DEEPENING AND SUPPORTING ZAMBIA'S INDUSTRIAL CAPACITY

2015
ANNUAL REPORT

GENERAL INFORMATION

REGISTERED NAME:
Industrial Development Corporation Limited

COMPANY REGISTRATION NUMBER:
119056

PHYSICAL ADDRESS:
3rd Floor, Mukuba Pension House
Dedan Kimathi Road
Lusaka, Zambia

POSTAL ADDRESS:
P.O Box 37232
Lusaka, ZAMBIA

TELEPHONE NUMBER:
+260 211 843567/8   +260 967 773007

EMAIL ADDRESS:
info@idc.co.zm

WEBSITE:
www.idc.co.zm

Vision Statement

To become Africa's best performing sovereign holding corporation and strategic investment partner.

Mission Statement

To maximise long term shareholder value in State Owned Enterprises and invest in key economic sectors to contribute to industrialisation and sustainable economic growth.

Goal Statement

To transform State Owned Enterprises towards commercial viability, contribute to industrialisation and job creation.

Value Statement

The IDC holds the following key values:

- **Professionalism**

  We uphold the highest standards of professionalism in the conduct of our business and expect the same of those we do business with.

- **Transparency**

  All our investments and business undertakings are consistent with the tenets of accountability in the use of public funds.

- **Integrity**

  In everything we do we are honest to ourselves, our shareholders and our stakeholders.

- **Distinction**

  We are committed to continuous learning, improvement and delivering excellent results.

- **Partnerships**

  The foundation of our approach to business and investment is to mutually benefit from our complementary strengths with our partners and team work.

STRATEGIC FOCUS

These strategic pillars shown in the diagram below ensure that the IDC remains focused on its core mandate to the satisfaction of its shareholders, partners and the public.

EMERGING INDUSTRIES	SOE TRANSFORMATION	STRATEGIC PARTNERSHIPS
New Sectors	Restructure	Joint Ventures
Regional Markets	Grow Shareholder value	Citizen Participation
Renewable Energy	Grow Strategic Value	Small and Medium Enterprises
Rural Industrialisation	Long term investments	Private Sector Support
		Long term investments

Contents

LIST OF ABBREVIATIONS

ARC Audit and Risk Committee

FAC Finance and Administration Committee

FINDECO Financial Development Corporation

GDP Gross Domestic Product

GRZ Government of the Republic of Zambia

IDC Industrial Development Corporation

IFC International Finance Corporation

INDECO Industrial Development Corporation*

IPMC Investment and Portfolio Management Committee

IPP Independent Power Producer

LSMFEZ Lusaka South Multi-Facility Economic Zone

MCTI Ministry of Commerce, Trade and Industry

MICC Mulungushi International Conference Centre

MOF Ministry of Finance

MOU Memorandum of Understanding

MSL Medical Stores Limited

MVCL Mulungushi Village Complex Limited

NCZ Nitrogen Chemicals of Zambia

PS Permanent Secretary

SOE State Owned Enterprise

ST Secretary to Treasury

ZAFFICO Zambia Forestry and Forest Industries Company

ZANACO Zambia National Commercial Bank

ZCCM-IH ZCCM Investments Holdings

ZESCO Zambia Electricity Supply Corporation Limited

ZIMCO Zambia Industrial and Mining Corporation Limited

ZITF Zambia International Trade Fair

ZPC Zambia Printing Company

ZRL Zambia Railways Limited

ZSIC Zambia State Insurance Corporation

CHIEF EXECUTIVE OFFICERS STATEMENT

I am pleased to present our first annual report since incorporation in 2014 and the statement on the activities and performance of the Industrial Development Corporation Limited (IDC) for the year ended 31st December 2015.

Portfolio Management

In the third quarter of the year, shares in 29 enterprises held by the Ministry of Finance were transferred to the IDC. Subsequently, management undertook visits to the various SOEs to establish rapport with the management of the SOEs and gain a preliminary understanding of their operations.

The IDC will in the first quarter of 2016 conduct a situational analysis on all companies under its portfolio to gain an understanding of their business models, financial performance and operations. This will allow for formulation of a road map towards repositioning and improving the future performance of these entities.

