National Bank Zambia Limited : First Capital Bank Zambia Limited
SHAREHOLDERS	: Solar Overseas Netherlands Cooperatie UA, incorporated in Netherlands : Ortin Investments Limited, incorporated in U.A.E.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activities of the company are the manufacturing of explosives and trading in explosives accessories.

BUSINESS REVIEW

Key performance indicators	2021	2020
Revenue (ZMW)	291,653,331	219,763,141
Gross profit (ZMW)	128,084,807	93,229,631
Gross profit margin (%)	44%	42%
Profit for the year (ZMW)	96,797,853	92,480,765
Net profit margin (%)	33%	42%
Net assets (ZMW)	247,687,977	171,649,994
Return on capital employed (%)	118%	128%

SHARE CAPITAL

There were no changes in authorised and issued share capital during the year.

DIVIDEND

The Directors have not recommend for declaration of a dividend for the current year (2020: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of major changes in property, plant and equipment are as follows:

The company purchased fixed assets amounting to ZMW2,640,093 (2020: ZMW1,001,310)

HEALTH, SAFETY AND WELFARE OF EMPLOYEES

The company continues to provide and maintain optimum standards of safety and house keeping required for the upkeep of the health and safety of employees.

DIRECTORS

The Directors who held office during the year and to the date of this report are shown on page 1.

REPORT OF THE DIRECTORS (CONTINUED)

INDEPENDENT AUDITOR

The Company's auditor during the year was PKF Zambia Chartered Accountants. They have indicated willingness to continue in office in accordance with the Zambian Companies Act of 2017.

BY ORDER OF THE BOARD

DIRECTOR

____________________ 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Zambia Companies Act of 2017 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 profit or loss 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 safeguarding the assets of the Company.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. 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 31 March 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard and the requirements of the Zambian Companies Act of 2017.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Approved by the Board of Directors on .... and signed on its behalf by:

DIRECTOR **DIRECTOR**

Report of the independent auditor to the members of Solar Explochem Zambia Company Limited

Opinion

We have audited the financial statements of Solar Explochem Zambia Limited, which comprise the statement of financial position as at 31 March 2021, 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 31 March 2021, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard and the Companies Act, 2017.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key Audit Matters identified as per ISA 701 are the following;

1. Allowance for doubtful receivables

   Included in trade and other receivables are receivables of ZMW 40.9 million from customers.
   (The disclosure associated with impairment in receivables is set out in the following notes: note 1 use of estimates and judgments, note 16 trade receivables, and note 21 (b) credit risk)
   Management have applied significant judgment in estimating the amount and timing of cash flows, using key assumptions based on historical payment behaviour. Adverse economic conditions, such as liquidity constraints on the market, worsened during the year due to tightened monetary policy which significantly impacted the recoverability of trade receivables. Management has assessed the impairment of trade receivables by making estimates and judgments about the amount and the timing of cash flows based on historical payment behaviour.
   Due to the significance of the impairment on the receivables and the estimation and judgment involved, this matter is considered to be a key audit matter.

Description of how the matters were addressed in the audit

1. We performed the following procedures, among others: We tested the relevant controls over:

   - Management's approval of Foreign customer credit policies;
   - The impairment process, including controls over trade receivables both collectively and specifically provided for; and
   - Monitoring of debit notes issued (i.e. early identification of impaired accounts and approval of manual impairments/write-offs). For specific impairment:
   - We evaluated the expected cash flows on contracts with uncertain payments based on agreed

Report of the independent auditor to the members of Solar Explochem Zambia Limited (continued)

- payment plans with customers and vouched to subsequent receipts. For collective impairment:
- We evaluated the arrears monitoring process, through monitoring credit trends in the portfolio, to assess whether emerging trends are reflected in the impairment provision.
- We considered the appropriateness of accounting policies and assessed the receivable impairment methodologies across the Company in comparison to the requirements of International Financial Reporting Standards (IFRS).

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the schedule of operating expenditure but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion 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.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS, 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 has no realistic alternative but to do so.

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

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.

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.

Report of the independent auditor to the members of Solar Explochem Zambia Limited (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2017 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; and
iii) the statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is Ravi Sankar, Practising certificate No. P/No. AUD/F000337.

Chartered Accountants	**Ravi Sankar**

Date: ______________

REF: RR/S007N/N0082/2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHESIVE INCOME

	Notes	2021 ZMW	2020 ZMW
Revenue	3	291,653,331	219,763,141
Cost of sales		(163,568,524)	(126,533,510)
Gross profit		128,084,807	93,229,631
Other income	4	45,156,999	48,349,047
Administrative expenses		(50,728,200)	(32,274,975)
Other operating expenses		(24,956,960)	(16,179,781)
Operating profit	5	97,556,646	93,123,922
Finance costs	6	(758,793)	(643,157)
Profit before tax		96,797,853	92,480,765
Tax charge	7	(31,053,833)	(19,524,798)
Profit for the year		65,744,020	72,955,967
Total comprehensive income for the year		65,744,020	72,955,967

The notes on pages 12 to 35 form an integral part of these financial statements.

