

PKF Zambia  
Chartered Accountants



Accountants &  
business advisers

SOLAR EXPLOCHEM ZAMBIA LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

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**COMPANY INFORMATION**

<b>COUNTRY OF INCORPORATION AND DOMICILE</b>	: Zambia
<b>NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES</b>	: Manufacturing of explosives and trading in accessories
<b>COMPANY REGISTRATION</b>	: L.C.O 79731
<b>TAX PIN</b>	: 1001953671
<b>BOARD OF DIRECTORS</b>	: Charles Mkokweza : Suresh Menon : Shaileshkumar Sangrajka : Milindi Bhalchandra Deshmukh : Caroline Misodzi
<b>CHIEF OFFICERS</b>	: Mr. C.A.Bensam : Mr.V.T. Reddy
<b>REGISTERED OFFICE</b>	: Plot No. L/38251 : M,Luwana Area : Kitwe-Chingola Road : Chambeshi : ZAMBIA
<b>PRINCIPAL PLACE OF BUSINESS</b>	: Plot No. L/38251 : M,Luwana Area : Kitwe-Chingola Road : Chambeshi : ZAMBIA  : Telephone +260-212-251219
<b>POSTAL ADDRESS</b>	: P. O. Box 22831 : Chambeshi : Copperbelt : ZAMBIA
<b>INDEPENDENT AUDITOR</b>	: PKF Zambia : Chartered Accountants
<b>COMPANY SECRETARY</b>	: Messrs Corpus Globe Consultants Limited
<b>PRINCIPAL BANKERS</b>	: Indo Zambia Bank Plc : First National Bank Zambia Limited
<b>HOLDING COMPANY</b>	: Solar Overseas Neitherlands Cooperatie UA : Incorporated in Neitherlands *  : Ortin Investments Limited : Incorporated in U.A.E
<b>CERTIFICATION</b>	: ISO 9001:2008 certified

## REPORT OF THE DIRECTORS

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

### INCORPORATION

The company was incorporated on 29 July 2009.

### PRINCIPAL ACTIVITIES

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

<b>RESULTS</b>	<b>2016 ZMW</b>	<b>2015 ZMW</b>
Profit/(loss) before tax	35,507,819	7,524,263
Tax (charge)/credit	<u>(1,127,975)</u>	<u>(1,274,007)</u>
Profit/(loss) for the year	<u><b>34,379,844</b></u>	<u><b>6,250,256</b></u>

### SHARE CAPITAL

The company did not change the authorised and issued share capital during the year.

### DIVIDEND

The Directors have recommend the declaration of a dividend for the year ZMW 5,663,000 (2015: ZMW 6,250,256).

### PROPERTY, PLANT AND EQUIPMENT

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

The company purchased fixed assets amounting to ZMW 1,808,094

**REPORT OF THE DIRECTORS (CONTINUED)**

**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.

**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  
CHAMBISHI**

  
\_\_\_\_\_  
2016

**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.

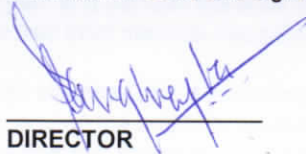
The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for 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 ..... 2016 and signed on its behalf by:



DIRECTOR



DIRECTOR

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS OF SOLAR EXPLOCHEM ZAMBIA LIMITED**

**Report on the financial statements**

We have audited the accompanying financial statements of Solar Explochem (Z) Limited, set out on pages 7 to 22 which comprise the statement of financial position as at 31 March 2016 and the statement of profit or loss and other comprehensive income, and the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Director's responsibility for the financial statements**

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the Companies Act, 1994 (CAP. 388), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Unqualified opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Solar Explochem (Z) Limited as at 31 March 2016 and of its financial performance and its 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 Companies Act, 1994 (CAP. 388).

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS OF SOLAR EXPLOCHEM ZAMBIA LIMITED (CONTINUED)**

**Report on other legal 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 company's statement of financial position and statement of profit or loss account and retained earnings are in agreement with the books of account.

