

SOLAR EXPLOCHEM ZAMBIA LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

**CONTENTS**

---

	<b>PAGE</b>
Company information	1
Report of the directors	2 - 3
Statement of directors' responsibilities	4
Report of the independent auditor	5 - 6
Financial statements:	
Statement of profit or loss and other comprehensive income	7
Statement of changes in equity	8
Statement of financial position	9
Statement of cash flows	10
Notes: significant accounting policies	11 - 15
Notes	16 - 22
<b>The following pages do not form an integral part of these financial statements:</b>	
Manufacturing account	23
Schedule of other operating expenditure	24 - 25

**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  
: Caroline Misodzi

**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

**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 2018, which disclose the state of affairs of the company.

### PRINCIPAL ACTIVITIES

The principal activity of the company is the manufacturing of explosives and trading in accessories.

RESULTS	2018 ZMW	2017 ZMW
Profit before tax	49,224,559	8,545,600
Tax (charge)/credit	<u>(17,384,135)</u>	<u>7,873,353</u>
Profit for the year	<u><u>31,840,424</u></u>	<u><u>16,418,953</u></u>

### SHARE CAPITAL

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

### DIVIDEND

The Directors have recommend the declaration of a dividend for the year ZMW15,225,000 (2017: ZMW 4,780,000).

### PROPERTY, PLANT AND EQUIPMENT

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

The company purchased fixed assets amounting to ZMW 2,881,388 (2017: ZMW 1,132,585)

### 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.

### SUBSEQUENT EVENTS

There were no subsequent events that the Directors of the company are aware of.

**REPORT OF THE DIRECTORS (CONTINUED)**


**DIRECTORS**

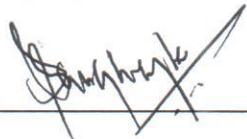
The Directors who held office during the year and to the date of this report are shown on page 1.

**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, 1994 (CAP. 388).

**BY ORDER OF THE BOARD**

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
2018



**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Zambia Companies Act, 1994 (CAP. 388) 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:

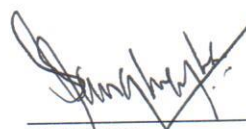
- i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

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 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Zambian Companies Act, 1994 (CAP. 388).

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 2018, 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 2018, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the Companies Act, 1994 (Cap 388).

### 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.

### 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.



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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, 1994 (Cap. 388) 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 Steve Chibwe, Practising certificate No. AUD/F000370

*PKF Zambia*  
Chartered Accountants

Date: 5 July 2018

REF: SC/S007N/M142/2018

  
Steve Chibwe



Solar Explochem Zambia Limited  
 Annual Report and Financial statements  
 For the year ended 31 March 2018

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	2018 ZMW	2017 ZMW
Revenue	3	165,834,803	122,915,119
Cost of sales		<u>(93,660,417)</u>	<u>(68,459,852)</u>
<b>Gross profit/(loss)</b>		72,174,386	54,455,267
Other income	4	22,585	10,293
Administrative expenses		(8,741,938)	(8,731,903)
Other operating expenses		<u>(13,471,693)</u>	<u>(34,968,712)</u>
<b>Operating profit/(loss)</b>	5	49,983,340	10,764,945
Finance (costs)/income	6	<u>(758,781)</u>	<u>(2,219,345)</u>
<b>Profit/(loss) before tax</b>		49,224,559	8,545,600
Tax (charge)/credit	7	<u>(17,384,135)</u>	<u>7,873,353</u>
Profit for the year		<u><u>31,840,424</u></u>	<u><u>16,418,953</u></u>
<b>Total comprehensive income for the year</b>		<u><u>31,840,424</u></u>	<u><u>16,418,953</u></u>

The notes on pages 11 to 22 form an integral part of these financial statements.

Report of the independent auditor - pages 5 and 6.