Report of the independent auditor - pages 5 and 7.

STATEMENT OF CHANGES IN EQUITY

	Notes	Ordinary Share Capital ZMW	Share premium ZMW	Retained income ZMW	Total equity ZMW
For the year ended 31 March 2021					
At start of year		39,413	7,833,237	214,267,860	222,140,510
Total comprehensive income for the year:					
- Profit for the year		-	-	65,744,020	65,744,020
At end of year		39,413	7,833,237	280,011,880	287,884,530
Year ended 31 March 2020					
At start of year		39,413	7,833,237	141,311,893	149,184,543
Total comprehensive income for the year:					
- Profit for the year		-	-	72,955,967	72,955,967
At end of year		39,413	7,833,237	214,267,860	222,140,510

The notes on pages 12 to 35 form an integral part of these financial statements.

Report of the independent auditor - pages 5 and 7.

STATEMENT OF FINANCIAL POSITION

	Notes	2021 ZMW	2020 ZMW
EQUITY			
Share capital	9.	39,413	39,413
Share premium	9.	7,833,237	7,833,237
Retained earnings		280,011,880	214,267,860
Equity attributable to owners of the company		287,884,530	222,140,510
Non-current liabilities			
Deferred tax	14.	4,083,620	7,142,302
Provisions	19.	202,588	564,944
		4,286,208	7,707,246
		292,170,738	229,847,756
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	11.	22,436,083	26,680,553
Right of Use Assets	12.	2,373,345	-
Investment	13.	25,200	25,200
		24,834,628	26,705,753
Current assets			
Inventories	15.	87,203,103	69,009,601
Trade and other receivables	16.	187,227,438	188,085,288
Cash and cash equivalents	17.	37,388,330	4,244,876
		311,818,871	261,339,765
Current liabilities			
Borrowings	10.	-	18,619,495
Current tax payable	8.	17,640,683	6,307,273
Trade and other payables	18.	26,794,898	33,239,595
Provisions	19.	47,180	31,399
		44,482,761	58,197,762
Net current assets		267,336,110	203,142,003
		292,170,738	229,847,756

The financial statements on pages 8 to 35 were approved and authorised for issue by the Board of Directors on____________________ 2021 and were signed on its behalf by:

____________________ DIRECTOR ____________________

The notes on pages 12 to 35 form an integral part of these financial statements.

Report of the independent auditor - pages 5 and 7.

STATEMENT OF CASH FLOWS

	Notes	2021 ZMW	2020 ZMW
Cash flows from operating activities			
Profit before tax		96,797,853	92,480,765
Adjustments for:			
Depreciation on property, plant and equipment	11	4,495,710	4,226,694
Depreciation on right of use asset	12	15,508	-
Interest expense	6	758,793	643,157
Changes in working capital:			
- inventories		(18,193,502)	(27,503,492)
- trade and other receivables		857,850	(91,290,378)
- trade and other payables		(6,791,272)	17,206,329
Tax paid		(22,779,105)	(10,733,904)
Net cash from/(used in) operating activities		55,161,835	(14,970,829)
Cash flows from investing activities			
Proceed on asset disposed			328,086
Cash paid for purchase of property, plant and equipment	11	(2,640,093)	(7,107,768)
Net cash from/(used in) investing activities		(2,640,093)	(6,779,682)
Cash flows from financing activities			
Proceeds from:			
- borrowings		(18,619,495)	18,619,495
Interest paid		(758,793)	(643,157)
Net cash (used in) financing activities		(19,378,288)	17,976,338
Increase in cash and cash equivalents		33,143,455	(3,774,173)
Movement in cash and cash equivalents			
At start of year		4,244,875	8,019,048
Increase/(decrease)		33,143,455	(3,774,173)
At end of year	15	37,388,330	4,244,875

The notes on pages 12 to 35 form an integral part of these financial statements.

Report of the independent auditor - pages 5 and 7.

NOTES

1. 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 the years presented, unless otherwise stated.

These financial statements comply with the requirements of the Zambian Companies Act, 2017. The statement of profit or loss and statement of comprehensive income represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

a) Basis of preparation

The company financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Transfer between levels of the fair value hierarchy are recognised by the directors at the end of the reporting period during which the change occurred.

New and amended standards adopted by the company

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 January 2019 have been adopted by the company. Of those, the following have an effect on the company's financial statements:

New standards, amendments and interpretations adopted by the company

The following, which became effective from 1 January 2019, have been adopted but have not had a significant impact on the company's financial statements.