*PKF Zambia*

**PKF ZAMBIA  
CHARTERED ACCOUNTANTS**

**PKF Zambia**  
Chartered Accountants  
P O Box 70998, Ndola, Zambia

*[Signature]*  
R. RAVI SANKAR (7000337)

NDOLA *29/8/2016*

The engagement partner responsible for the audit resulting in this independent auditor's report is Chartered Accountant - No. /PC 7000337.

REF: RRS/N051/S007N/2015



Solar Explochem Zambia Limited  
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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	2016 ZMW	2015 ZMW
Revenue	3	138,625,983	73,115,811
Cost of sales	Sch	<u>(78,908,793)</u>	<u>(48,520,310)</u>
<b>Gross profit/(loss)</b>		59,717,190	24,595,501
Other income	4	6,670	-
Administrative expenses		(10,020,160)	(4,458,408)
Other operating expenses		<u>(10,353,590)</u>	<u>(8,789,761)</u>
<b>Operating profit/(loss)</b>	5	39,350,110	11,347,332
Finance (costs)/income	6	<u>(3,842,291)</u>	<u>(3,823,069)</u>
<b>Profit/(loss) before tax</b>		35,507,819	7,524,263
Tax (charge)/credit	7	<u>(1,127,975)</u>	<u>(1,274,007)</u>
Profit for the year		34,379,844	6,250,256
Other comprehensive income.		-	-
<b>Total comprehensive income for the year</b>		<u><u>34,379,844</u></u>	<u><u>6,250,256</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  
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**STATEMENT OF CHANGES IN EQUITY**

	Notes	Ordinary Share Capital ZMW	Share premium ZMW	Retained income ZMW	Total equity ZMW
<b>Year ended 31 March 2016</b>					
<b>At start of year</b>		39,413	7,833,237	27,351,198	35,223,848
Total comprehensive income for the year		-	-	34,379,844	34,379,844
Dividends paid		-	-	(5,663,000)	(5,663,000)
At end of year		39,413	7,833,237	56,068,042	63,940,692
<b>Year ended 31 March 2015</b>					
<b>At start of year</b>		39,413	7,833,237	21,100,942	28,973,592
Total comprehensive income		-	-	6,250,256	6,250,256
At end of year		39,413	7,833,237	27,351,198	35,223,848

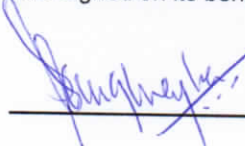
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**STATEMENT OF FINANCIAL POSITION**

	Notes	2016 ZMW	2015 ZMW
<b>EQUITY</b>			
Share capital	9	39,413	39,413
Share premium	9	7,833,237	7,833,237
Retained earnings		56,068,042	27,351,198
<b>Equity attributable to owners of the company</b>		<u>63,940,692</u>	<u>35,223,848</u>
<b>Non-current liabilities</b>			
Borrowings	10	15,643,758	21,396,060
Deferred tax	12	3,385,204	2,259,564
		<u>19,028,962</u>	<u>23,655,624</u>
		<u>82,969,654</u>	<u>58,879,472</u>
<b>REPRESENTED BY</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	21,772,432	25,055,744
		<u>21,772,432</u>	<u>25,055,744</u>
<b>Current assets</b>			
Inventories	13.	28,838,119	21,078,694
Trade and other receivables	14.	44,480,137	41,593,650
Cash and cash equivalents	15.	1,379,783	7,019,333
		<u>74,698,039</u>	<u>69,691,677</u>
<b>Current liabilities</b>			
Current tax payable	7	2,335	-
Trade and other payables	16.	13,398,302	35,867,949
Borrowings	10	100,180	-
		<u>13,500,817</u>	<u>35,867,949</u>
<b>Net current assets/(liabilities)</b>		<u>61,197,222</u>	<u>33,823,728</u>
		<u>82,969,654</u>	<u>58,879,472</u>

The financial statements on pages 7 to 22 were approved and authorised for issue by the Board of Directors on \_\_\_\_\_ 2016 and were signed on its behalf by:

  
 \_\_\_\_\_ DIRECTOR

  
 \_\_\_\_\_ 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**

	Note:	2016 ZMW	2015 ZMW
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		35,507,819	7,524,263
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment	11	5,091,406	4,683,385
Interest expense	6	3,842,291	3,823,069
Loss on sale of assets		-	131,480
Changes in working capital:			
- inventories		(7,759,425)	1,304,083
- trade and other receivables		(2,886,487)	(22,686,138)
- trade and other payables		(22,469,647)	12,255,695
Tax paid		-	(67)
Net cash from/(used in) operating activities		<b>11,325,957</b>	<b>7,035,770</b>
<b>Cash flows from investing activities</b>			
Cash paid for purchase of property, plant and equipment	11	(1,808,094)	(1,524,178)
Sale of property, plant and equipment	11	-	16,551
Dividends paid		(5,663,000)	-
Net cash from/(used in) investing activities		<b>(7,471,094)</b>	<b>(1,507,627)</b>
<b>Cash flows from financing activities</b>			
Movement in bank overdraft	16	100,180	-
Movement in loans to directors		-	3,250
Proceeds from:			
- borrowings		(5,752,302)	1,872,894
- finance leases			
Interest paid		(3,842,291)	(3,823,069)
Dividends paid:			
- ordinary shareholders	9		
Net cash from/(used in) financing activities		<b>(9,494,413)</b>	<b>(1,946,925)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(5,639,550)</b>	<b>3,581,218</b>
<b>Movement in cash and cash equivalents</b>			
At start of year		7,019,333	3,438,115
Increase/(decrease)		(5,639,550)	3,581,218
At end of year	25	<b>1,379,783</b>	<b>7,019,333</b>

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**

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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.

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

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

**c) Revenue recognition (continued)**

- 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.

**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 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 consumables, maintenance spares and electrical spares 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.

**i) 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)**

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**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.

**NOTES (CONTINUED)**

<b>3. Revenue</b>	<b>2016 ZMW</b>	<b>2015 ZMW</b>
Revenue from domestic sale of goods	89,613,385	66,901,045
Revenue from export sale of goods	<u>49,012,598</u>	<u>6,214,766</u>
	<u><u>138,625,983</u></u>	<u><u>73,115,811</u></u>
	<b>2016 ZMW</b>	<b>2015 ZMW</b>
<b>4. Other income</b>		
Profit on exchange differences	-	-
Other income	<u>6,670</u>	<u>-</u>
	<u><u>6,670</u></u>	<u><u>-</u></u>
	<b>2016 ZMW</b>	<b>2015 ZMW</b>
<b>5. Operating profit/(loss)</b>		
The following items have been charged/(credited) in arriving at operating profit/(loss):		
Depreciation on property, plant and equipment	5,091,405	4,683,535
Auditors' remuneration		
- current year	166,245	80,356
Exchange differences	142,432	49,082
Staff costs	<u>5,299,095</u>	<u>2,701,600</u>
	<u><u>5,299,095</u></u>	<u><u>2,701,600</u></u>
	<b>2016 ZMW</b>	<b>2015 ZMW</b>
<b>6. Finance costs/(income)</b>		
Interest expense:		
- bank overdraft	1,613,050	1,971,012
- other interest charges	<u>1,540,744</u>	<u>1,852,057</u>
	<u><u>3,153,794</u></u>	<u><u>3,823,069</u></u>
	<b>2016 ZMW</b>	<b>2015 ZMW</b>
<b>7. Tax</b>		
Current tax	2,335	-
Deferred tax charge/(credit) (Note 13)	<u>1,125,640</u>	<u>1,274,007</u>
<b>Tax charge/(credit)</b>	<u><u>1,127,975</u></u>	<u><u>1,274,007</u></u>