Solar Explochem Zambia Limited  
Annual Report and Financial statements  
For the year ended 31 March 2018

**STATEMENT OF CHANGES IN EQUITY**

	Notes	Ordinary Share Capital ZMW	Share premium ZMW	Retained income ZMW	Total equity ZMW
<b>Year ended 31 March 2018</b>					
<b>At start of year</b>		39,413	7,833,237	67,706,995	75,579,645
Prior year adjustment*		-	-	307	307
Total comprehensive income for the year:					
- Profit for the year		-	-	31,840,424	31,840,424
Proposed dividend				(15,225,000)	(15,225,000)
At end of year		<u>39,413</u>	<u>7,833,237</u>	<u>84,322,726</u>	<u>92,195,376</u>
<b>Year ended 31 March 2017</b>					
<b>At start of year</b>		39,413	7,833,237	56,068,042	63,940,692
Total comprehensive income for the year:					
- Profit for the year		-	-	16,418,953	16,418,953
Proposed dividend		-	-	(4,780,000)	(4,780,000)
At end of year		<u>39,413</u>	<u>7,833,237</u>	<u>67,706,995</u>	<u>75,579,645</u>

The notes on pages 11 to 22 form an integral part of these financial statements.

Report of the independent auditor - pages 5 and 6.

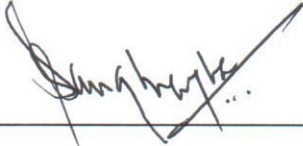
Solar Explochem Zambia Limited  
Annual Report and Financial statements  
For the year ended 31 March 2018

**STATEMENT OF FINANCIAL POSITION**

	Notes	2018 ZMW	2017 ZMW
<b>EQUITY</b>			
Share capital	9	39,413	39,413
Share premium	9	7,833,237	7,833,237
Retained earnings		84,322,726	67,706,995
<b>Equity attributable to owners of the company</b>		<u>92,195,376</u>	<u>75,579,645</u>
<b>Non-current liabilities</b>			
Borrowings	10	9,302,962	3,107,000
Deferred tax	12	718,198	-
Provisions	17	200,408	112,145
		<u>10,221,568</u>	<u>3,219,145</u>
		<u>102,416,944</u>	<u>78,798,790</u>
<b>REPRESENTED BY</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	14,673,075	17,521,808
Deferred tax	12	-	6,277,527
		<u>14,673,075</u>	<u>23,799,335</u>
<b>Current assets</b>			
Inventories	13	23,909,654	20,757,765
Trade and other receivables	14	55,708,611	83,603,378
Cash and cash equivalents	15	21,227,019	9,189,713
		<u>100,845,284</u>	<u>113,550,856</u>
<b>Current liabilities</b>			
Current tax payable		10,381,420	1,789,378
Trade and other payables	16	2,681,190	56,663,541
Provisions	17	38,805	98,482
		<u>13,101,415</u>	<u>58,551,401</u>
<b>Net current assets/(liabilities)</b>		<u>87,743,869</u>	<u>54,999,455</u>
		<u>102,416,944</u>	<u>78,798,790</u>

The financial statements on pages 7 to 22 were approved and authorised for issue by the Board of Directors on \_\_\_\_\_ and were signed on its behalf by:

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_

The notes on pages 11 to 22 form an integral part of these financial statements.

Report of the independent auditor - pages 5 and 6.



**STATEMENT OF CASH FLOWS**

	Notes	2018 ZMW	2017 ZMW
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		49,224,559	8,545,600
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment	11	5,730,120	5,383,205
Interest expense	6	758,781	2,219,345
Prior year adjustment		(307)	-
Net foreign exchange (gain)/loss		(689,248)	(344,086)
Changes in working capital:			
- inventories		(3,151,889)	8,080,354
- trade and other receivables		27,894,767	(39,467,433)
- trade and other payables		(53,953,765)	44,164,148
Tax paid		(1,135,091)	(2,335)
Net cash from/(used in) operating activities		<u>24,677,927</u>	<u>28,578,798</u>
<b>Cash flows from investing activities</b>			
Cash paid for purchase of property, plant and equipment	11	(2,881,388)	(1,132,585)
Net cash from/(used in) investing activities		<u>(2,881,388)</u>	<u>(1,132,585)</u>
<b>Cash flows from financing activities</b>			
Proceeds from:			
- borrowings		6,224,548	(12,536,758)
Interest paid		(758,781)	(2,219,345)
Dividends paid:			
- ordinary shareholders		(15,225,000)	(4,780,000)
Net cash (used in) financing activities		<u>(9,759,233)</u>	<u>(19,536,103)</u>
<b>Increase in cash and cash equivalents</b>		<u>12,037,306</u>	<u>7,910,110</u>
<b>Movement in cash and cash equivalents</b>			
At start of year		9,189,713	1,279,603
Increase/(decrease)		<u>12,037,306</u>	<u>7,910,110</u>
At end of year	15	<u>21,227,019</u>	<u>9,189,713</u>