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.

- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

a) **Basis of preparation (continued)**

New standards, amendments and interpretations adopted by the company

- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.

- Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019 in relation to remeasurement of previously held interests on a joint operation on obtaining control.

- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amostised cost classification.

- Amendments to IFRS 11 'Joint Arrangements ' effective for annual periods beginning on or after 1 January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure its previously held interests.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these consolidated financial statements the following standards and interpretations, which have not been applied in these consolidated financial statements, were in issue but not yet effective for the year presented:

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014) applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

- IFRS 17 'Insurance Contracts' (issued in May 2017) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The company does not issue insurance contracts.

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

a) **Basis of preparation (continued)**

New standards, amendments and interpretations issued but not effective

- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.

- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.

- Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019 in relation to remeasurement of previously held interests on a joint operation on obtaining control.

- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amortised cost classification.

- IFRS 16 'Leases' (issued in January 2017) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

New standards, amendments and interpretations issued but not effective (continued)

- IFRS 17 'Insurance Contracts' (issued May 2017) effective for annual periods beginning on or after 1 January 2022 establishes the principles for the recognition, measurement,. presentation and disclosure of insurance contracts.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

The directors expect that the future adoption of IFRS 16 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other standards and interpretations will have a material impact on the financial statements in future periods. The company plans to apply the changes above from their effective dates.

b) **Critical accounting estimates and judgement**

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.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

b) **Critical accounting estimates and judgement (continues)**

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.

- **Measurement of expected credit losses (ECL):**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model applied for financial assets other than trade receivables and contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- **Measurement of Expected Credit Losses (ECL) (continued):**

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

a) **Basis of preparation (continued)**

b) **Critical accounting estimates and judgement (continued)**

- **Measurement of Expected Credit Losses (ECL) (continued):**

  Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The group uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions

  For trade receivables, the group has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

- **Useful lives of property and equipment and intangible assets**

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

c) **Revenue recognition**

The company recognises revenue from direct sales of explosives and from contracts for the supply of explosive accessories. The company recognises revenue as and when it satisfies a performance obligation by transferring control of a product or service to a customer. The amount of revenue recognised is the amount the Company expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax.

Other income

i) Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable.
ii) Dividend income is recognised when the shareholders right to receive payment has been established. The company currently has no equity investments.

d) **Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Zambian Kwacha (the functional currency), at the rates ruling at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise except for:

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

d) **Translation of foreign currencies (continues)**

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain future foreign currency risks which meet the criteria for hedge accounting which are recognised in the other comprehensive income; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

e) **Property, plant and equipment**

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation (except as stated below). Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Freehold and leasehold land, buildings and plant and machinery are subsequently shown at market value, based on periodic valuations less subsequent depreciation.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decreases that offset previous increases of the same asset are charged to other comprehensive income; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the retained earnings to revaluation reserve.

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

Leasehold land is amortised over the remaining period of the lease.

Depreciation on all other assets is calculated on straight line method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

e) **Property, plant and equipment (continued)**

	Rate %
Buildings	5
Plant and machinery	20
Furniture and fittings	10
Motor vehicles	20
Computer equipment	20
Electrical installation	10

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings in the statement of changes in equity.

f) **Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software
Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated usefel lives which are estimated to be 5 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development staff costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives which are estimated to be 5 years.

g) **Financial instruments**

Financial instruments are recognised when, and only when, the company becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale.

- Financial assets

The company classifies its financial assets into the following categories:

i) **Amortised cost;**
Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost;
The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

g) **Financial instruments (continues)**

ii) **Fair Value Through Other Comprehensive Income (FVTOCI):**
Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are classified and measured at value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for recognition of impairment gain or losses, interest revenue and foreign exchange gain and losses. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments. Gains and losses related to equity instruments are not reclassified.

iii) **Fair Value Through Profit or Loss (FVTPL):**
Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement.

Notwithstanding the above, the group may:
- on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it **at fair value through other comprehensive income**
- on initial recognition of a debt instrument, irrevocably designate it as classified and measured **at fair value through profit or loss** if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

At initial recognition of a financial asset, the company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the company has not identified a change in its business models.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the company has transferred substantially all risks and rewards of ownership, or when the company has no reasonable expectations of recovering the asset.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Impairment

The company recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost or at fair value through other comprehensive income (FVTOCI):
- Cash and cash equivalents
- Trade and other receivables
- Other financial assets

No impairment loss is recognised on investments measured at FVTPL.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

g) **Financial instruments (continued)**

- ***Financial assets (continued)***

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or .
- there is observable evidence of impairment (a credit-impaired financial asset).