**NOTES (CONTINUED)**

8. Tax (continued)	2016 ZMW	2015 ZMW
<b>Tax charge/(credit)</b>		
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	35,507,819	7,524,263
Tax calculated at a tax rate of 35% (2015: 35%)	12,427,737	2,633,492
Tax effect of:		
- expenses not deductible for tax purposes	27,084	27,084
- deductible expenses		
<b>Tax charge/(credit)</b>	<u>(1,127,975)</u>	<u>(1,274,007)</u>
<b>9. Share capital</b>		
<b>Authorised:</b>		
39,413 (2015: 39,413) ordinary shares of ZMW 1 each	<u>39,413</u>	<u>39,413</u>
<b>Issued and fully paid:</b>		
39,413 (2015: 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>		
<b>Non current</b>		
Loan from shareholders - Ortin investments	5,253,995	5,072,356
Solar Overseas Neitherlands	-	2,498,765
Loans from Diamond Gate	-	1,740,488
Loan from shareholders - Overseas Mauritius	10,389,763	-
Bank loan - First National Bank	-	12,084,451
	<u>15,643,758</u>	<u>21,396,060</u>
<b>Current</b>		
Bank Overdraft	<u>100,180</u>	
Total borrowings	<u>15,743,938</u>	<u>21,396,060</u>

NOTES (CONTINUED)

11. Property, plant and equipment

Year ended 31 March 2016

Cost	Land		Buildings		Plant and machinery		Furniture, fixture and equipment		Motor Vehicles		Office equipment		Computer software		Electrical installation		Capital work in progress		Total ZMW
	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	
At start of year	173,473	9,602,604	15,143,381	139,842	5,016,578	48,351	134,323	1,879,233	2,596,420	34,734,205									1,808,094
Additions	-	-	70,197	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer	-	35,363	1,067,163	13,554	-	-	10,733	6,293	(1,133,106)	-	-	-	-	-	-	-	-	-	-
At end of year	173,473	9,637,967	16,280,741	153,396	6,754,475	48,351	145,056	1,885,526	1,463,314	36,542,299									
<b>Depreciation</b>																			
At start of year	-	1,062,640	5,071,153	46,515	2,932,464	20,524	42,237	502,928	-	9,678,461									
Depreciation on disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	483,219	3,107,303	14,452	1,260,691	9,697	27,604	188,440	-	5,091,406									
At end of year	-	1,545,859	8,178,456	60,967	4,193,155	30,221	69,841	691,368	-	14,769,867									
<b>Net book value</b>																			
As at 31 March 2016	173,473	8,092,108	8,102,285	92,429	2,561,320	18,130	75,215	1,194,158	1,463,314	21,772,432									
As at 31 March 2015	173,473	8,539,964	10,072,228	93,327	2,084,114	27,827	92,086	1,376,305	2,596,420	25,055,744									

**NOTES (CONTINUED)**

**12. Deferred tax**

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 35% (2015: 35%). The movement on the deferred tax account is as follows:

	<b>2016</b>	<b>2015</b>
	<b>ZMW</b>	<b>ZMW</b>
At start of year	2,259,564	985,557
Charge/(credit) to profit or loss	<u>1,125,640</u>	<u>1,274,007</u>
At end of year	<u><u>3,385,204</u></u>	<u><u>2,259,564</u></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>2,259,564</u>	<u>1,110,456</u>	<u>3,370,020</u>
	<u>2,259,564</u>	<u>1,110,456</u>	<u>3,370,020</u>
<b>Deferred tax assets</b>			
Other timing differences	<u>1,297</u>	<u>15,184</u>	<u>15,184</u>
	<u>1,297</u>	<u>15,184</u>	<u>15,184</u>
<b>Net deferred tax liability/(asset)</b>	<u><u>2,260,861</u></u>	<u><u>1,125,640</u></u>	<u><u>3,385,204</u></u>

**NOTES (CONTINUED)**

13. Inventories	2016 ZMW	2015 ZMW
Raw materials, components	17,975,972	14,025,890
Work-in-progress	83,588	95,625
Finished goods	7,670,891	5,318,146
Consumables, maintenance spares and electrical spares	3,107,668	1,639,033
	<u>28,838,119</u>	<u>21,078,694</u>

**14. Trade and other receivables**

**Current**

Trade receivables	43,661,393	41,536,568
Less: impairment provisions	-	-
Net trade receivables	43,661,393	41,536,568
Prepayments	-	-
Employee costs in advance	14,587	14,587
Other receivables	804,157	42,495
	<u>44,480,137</u>	<u>41,593,650</u>

**15. Cash and cash equivalents**

Cash at bank and in hand	<u>1,279,603</u>	<u>7,019,333</u>
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For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:

Cash in hand	33,483	61,358
Cash at bank	1,346,300	6,957,975
Bank overdraft (Note 10)	(100,180)	-
	<u>1,279,603</u>	<u>7,019,333</u>

**NOTES (CONTINUED)**

16. Trade and other payables	2016 ZMW	2015 ZMW
<b>Current</b>		
Trade payables	11,851,472	11,829,437
Amounts received in advance	-	22,386,268
Statutory liabilities	201,178	107,654
Interest payable	52,968	34,840
VAT payable	558,444	598,526
Accrued bonus	52,520	123,292
Other payables	681,720	787,932
	<u>13,398,302</u>	<u>35,867,949</u>
<b>17. Related party transactions and balances</b>		
<b>i) Amount due from/(to) directors</b>		
At start of year	-	-
Advances	-	-
Repayments	-	-
	<u>-</u>	<u>-</u>
At end of year	<u>-</u>	<u>-</u>
<b>ii) Amount due to related parties</b>		
Diamond Gate General Trading LLC	660,000	-
Economic Explosives Limited	3,314,927	-
Solar Industries India Limited	7,679,397	-
	<u>11,654,324</u>	<u>-</u>
<b>18. Commitments</b>		

The company had no capital commitments at the year end.

**NOTES (CONTINUED)**

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

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

**20. Period of reporting**

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

**21. Presentation currency**

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



**MANUFACTURING ACCOUNT**

	2016 ZMW	2015 ZMW
<b>1. COST OF SALES</b>		
Cost of raw and packing materials consumed (1.1)	74,360,447	38,841,352
Production costs (1.2)	5,749,718	9,550,862
Changes in finished goods and semi finished goods	<u>(1,201,372)</u>	<u>128,096</u>
<b>TOTAL COST OF SALES</b>	<u><u>78,908,793</u></u>	<u><u>48,520,310</u></u>
<b>1.1) COST OF RAW AND PACKING MATERIALS CONSUMED</b>		
Opening stock	14,025,890	13,414,235
Purchases	87,121,694	39,453,007
Closing stock	<u>(26,787,137)</u>	<u>(14,025,890)</u>
<b>TOTAL COST OF RAW AND PACKING MATERIALS CONSUMED</b>	<u><u>74,360,447</u></u>	<u><u>38,841,352</u></u>
<b>1.2) PRODUCTION COSTS</b>		
Salaries and wages	2,330,912	2,292,872
Vehicle running and maintenance	648,369	728,432
Factory expenses	892,189	797,464
Petrol, gas and oil	813,008	539,947
Repairs and maintenance	1,065,240	1,201,966
Transport, freight and storage	<u>-</u>	<u>3,990,181</u>
<b>TOTAL PRODUCTION COSTS</b>	<u><u>5,749,718</u></u>	<u><u>9,550,862</u></u>

**SCHEDULE OF OTHER OPERATING EXPENDITURE**

	2016 ZMW	2015 ZMW
<b>2. ADMINISTRATIVE EXPENSES</b>		
<b>Employment:</b>		
Salaries and wages	2,521,607	1,376,105
Staff welfare	81,822	53,789
Provision for gratuity	237,924	-
Staff training expenses	13,811	23,192
Statutory liabilities	2,077,285	1,168,067
Other staff costs	366,646	80,447
<b>Total employment costs</b>	<u>5,299,095</u>	<u>2,701,600</u>
<b>Other administrative expenses:</b>		
Advertising and sales promotion	135,929	107,597
Audit fees		
- Current year	166,245	80,356
Postages and telephones	238,254	219,975
Printing and stationery	90,361	77,463
Computer expenses	102,783	54,480
Legal and professional fees	74,006	67,090
Loss from sale of fixed assets	-	131,480
Consumption of consumables	475,585	-
Rates and taxes	88,804	28,856
Bank charges and commissions	269,895	123,355
Outward Delivery Freight charges	3,068,091	851,960
Office expenses	11,112	14,196
<b>Total other administrative expenses.</b>	<u>4,721,065</u>	<u>1,756,808</u>
<b>Total administrative expenses.</b>	<u><u>10,020,160</u></u>	<u><u>4,458,408</u></u>