The notes on pages 11 to 22 form an integral part of these financial statements.

Report of the independent auditor - pages 5 and 6.

---

**NOTES: 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.

**1 General Information**

The Company is a limited liability Company incorporated and domiciled in Zambia. The address of its registered office is in Chambeshi and principal place of business is in Chambeshi. Their principal activities are manufacturing of explosives and trading in accessories.

**2 a) Basis of preparation**

The financial statements of Solar Explochem Zambia Limited have been prepared in accordance with the 'International Financial Reporting Standard for Small and Medium-sized Entities' (IFRS for SMEs). They have been prepared under the historical cost convention, as modified by the revaluation of biological assets at fair value.

The preparation of financial statements in conformity with the IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements, are disclosed in note 2 (b).

These financial statements comply with the requirements of the Zambian Companies Act, 1994 (CAP.388). 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.

**Going concern**

The financial performance of the Company is set out in the Director's report and in the statement of profit or loss and the other 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 and its risk management policies, 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.

**b) Key sources of estimation uncertainty**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

**c) Revenue recognition**

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

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

- i) Sales of goods are recognised upon delivery of products and customer acceptance;
- ii) Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable;
- iii) Sale of financial assets: comprises the fair value of the consideration received or receivable for the sale of financial assets in the ordinary course of business.



**NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2) Basis of preparation (continued)**

**d) Property, plant and equipment**

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

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.

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 period in which they are incurred.

Freehold land and capital work in progress are not depreciated.

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

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

	<u>Rate (%)</u>
Buildings	5
Plant and machinery	20
Furniture and fittings	10
Motor vehicles	20
Computer equipment	20
Electrical installation	10

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.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

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.

**e) Impairment of non-financial assets other than inventories**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.



**NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) Trade and other receivables**

Trade receivables are initially recognised at the transaction price. They are subsequently measured at amortised cost using the effective interest method.

At the end of each reporting period, the carrying amounts of trade receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

**g) 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, money market lines and restricted cash balances.

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.

**h) Inventories**

Inventories comprise harvested products, materials and parts and are stated at the lower of cost and net realisable value. Cost is determined by the first-in-first-out (FIFO) basis and comprises all costs attributable to bringing the assets to their current location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

**j) Borrowings**

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

**j) Trade payables**

Trade payables are recognised initially at the transaction price. They are obligations on the basis of normal credit terms and do not bear interest.

Trade payables denominated in a foreign currency are translated into the functional currency using the exchange rate at the reporting date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

**k) Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Zambian Kwacha at rates ruling at the transaction dates. Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated into Zambian Kwacha at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

**NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**l) Provisions**

Provisions for restructuring costs and legal claims are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**m) Current and deferred income tax**

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.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised on temporary differences (other than temporary differences associated with unremitted earnings from foreign subsidiaries and associates to the extent that the investment is essentially permanent in duration, or temporary differences associated with the initial recognition of goodwill) arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

**n) Share capital**

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

Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

**o) Employee benefit obligations**

The company and its employees contribute to the National Pension Scheme Authority (NAPSA), a statutory defined contribution scheme registered under the NPS Act. The company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

**Accrued leave**

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



**NOTES : SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**p) Impairment of assets**

At each reporting date, property, plant and equipment and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**q) Borrowing costs**