If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument.
12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

- ***Financial liabilities***

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at **fair value through profit or loss**. The company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

- All other financial liabilities are classified and measured at **amortised cost.**

- ***Financial liabilities (continued)***

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

- **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

g) **Financial instruments (continued)**

h) **Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

(i) Raw materials: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

(ii) Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs. Cost is determined on weighted average basis.

(iii)Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

i) **Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and financial assets with maturities of less than 91 days, net of bank overdrafts and money market lines.

Restricted cash balances are those balances that the company cannot use for working capital purposes as they have been placed as a lien to secure borrowings.

In the statement of financial position, bank overdrafts are included within borrowings in current liabilities.

j) **Share capital**

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

k) **Dividends**

Proposed dividends are disclosed as a separate component of equity until declared.

Dividends are recognised as a liabilities in the period in which they are approved by the company's shareholders.

l) **Taxation**

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

Current tax

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

NOTES (CONTINUED)

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

l) **Taxation (continued)**

Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recoverable entirely through sale unless presumption is rebutted. The presumption is rebutted when the investment property is depreciable and held within a business model whose objective is to consume substantially all its economic benefits embodied in it over time rather than through sale.

m) **Accounting for leases**

The company as lessee

Leases of assets where the company assumes substantially all the risks and rewards of ownership, are classified as finance leases.
Assets held under finance leases are initially recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs (see note o above). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Such property, plant and equipment is depreciated over its useful life.

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease. Lease incentives received are recognised as a liability and reduction of the rental expense on a straight line basis.

n) **Employee entitlements**

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

o) **Borrowing costs**

Borrowing costs that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset based either on actual cost on specific borrowings or, in the case of general borrowings, based on a weighted average cost.

Capitalisation of borrowing costs ceases when all activities necessary to prepare the asset for its intended use or sale are complete. All other borrowing costs are recognised in profit or loss.

p) **Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. However, the comparatives in these financial statements were not audited by us.

NOTES (CONTINUED)

3. Revenue

	2021 ZMW	2020 ZMW
Revenue from domestic sale of goods	158,481,151	131,536,419
Revenue from export sale of goods	133,172,180	88,226,722
	291,653,331	219,763,141

4. Other income

	2021 ZMW	2020 ZMW
Exchange gain differences	44,804,551	42,909,824
Other income	3,125	-
Insurance claims	146,923	408,970
Interest earned	202,400	62,102
Discount Received	-	4,968,151
	45,156,999	48,349,047

5. Operating profit

The following items have been charged/(credited) in arriving at operating profit:

Depreciation on property, plant and equipment	4,495,711	4,226,694
Auditors' remuneration		
- current year	385,708	303,552
Exchange differences	-	33,427
Staff costs	7,119,627	4,968,610

6. Finance costs

Interest expense:		
- other interest charges - Bank	758,793	643,157
	758,793	643,157

7. Tax

Current tax	34,112,515	14,903,000
Deferred tax charge/(credit) (Note 14)	(3,058,682)	4,621,798
Tax charge/(credit)	31,053,833	19,524,798

8. Tax (continued)

	2021 ZMW	2020 ZMW

The tax on the Company's profit/(loss) before tax differs from the theoretical amount that would arise using the basic rate as follows:

	2021 ZMW	2020 ZMW
Profit before tax	96,797,853	92,480,765
Tax calculated at a tax rate of 26.25% (2020: 17.5%) ZDA tax incentives	16,939,625	16,184,134
Tax effect of:		
- expenses not deductible for tax purposes	23,077,595	3,896,137
- expenses deductible for tax purposes	(16,495,116)	(1,300,288)
Tax charge	23,522,103	18,779,983
Balance at the beginning of the year	6,307,273	2,138,177
Current tax for the year recognised in profit or loss	34,112,515	14,903,000
Tax paid	(22,779,105)	(10,733,904)
Balance at year end	17,640,683	6,307,273

9. Share capital

	2021 ZMW	2020 ZMW
Authorised:		
39,413 (2020: 39,413) ordinary shares of ZMW 1 each	39,413	39,413
Issued and fully paid:		
39,413 (2020: 39,413) ordinary shares of ZMW 1 each	39,413	39,413
Share premium	7,833,237	7,833,237
	7,872,650	7,872,650

10. Borrowings

	2021 ZMW	2020 ZMW
First National Bank	-	18,619,495
	-	18,619,495

First National Bank facility
The Company has a USD1.5 million overdraft facility with First National Bank that is subject to review on 8 September 2021, and is secured by:

- 1st Legal Mortgage Debenture that covers Land, Stock and moveables including debtors over Lot No. 382511M Kitwe Held)
- Insurance cover notes over Building, Stock and Moveable Assets
- Valuation over Land and Buildings valued at (USD766,304.34 @ ZMW18.4/USD valuation dated 30th August 2018 conducted by Bitrust Real Estates (Held)
- Moveable Assets valued which include: Control Panel, Pumps, AirCompressor, Silos, Laboratory Equipment, Folk Lift, Chilling Unit, Cooling Tower, Water Condensation Tank, Jet Mixer, KP Machine, Crimbing Machine, Motor Vehicles (Inclusive 3 new 2017 Toyota hilux double cab,2 new chasis for liquid explosive heavy duty trucks (To be obtained)

Term: Repayable on demand. Subject to annual review

Interest Rate: Prime Lending Rate 11.25% - 2.75% margin

Facility Fee:
upon acceptance of this Facility Letter, a Facility Fee of 1% of the facility amount will be debited to the Client's account held with the Bank.