New Investments

Supported by the IFC and World Bank, management commenced its flagship solar power project to procure up to 600MW of power to help resolve the energy deficit. The project, expected to be implemented in a phased approach, will require an investment of approximately USD 1.2 billion. The IDC is expected to take an equity participation of up to 20% whereas the majority shareholding will be held by private sector players.

This is an exciting investment as Zambia's energy sector has been largely dominated by a few players. It will also encourage private sector participation on the energy generation side and contribute to the much-desired energy mix and lower tariffs.

Project Pipeline Development

The IDC also embarked on identifying projects in sectors in Aqua-culture, Agriculture and manufacturing as a way of developing a new investment pipeline for co-investment.

Financial and Operational Performance

During the year under review, IDC recorded a revenue of K43.5m and recorded a net profit of K 16.2m. In 2016, IDC expects more revenue from its investments as the macroeconomic environment improves.

As at the end of the year under review, the corporation had 9 employees against an establishment of 25. The IDC will in 2016 recruit more staff to ensure its objectives are met.

In conclusion, I wish to thank our shareholders for their confidence, the Board of Directors for their strategic direction, all the staff for their effort, commitment and hard work, and all stakeholders for their support.

Chief Executive Officer

1. OUR PROFILE

The Industrial Development Corporation (IDC) Limited is a State-Owned Enterprise (SOE) charged with the mandate to spearhead the Zambian Governments commercial investments agenda aimed at strengthening Zambia's industrial base and job creation. The IDC was incorporated in January 2014 and is wholly owned by the Government through the Minister of Finance pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia.

Since the closure of the Zambia Industrial and Mining Corporation (ZIMCO) Limited and other key corporations such as Industrial Development Corporation (INDECO) and Financial Development Corporation (FINDECO) in the 1990s, SOEs in various sectors had been operating under the direct supervision of line ministries. Because of competing demands placed on Government as shareholder and dependence on direct and indirect subventions for survival, there was a limitation on new capital injections for investments. This situation impacted negatively on the SOEs in terms of modernisation, growth, governance and accountability.

It was observed that whereas line Ministries were proficient in providing policy guidance, Government needed to establish a separate entity that would be the holding company for commercially oriented SOEs for the purpose of maximizing the revenue potential of these assets to the economy, while contributing to accelerating industrialization, economic diversification and rural development. Consequently, on 24th August 2015, the Government transferred its interests in 29 enterprises to the IDC. While a few of these firms are profitable, many of them are loss making, generally poorly managed and uncoordinated.

Additionally, it was noted that between the period 2011 and 2013 when Zambia recorded high GDP growth rates with a macroeconomic picture that showed tremendous buoyancy, the country recorded minimal increase in formal employment, resulting in the phenomena referred to as "jobless growth". To redress this state of affairs, the IDC was formed as a direct policy response and strategy as informed by the *Industrialisation and Job Creation Strategy Paper of 2012.*

1.1 IDC's Dual Mandate

The IDC's mandate is as follows:

i. Provide oversight by serving as an active investment holding company for SOEs to achieve sustainability and profitability;

ii. Play a catalytic role in deepening and supporting Zambia's industrialisation capacity to support employment creation across the priority sectors of Manufacturing, Infrastructure, Agriculture and Tourism. The IDC plays this role through evaluation, pricing and lowering the investment risk profile by serving as co-investor alongside private sector investors.

1.2. The IDC Portfolio

In the year under review, IDC had the following subsidiaries and associates under its portfolio;