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

**r) Dividend distribution**

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

**s) Comparatives**

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



Solar Explochem Zambia Limited  
Annual Report and Financial statements  
For the year ended 31 March 2018

**NOTES (CONTINUED)**

	<b>2018 ZMW</b>	<b>2017 ZMW</b>
<b>3. Revenue</b>		
Revenue from domestic sale of goods	120,382,716	99,298,694
Revenue from export sale of goods	45,452,087	23,616,425
	<u>165,834,803</u>	<u>122,915,119</u>
<b>4. Other income</b>		<b>2017 ZMW</b>
Other income	22,585	10,293
	<u>22,585</u>	<u>10,293</u>
<b>5. Operating profit/(loss)</b>		<b>2017 ZMW</b>
The following items have been charged/(credited) in arriving at operating profit/(loss):		
Depreciation on property, plant and equipment	5,730,120	5,383,205
Auditors' remuneration		
- current year	136,619	124,381
Exchange differences	689,248	24,105,829
Staff costs	3,066,566	4,652,045
	<u>                    </u>	<u>                    </u>
<b>6. Finance costs/(income)</b>		<b>2017 ZMW</b>
Interest expense:		
- loans	717,433	1,396,517
- other interest charges - Bank	41,348	822,828
	<u>758,781</u>	<u>2,219,345</u>
<b>7. Tax</b>		<b>2017 ZMW</b>
Current tax	(10,388,410)	1,789,378
Deferred tax charge/(credit) (Note 13)	(6,995,725)	(9,662,731)
<b>Tax charge/(credit)</b>	<u>(17,384,135)</u>	<u>(7,873,353)</u>

**NOTES (CONTINUED)**

8. Tax (continued)	2018 ZMW	2017 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:		
Profit/(loss) before tax	<u>49,224,559</u>	<u>8,545,600</u>
Tax calculated at a tax rate of 35% (2017: 35%)	17,228,596	2,990,960
Tax effect of:		
- expenses not deductible for tax purposes	2,558,381	11,005,185
- expenses deductible for tax purposes	(9,412,284)	(978,280)
- Other timing differences	-	(9,662,731)
- Tax effect of tax holiday	-	(11,228,487)
Tax charge/(credit)	<u>10,374,693</u>	<u>(7,873,353)</u>
Tax charged to:		
Balance at the beginning of the year	1,789,278	2,335
Current tax for the year recognised in profit or loss	10,388,410	1,789,278
Tax paid	<u>(1,796,268)</u>	<u>(2,335)</u>
Balance at period end	<u>10,381,420</u>	<u>1,789,278</u>
<b>9. Share capital</b>		
<b>Authorised:</b>		
39,413 (2017: 39,413) ordinary shares of ZMW 1 each	<u>39,413</u>	<u>39,413</u>
<b>Issued and fully paid:</b>		
39,413 (2017: 39,413) ordinary shares of ZMW 1 each	39,413	39,413
Share premium	<u>7,833,237</u>	<u>7,833,237</u>
	<u>7,872,650</u>	<u>7,872,650</u>
<b>10. Borrowings</b>		
First National Bank (a)	-	3,107,000
Solar Overseas Mauritius (b)	<u>9,302,962</u>	-
	<u>9,302,962</u>	<u>3,107,000</u>

(a) First National Bank

The Company has a USD2 million overdraft facility with First National Bank that is subject to review on 31 January 2018, and is secured by:

- First mortgage debenture (covers land plus movable including debtors) over Lot 38251 Chambishi, Valuation dated 25 November 2013 conducted by Bitrust Real Estate detailed as: Land & Building valued at USD1,214,545.46; moveable assets valued at USD3,043,973 (control panel, pumps, air compressor, silos, laboratory equipment, folk lift, chilling unit, cooling tower, water condensation tank, jet mixer, KP machine, crumbing machine & motor vehicles);
- Mortgage debenture includes stock comprising raw materials and finished goods valued at
- Cession of receivables, good debtors less than 90 days old valued at UAS1,712,184 as at 30
- Letter of comfort from parent Company, Solar Industries India Ltd; and
- First legal mortgage over 20 Hectare property (adjacent to Lot 38251 and to be notarially tied).