Utilisation:
• Working Capital requirements

NOTES (CONTINUED)

11. Property, plant and equipment

Year ended 31 March 2021

	Land ZMW	Buildings ZMW	Plant and machinery ZMW	Furniture, fixture and equipment ZMW	Motor Vehicles ZMW	Office equipment ZMW	Computers ZMW	Electrical installation ZMW	Capital work in progress ZMW	Total ZMW
Cost										
At start of year	3,971,092	10,069,672	18,105,374	206,447	23,732,301	55,641	460,776	1,899,171	707,879	59,208,353
Additions	-	632,097	351,505	-	-	17,708	-	-	1,638,783	2,640,093
Transfer to Right of Use	(2,422,280)	-	-	-	-	-	-	-	-	(2,422,280)
Transfer	(1,548,812)	1,548,812	16,077,159	-	(14,177,988)	299,310	(299,310)	(1,899,171)	-	-
At end of year	-	12,250,581	34,534,038	206,447	9,554,313	372,659	161,466	-	2,346,662	59,426,166
Comprising										
Cost	-	12,250,581	34,534,038	206,447	9,554,313	372,659	161,466	-	2,346,662	59,426,166
Valuation	-	-	-	-	-	-	-	-	-	-
	-	12,250,581	34,534,038	206,447	9,554,313	372,659	161,466	-	2,346,662	59,426,166
Depreciation										
At start of year	33,427	3,517,419	16,698,908	132,569	10,425,220	52,118	204,482	1,463,657	-	32,527,800
Transfer to Right of Use	(33,427)	-	-	-	-	-				(33,427)
Transfer	-	-	8,093,967	-	(6,630,310)	121,722	(121,722)	(1,463,657)	-	-
Charge for the year	-	562,953	2,478,853	15,851	1,374,387	42,633	21,033	-	-	4,495,710
At end of year	-	4,080,372	27,271,728	148,420	5,169,297	216,473	103,793	-	-	36,990,083
Net book value										
As at 31 March 2021	-	8,170,209	7,262,310	58,027	4,385,016	156,186	57,673	-	2,346,662	22,436,083
As at 31 March 2020	3,937,665	6,552,253	1,406,466	73,878	13,307,081	3,523	256,294	435,514	707,879	26,680,553

NOTES (CONTINUED)

12. **Right of Use Assets**	**2021 ZMW**	**2020 ZMW**
Right of Use Asset at initial recognition		
Transfer from Land and Buildings	2,422,280	-
Additions/Disposal	-	-
Gross Book Value	2,422,280	-
Depreciation charge		
At start of year	33,427	-
Depreciation charge for the year	15,508	-
At end of year	48,935	-
Net Book Value	2,373,345	-

13. **Investments**	**2021 ZMW**	**2020 ZMW**
Investment in non-quoted shares		
At start of year	25,200	25,200
Interest	-	-
At end of year	25,200	25,200
Bravo Business Agency 10% Equity investment of 25,200 shares Valued at ZMW1	25,200	25,200

14. **Deferred tax**

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principa tax rate of 26.25% (2020: 17.5%). The movement on the deferred tax account is as follows:

	2021 ZMW	**2020 ZMW**
At start of year	7,142,302	2,520,503
Charge/(credit) to profit or loss (Note .7)	(3,058,682)	4,621,799
At end of year	4,083,620	7,142,302

Deferred tax (assets)/liabilities, deferred tax charge/(credit) to other comprehensive income deferred tax charge/(credit) to equity and deferred tax charge/(credit) in profit or loss are attributable to the following items:

Deferred tax liabilities	**At start of year ZMW**	**Charge/ (credit) to profit or loss ZMW**	**At end of year ZMW**
Property, plant and equipment			
- accelerated tax depreciation	1,244,382	1,665,317	2,909,699
	1,244,382	1,665,317	2,909,699
Deferred tax assets			
Unrealised exchange differences	-	13,721,394	13,721,394
Provisions	-	(10,919)	(10,919)
Other timing differences	5,897,920	(18,434,474)	(12,536,554)
	5,897,920	(4,723,999)	1,173,921
Net deferred tax liability/(asset)	7,142,302	(3,058,682)	4,083,620

15. Inventories

	2021 ZMW	2020 ZMW
Raw materials, Goods in Transit and components	26,175,642	43,224,369
Goods-in-transit	34,424,298	11,015,306
Work-in-progress	415,512	93,750
Finished and Traded goods	22,418,684	12,265,719
Consumables, maintenance spares and electrical spares	3,768,967	2,410,457
	87,203,103	69,009,601

16. Trade and other receivables

Trade receivables	167,519,711	162,044,997
Less: impairment provisions	(40,935,685)	(11,330,031)
Net trade receivables	126,584,026	150,714,966
Advances to Suppliers	10,152,913	3,795,488
Employee costs in advance	114,080	767,844
Other receivables	263,848	145,682
Loan/advance to related parties (Note 20(iv))	26,230,730	12,542,434
Receivable from related parties (Note 20 (iii))	23,881,841	20,118,874
	187,227,438	188,085,288

17. Cash and cash equivalents

	2021 ZMW	2020 ZMW
Cash at bank and in hand	37,388,330	4,244,876

For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:

	2021 ZMW	2020 ZMW
Cash in hand	75,283	148,887
Cash at bank	37,313,047	4,095,989
	37,388,330	4,244,876

18. Trade and other payables

	2021 ZMW	2020 ZMW
Trade payables	4,683,883	10,713,112
Amounts received in advance	767,161	568,464
Statutory liabilities	270,120	278,852
VAT payable	1,410,742	122,319
Other payables	513,715	572,641
Amount due to related parties (Note 20 (v))	19,149,277	20,984,207
	26,794,898	33,239,595

19. Provisions

	Other provision ZMW	Gratuity provision ZMW	Total ZMW
At start of year	31,399	564,944	596,343
Utilised during the year	15,781	(362,356)	(346,575)
At end of year	47,180	202,588	249,768

20. Related party transactions and balances

The payments to related party's are interest free, unsecured and have no specific repayment dates.

	2021 ZMW	2020 ZMW
i) Purchases of goods and services from related party's.		
Economic Explosives Limited	20,059,375	21,265,648
Solar Industries India Limited	37,147,789	35,669,889
Solar Overseas Mauritius Limited	25,759,191	-
Laghe Venture Limited	1,781,673	-
Solar Mining Services India Limited	27,434,547	28,973,978
	112,182,575	85,909,516
ii) Sale of goods and services from related party's.		
Laghe Venture Limited	31,009,123	16,271,364
Nigachem Nigerial Limited	256,061	-
Solar Mining Services India Limited	3,338,237	5,724,447
	34,603,421	21,995,811

iii) **Outstanding balances arising from sale and purchase of goods/services**	2021 ZMW	2020 ZMW
Receivables from related parties		
Laghe Venture Limited	20,368,786	18,199,181
Solar Mining Services Limited	3,513,055	1,919,693
	23,881,841	20,118,874
iv Loan/advances		
Solar Mining Services Limited	18,069,750	11,065,534
Solar Overseas Mauritius Limited	4,175,223	-
Economic Explosives Limited	2,015,512	-
Solar Nitro Chemicals Limited	1,970,245	1,476,900
	26,230,730	12,542,434

The receivables from related parties are interest rate of 10%, have no specific dates of repayment and are unsecured.

Payable to related parties		
v) Economic Explosives Limited	-	14,340,856
Solar Industries India Limited	19,149,277	6,643,351
	19,149,277	20,984,207

The payables to related parties are interest free, have no specific dates of repayment and are unsecured.

v) **Key management personnel compensation**

Short term employee benefits
Post employment benefits

No provision has been required in 2021 and 2020 for the loans made to key management personnel and associates.

NOTES (CONTINUED)

21. **Risk management objectives and policies**

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the management under policies approved by the board of directors. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity.

(a) **Market risk**

- *Foreign exchange risk*

The group/company are exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. The risk arises from future transactions, assets and liabilities in the statement of financial position date.

A 10% sensitivity rate is being used when reporting foreign risk internally to key management personnel and represents managements assessment of the reasonably possible change in foreign exchange rates.