(b) Solar Overseas Mauritius

The Company has loan with its holding Company for the purpose of financing the business operations. The loan has an interest of 7.5%. The loan is repayment when the borrower has sufficient fund to repay the loan or upon request by the holding Company to pay dividend

Solar Explochem Zambia Limited  
Annual Report and Financial statements  
For the year ended 31 March 2018

NOTES (CONTINUED)

11. Property, plant and equipment

Year ended 31 March 2018

	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
<b>Cost</b>										
At start of year	183,473	9,676,561	16,780,296	163,581	7,287,005	48,351	146,780	1,885,526	1,503,314	37,674,887
Additions	-	255,634	232,232	-	2,351,680	-	41,842	-	-	2,881,388
Transfer	-	-	106,237	20,572	-	1,212	-	13,645	(141,666)	-
At end of year	183,473	9,932,195	17,118,765	184,152	9,638,685	49,563	188,622	1,899,171	1,361,648	40,556,274
<b>Comprising</b>										
Cost	183,473	9,932,195	17,118,765	184,152	9,638,685	49,563	188,622	1,899,171	1,361,648	40,556,274
Valuation	-	-	-	-	-	-	-	-	-	-
	183,473	9,932,195	17,118,765	184,152	9,638,685	49,563	188,622	1,899,171	1,361,648	40,556,274
<b>Depreciation</b>										
At start of year	-	2,027,918	11,446,694	76,915	5,582,712	39,892	99,024	879,921	-	20,153,076
Charge for the year	-	490,414	3,388,265	17,126	1,604,763	9,671	30,628	189,256	-	5,730,123
At end of year	-	2,518,332	14,834,959	94,041	7,187,475	49,563	129,652	1,069,177	-	25,883,199
<b>Net book value</b>										
As at 31 March 2018	183,473	7,413,863	2,283,806	90,111	2,451,210	-	58,970	829,994	1,361,648	14,673,075
As at 31 March 2017	183,473	7,648,643	5,333,602	86,666	1,704,293	8,459	47,756	1,005,605	1,503,314	17,521,808



**NOTES (CONTINUED)**

**12. Deferred tax**

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principle tax rate of 35% (2017: 35%). The movement on the deferred tax account is as follows:

	<b>2018 ZMW</b>	<b>2017 ZMW</b>
At start of year	(6,277,527)	3,385,204
Charge/(credit) to profit or loss (Note .7)	<u>6,995,725</u>	<u>(9,662,731)</u>
At end of year	<u>718,198</u>	<u>(6,277,527)</u>

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:

	<b>At start of year ZMW</b>	<b>Charge/ (credit) to profit or loss ZMW</b>	<b>At end of year ZMW</b>
<b>Deferred tax liabilities</b>			
Property, plant and equipment			
- accelerated tax depreciation	<u>1,892,794</u>	<u>6,995,725</u>	<u>8,888,519</u>
	<u>1,892,794</u>	<u>6,995,725</u>	<u>8,888,519</u>
<b>Deferred tax assets</b>			
Other timing differences	<u>8,170,321</u>	<u>-</u>	<u>8,170,321</u>
	<u>8,170,321</u>	<u>-</u>	<u>8,170,321</u>
<b>Net deferred tax liability/(asset)</b>	<u>(6,277,527)</u>	<u>6,995,725</u>	<u>718,198</u>

Solar Explochem Zambia Limited  
Annual Report and Financial statements  
For the year ended 31 March 2018