(b) **Credit risk**

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

In assessing whether the credit risk on a financial asset has increased significantly, the company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purpose default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

21. Risk management objectives and policies (continued)

(b) Credit risk (continues)

If the company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the company groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument;
- industry in which the debtor operates; and
- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

Basis for measurement of loss allowance	12-month expected credit losses	Lifetime expected credit losses (see note below)			
		a)	b)	c)	Total
As at 31 March 2021	**ZMW**	**ZMW**	**ZMW**	**ZMW**	**ZMW**
Trade receivables	167,519,711	-	-	-	167,519,711
Other receivables	10,530,841	-	-	-	10,530,841
Receivables from related parties	50,112,571	-	-	-	50,112,571
Cash at bank	37,388,330	-	-	-	37,388,330
Gross carrying amount	265,551,453		-	-	265,551,453
Loss allowance		(40,935,685)	-	-	(40,935,685)
Exposure to credit risk	265,551,453	(40,935,685)	-	-	224,615,768

NOTES (CONTINUED)

21. **Risk management objectives and policies (continued)**

(b) **Credit risk (continued)**

Basis for measurement of loss allowance	12-month expected credit losses	Lifetime expected credit losses (see note below)			
		a)	b)	c)	Total
As at 31 March 2020	ZMW	ZMW	ZMW	ZMW	ZMW
Trade receivables	162,044,997				162,044,997
Other receivables	4,709,014				4,709,014
Related parties	32,661,308				32,661,308
Cash at bank	4,244,876				4,244,876
Gross carrying amount	203,660,195	-	-	-	203,660,195
Loss allowance	-	(11,330,031)			(11,330,031)
Exposure to credit risk	203,660,195	(11,330,031)	-	-	192,330,164

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;
b) financial assets that are credit impaired at the balance sheet date;
c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

The age analysis of the trade receivables at the end of each year was as follows:

	Not past due ZMW	30 to 90 days past ZMW	90 to 180 days past ZMW	Over 180 days past ZMW	Total ZMW
As at 31 March 2021	29,124,433	40,783,585	41,087,607	79,638,766	190,634,391
As at 31 March 2020	13,321,660	19,644,614	16,715,886	112,362,837	162,044,996

The changes in the loss allowance during the year were as follows:

Basis for measurement of loss allowance	12-month expected credit losses	Lifetime expected credit losses (see note below)			
		a)	b)	c)	Total
Year ended 31 March 2021	ZMW	ZMW	ZMW	ZMW	ZMW
At start of year	-	(11,330,031)	-	-	(11,330,031)
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses		(29,605,654)	-	-	(29,605,654)
Changes because of financial assets that were written off during the ye	-	-	-	-	-
Other changes	-	-	-	-	-
At end of year	-	(40,935,685)	-	-	(40,935,685)

21. **Risk management objectives and policies (continued)**

(b) **Credit risk (continued)**

Basis for measurement of loss allowance	**12-month expected credit losses**	**Lifetime expected credit losses (see note below)**			
		a)	**b)**	**c)**	**Total**
Year ended 31 March 2020	**ZMW**	**ZMW**	**ZMW**	**ZMW**	**ZMW**
At start of year	-	-	-	-	-
Changes relating to assets					
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit l(	-	(11,330,031)	-	-	(11,330,031)
Changes because of financial assets that were written off during the year	-	-	-	-	-
Other changes	-	-	-	-	-
At end of year	-	(11,330,031)	-	-	(11,330,031)

The loss allowances at the end of each year relate to the following;

Basis for measurement of loss allowance	**12-month expected credit losses**	**Lifetime expected credit losses (see note below)**			
		a)	**b)**	**c)**	**Total**
As at 31 March 2021	**ZMW**	**ZMW**	**ZMW**	**ZMW**	**ZMW**
Trade receivables (all related to contracts with customers)	(40,935,685)	-	-	-	(40,935,685)
Total	(40,935,685)	-	-	-	(40,935,685)

	12-month expected credit losses	**Lifetime expected credit losses (see note below)**			
		a)	**b)**	**c)**	**Total**
As at 31 March 2020	**ZMW**	**ZMW**	**ZMW**	**ZMW**	**ZMW**
Trade receivables (all related to contracts with customers)	(11,330,031)	-	-	-	(11,330,031)
Total	(11,330,031)	-	-	-	(11,330,031)

The company does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due receivables.

NOTES (CONTINUED)

21. Risk management objectives and policies (continued)

(c) Liquidity risk

Cash flows forecasting is performed by the finance department of the company by monitoring the compa liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the group's management maintains flexibility in funding by maintaining availability under committed credit lines.

A disclosure of the undrawn facilities is as per Note 12. This is the company's liquidity reserve.

Notes 10 and 18 disclose the maturity analysis of borrowings and trade and other payables.