**NOTES (CONTINUED)**

	<b>2018</b>	<b>2017</b>
	<b>ZMW</b>	<b>ZMW</b>
<b>13. Inventories</b>		
Raw materials, components	15,437,901	13,892,406
Work-in-progress	170,626	101,250
Finished goods	5,742,139	3,626,059
Consumables, maintenance spares and electrical spares	2,558,988	3,138,050
	<u>23,909,654</u>	<u>20,757,765</u>
<b>14. Trade and other receivables</b>		
	<b>2018</b>	<b>2017</b>
	<b>ZMW</b>	<b>ZMW</b>
<b>Current</b>		
Trade receivables	43,685,672	76,790,569
Less: impairment provisions	-	(1,510,460)
	<u>43,685,672</u>	<u>75,280,109</u>
Net trade receivables	43,685,672	75,280,109
Advances from suppliers	8,057,346	2,895,432
WHT receivable	-	1,543
Employee costs in advance	152,123	-
Other receivables	103,922	100,382
Receivable from related parties (Note 18 (iii))	3,709,547	5,325,912
	<u>55,708,611</u>	<u>83,603,378</u>
<b>15. Cash and cash equivalents</b>		
	<b>2018</b>	<b>2017</b>
	<b>ZMW</b>	<b>ZMW</b>
Cash at bank and in hand	<u>21,227,019</u>	<u>9,189,713</u>
For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:		
	<b>2018</b>	<b>2017</b>
	<b>ZMW</b>	<b>ZMW</b>
Cash in hand	93,253	93,204
Cash at bank	<u>21,133,766</u>	<u>9,096,509</u>
	<u>21,227,019</u>	<u>9,189,713</u>

NOTES (CONTINUED)

16. Trade and other payables	2018 ZMW	2017 ZMW
<b>Current</b>		
Trade payables	1,546,058	7,763,545
Amounts received in advance	719,878	49,071,393
Statutory liabilities	110,618	142,477
VAT payable	81,378	(488,197)
Other payables	223,258	174,323
	<u>2,681,190</u>	<u>56,663,541</u>

17. Provisions	Other provision ZMW	Gratuity and long service ZMW	Total ZMW
At start of year	98,482	112,145	210,627
Additional provisions during the year	(59,677)	314,614	254,937
Utilised during the year	-	(226,351)	-
At end of year	<u>38,805</u>	<u>200,408</u>	<u>239,213</u>

18. Related party transactions and balances

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

	2018 ZMW	2017 ZMW
i) Purchases of goods and services from related party's.		
Triton International Ltd	2,186	2,156,303
Solar Industries India Limited	14,242,659	1,468,874
Solar Mining Services India Limited	31,042,010	-
	<u>45,286,855</u>	<u>3,625,177</u>
ii) Sale of goods and services from related party's.		
Others	-	5,325,912
Solar Mining Services India Limited	33,661	-
Triton International Ltd	14,734,483	-
	<u>14,768,144</u>	<u>5,325,912</u>
iii) <b>Outstanding balances arising from sale and purchase of goods/services</b>	<b>2018 ZMW</b>	<b>2017 ZMW</b>
Receivables from related parties		
Solar Mining Services India Limited	823,725	-
Triton International Ltd	2,885,822	-
- Other related parties	-	5,325,912
	<u>3,709,547</u>	<u>5,325,912</u>

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

Payable to related parties

Triton International Ltd	2,186	-
- Other related parties	-	9,181,868
	<u>2,186</u>	<u>9,181,868</u>

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



**NOTES (CONTINUED)**

**19. Retirement benefit obligations**

The Company operates a gratuity scheme for qualifying employees which qualifies as a defined benefit scheme.

The amounts recognised in the statement of financial position are determined as follows:

	<b>2018 ZMW</b>	<b>2017 ZMW</b>
Statement of financial position obligation for:		
Pension benefits	<u>200,408</u>	<u>112,145</u>
Statement of comprehensive income for:		
Pension benefits	<u>226,351</u>	<u>125,275</u>

**20. Events after the end of the reporting date**

There were no significant events after the reporting period that could materially affect the financial statements.

**21. Period of reporting**

The financial statements have been prepared for a period of 12 months

**22. Presentation currency**

The financial statements are presented in Zambian Kwacha, rounded to the nearest Kwacha.