The table below disclose the undiscounted maturity profile of the company's financial liabilities:

	Interes rate %age	Between 1 - 3months ZMW	Between 3 months - 1 year ZMW	Between 1 - 5 years ZMW	More than 5 years ZMW	Total ZMW
Year ended 31 March 2021						
Interest bearing liabilities						
- Trade and other payables			-	-	-	-
- Borrowings		-				-
Non-interest bearing liabilities						
- Trade and other payables		26,794,898	-	-	-	26,794,898
- Borrowings		-			-	-
		26,794,898	-	-	-	26,794,898

	Interes rate %age	Between 1 - 3months ZMW	Between 3 months - 1 year ZMW	Between 1 - 5 years ZMW	More than 5 years ZMW	Total ZMW
Year ended 31 March 2020						
Interest bearing liabilities						
- Trade and other payables		-	-	-	-	-
- Borrowings		18,619,495	-	-	-	18,619,495
Non-interest bearing liabilities						
- Trade and other payables		33,239,595	-	-	-	33,239,595
- Borrowings		-	-			-
		51,859,090	-	-	-	51,859,090

NOTES (CONTINUED)

22. Capital management

Internally imposed capital requirements

The company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;
- to comply with the capital requirements set out by the company's bankers;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong asset base to support the development of business.
- to maintain an optimal capital structure to reduce the cost of capital.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. Consistently with others in the industry, the company monitors capital on the basis of the gearing/xxx ratio. This ratio is calculated as net debt divided capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity (i.e. share capital, share premium, other reserves retained earnings, and revaluation surplus).

During 2021, the company's strategy, which was unchanged from 2020, was to maintain the gearing ratio at the lower end of the range to (debt equity ratio), in order to secure access to finance at a reasonable cost.

The gearing ratios at 31 March 2021 and 2020 were as follows:

	2021 ZMW	2020 ZMW
Total borrowings (Note 10)	-	18,619,495
Less cash and cash equivalents (Note 17)	37,388,330	4,244,876
Net debt	(37,388,330)	14,374,619
Total equity	287,884,530	222,140,510
Gearing ratio	-13%	6%

23. Incorporation

Solar Explochem Zambia Limited is incorporated in Zambia under the Companies Act as a private limited liability company.

MANUFACTURING ACCOUNT

		2021 ZMW	2020 ZMW
1.	**COST OF SALES**		
	Cost of raw and packing materials consumed (1.1)	149,724,831	118,735,606
	Production costs (1.2)	10,542,505	7,660,159
	Changes in finished goods and semi finished goods	3,301,188	137,745
	TOTAL COST OF SALES	163,568,524	126,533,510
1.1)	**COST OF RAW AND PACKING MATERIALS CONSUMED**	153,026,019	
	Opening stock	54,239,675	33,604,271
	Purchases	156,085,096	139,371,010
	Closing stock	(60,599,940)	(54,239,675)
	TOTAL COST OF RAW AND PACKING MATERIALS CONSUMED	149,724,831	118,735,606
1.2)	**PRODUCTION COSTS**		
	Salaries and wages	3,669,154	3,401,017
	Vehicle running and maintenance	2,147,839	1,363,223
	Factory expenses	1,606,526	1,157,038
	Loss of material due to theft	110,341	-
	Petrol, gas and oil	1,994,918	1,198,086
	Repairs and maintenance	1,013,727	540,795
	TOTAL PRODUCTION COSTS	10,542,505	7,660,159

SCHEDULE OF OTHER OPERATING EXPENDITURE

	2021 ZMW	2020 ZMW
2. ADMINISTRATIVE EXPENSES		
Employment:		
Salaries and wages	3,234,091	1,573,282
Staff welfare	451,996	247,048
Gratuity	553,836	610,644
Staff training expenses	26,290	38,535
Statutory expenses	2,853,414	2,184,358
Other staff costs	-	314,743
Total employment costs	7,119,627	4,968,610
Other administrative expenses:		
Advertising and sales promotion	423,832	538,034
Audit fees		
- Current year	385,708	303,552
Postages and telephones	270,520	206,800
Printing and stationery	207,917	114,998
Computer expenses	414,057	299,874
Legal and professional fees	2,651,078	6,234,659
Consumption of consumables	513,095	513,271
Management fees	48,001	5,191,254
Bank charges and commissions	269,467	268,103
Outward Delivery Freight charges	8,673,092	4,298,324
Bad debts written off	29,605,654	8,621,531
Office expenses	146,152	715,965
Total other administrative expenses.	43,608,573	27,306,365
Total administrative expenses.	50,728,200	32,274,975

SCHEDULE OF OTHER OPERATING EXPENDITURE (CONTINUED)

3. **Other operating expenses**	**2021 ZMW**	**2020 ZMW**
Establishment:		
Rent and rates	10,350,178	4,101,779
Insurance	1,068,875	1,037,586
Security expenses	733,833	463,767
Amortisation of land	15,508	33,427
Depreciation on property, plant and equipment	4,495,711	4,226,694
Donations	8,500	24,000
Travel local and international	5,302,227	4,141,060
Conveyance expenses	776,312	856,287
Export sales commission	2,205,816	1,295,181
Total other operating expenses	24,956,960	16,179,781

4. **NET FINANCE COSTS**

Interest expense:		
- other interest charges - Bank	758,793	643,157
Total net finance (income)/costs	758,793	643,157