**23. Commitments**

The Company had no capital commitments at the end of the year.

*Solar Explochem Zambia Limited*  
*Annual Report and Financial statements*  
*For the year ended 31 March 2018*

**MANUFACTURING ACCOUNT**

	<b>2018 ZMW</b>	<b>2017 ZMW</b>
<b>1. COST OF SALES</b>		
Cost of raw and packing materials consumed (1.1)	85,087,614	62,386,019
Production costs (1.2)	8,795,024	5,532,668
Changes in finished goods and semi finished goods	(222,221)	541,165
<b>TOTAL COST OF SALES</b>	<u>93,660,417</u>	<u>68,459,852</u>
<b>1.1) COST OF RAW AND PACKING MATERIALS CONSUMED</b>		
Opening stock	10,653,106	14,784,716
Purchases	92,602,023	58,254,409
Closing stock	(18,167,515)	(10,653,106)
<b>TOTAL COST OF RAW AND PACKING MATERIALS CONSUMED</b>	<u>85,087,614</u>	<u>62,386,019</u>
<b>1.2) PRODUCTION COSTS</b>		
Salaries and wages	2,301,851	2,094,052
Vehicle running and maintenance	694,470	677,764
Factory expenses	834,817	715,418
Petrol, gas and oil	899,659	545,746
Repairs and maintenance	4,064,227	1,499,688
<b>TOTAL PRODUCTION COSTS</b>	<u>8,795,024</u>	<u>5,532,668</u>

Solar Explochem Zambia Limited  
 Annual Report and Financial statements  
 For the year ended 31 March 2018

**SCHEDULE OF OTHER OPERATING EXPENDITURE**

	2018 ZMW	2017 ZMW
<b>2. ADMINISTRATIVE EXPENSES</b>		
<b>Employment:</b>		
Salaries and wages	1,263,047	2,309,872
Staff welfare	115,143	119,753
Gratuity	226,351	125,275
Staff training expenses	14,020	20,417
Statutory expenses	1,244,311	1,839,739
Other staff costs	203,694	236,989
<b>Total employment costs</b>	<u>3,066,566</u>	<u>4,652,045</u>
<b>Other administrative expenses:</b>		
Advertising and sales promotion	229,189	135,964
Audit fees		
- Current year	136,619	124,381
Postages and telephones	165,290	202,453
Printing and stationery	84,554	86,642
Computer expenses	101,403	78,883
Legal and professional fees	402,288	87,356
Interest and Penalty	15,870	254,427
Consumption of consumables	(43,631)	103,520
Rates and taxes	-	86,537
Bank charges and commissions	186,028	322,274
Outward Delivery Freight charges	2,775,605	1,047,186
Bad debts written off	1,583,500	1,510,460
Office expenses	38,657	39,775
<b>Total other administrative expenses.</b>	<u>5,675,372</u>	<u>4,079,858</u>
<b>Total administrative expenses.</b>	<u><u>8,741,938</u></u>	<u><u>8,731,903</u></u>



**SCHEDULE OF OTHER OPERATING EXPENDITURE (CONTINUED)**

3. Other operating expenses	2018 ZMW	2017 ZMW
<b>Establishment:</b>		
Rent and rates	2,237,844	2,165,090
Insurance	321,887	280,732
Security expenses	459,191	359,358
Foreign exchange (gain)/loss	689,248	24,105,829
Depreciation on property, plant and equipment	5,730,120	5,383,205
Donations*	45,470	4,631
Travel local and international	3,000,814	1,777,907
Conveyance expenses	735,048	604,503
Export sales commission	252,071	287,023
Miscellaneous expenses	-	434
<b>Total other operating expenses</b>	<b><u>13,471,693</u></b>	<b><u>34,968,712</u></b>
<b>4. NET FINANCE (INCOME)/COSTS</b>		
Interest expense:		
- loans	717,433	1,396,517
- other interest charges - Bank	41,348	822,828
<b>Total net finance (income)/costs</b>	<b><u>758,781</u></b>	<b><u>2,219,345</u></b>