ECONOMIC SECTOR	COMPANY	LOGO	DESCRIPTION	IDC SHARE HOLDING
AGRICULTURE, FORESTRY AND FISHERIES	Zambia Forestry and Forest Industries Company	ZAFFICO	Incorporated in 1982, ZAFFICO's principle business is the establishment and maintenance of timber plantations. Headquartered in Ndola, the corporation presently manages about 50,000 hectares of exotic forest plantations comprised mainly of pine and eucalyptus.	100%
	Nanga Farms Limited	nanga farms healing with herb	Nanga Farms principle activity is sugar cane growing and livestock rearing. Incorporated in 1989, the company's operations are in Mazabuka, Zambia.	14.27%
MANUFACTURING	Nitrogen Chemicals of Zambia Limited	NCZ	Nitrogen Chemicals of Zambia (NCZ) Limited is the only national fertilizer factory in the country. Established in 1967 and commissioned in 1970, the company was set up to provide raw materials for the mining industry and fertilizers for the agricultural industry.	100%
	Afrox Zambia Limited	AFROX A Member of The Linde Group	A member of the Linde Group, Afrox Zambia Limited, located in Ndola, manufactures and sales industrial and medical gases, welding products and consumables.	30%
	Mupepetwe Development Corporation		Mupepetwe Development Company is an engineering firm located in Serenje, Zambia	100%
	ZAMCAPITOL Enterprises Limited		The company was incorporated in 1970 and focuses on the agricultural sector. Using hi-tech engineering, Zamcapitol manufactures durable and affordable agricultural equipment.	100%
	Zambia-China Mulungushi Textiles Limited	zcmt	ZCMT is currently not operational and no income is derived from its core business of manufacture of 100% cotton fabric involving spinning, weaving, dyeing and printing. However, the company is generating some income from sales of Lint cotton and as well as income from house rent, lease fees, hostels and other sundry income.	33%

ECONOMIC SECTOR	COMPANY	LOGO	DESCRIPTION	IDC SHARE HOLDING
FINANCIAL SERVICES	Indo-Zambia Bank Limited		The bank was founded in 1984 by the Government of Zambia and three state-owned Indian banks namely; Bank of Baroda, Bank of India and Central Bank of India. IZB is a medium-sized banking services provider.	40%
	Zanaco Plc		Headquartered in Lusaka, Zambia National Commercial Bank (ZANACO) was founded in 1969 by the Government of Zambia. The principle business of the bank is to provide commercial banking and related services to the general public. In 2008, the shares of Zanaco were listed on the Lusaka Stock Exchange (LuSE) where it continues to trade.	25%
	Zambia State Insurance Corporation		The company was incorporated in 1968 and has two wholly owned subsidiaries namely; ZSIC Life Limited and ZSIC General Insurance Limited. ZSIC General Insurance Limited is responsible for short term insurance, covering property and personal accident insurance and ZSIC Life Limited provides long-term life assurance products and group life and pension schemes.	100%
REAL ESTATE	Mulungushi Village Complex Limited		Mulungushi Village Complex Limited (MVCL) is a hospitality company established in 1970 to provide short and long stay accommodation and conference facilities. MVCL is situated in Lusaka's Kalundu residential area and has 89 four-bedroom fully furnished luxury villas and 16 fully furnished luxury apartments.	100%
	Lusaka South Multi Facility Economic Zone Limited		The Lusaka South Multi Facility Economic Zone (LSMFEZ) Limited was incorporated on 25th June 2010. Its principle business is to manage and lease the 2,100 hectares of the land in the economic zone to investors.	100%

ECONOMIC SECTOR	COMPANY	LOGO	DESCRIPTION	IDC SHARE HOLDING
TOURISM AND HOSPITALITY	Mulungushi International Conference Centre		Mulungushi International Conference Centre (MICC) was established in 1970 and is one of the largest conference facilities in Zambia.	100%
	Zambia International Trade Fair		Zambia International Trade Fair (ZITF) was established in 1956 and its principle activity is industrial, commercial and agricultural exhibition. The exhibition is held annually with local and international participants drawn from various sectors.	100%
	Mukuba Hotel Limited		Mukuba Hotel is a 52-bed Hotel that provides accommodation and other hospitality services. The Hotel was established in 1986.	100%
MEDIA, BROADCATING AND PUBLISHING	Zambia Daily Mail		The Zambia Daily Mail is a daily newspaper. The newspaper arose from the Central African Mail in 1965. It was renamed the Zambian Mail and subsequently the Zambian Daily Mail in 1970.	100%
	Times of Zambia		Times Printpak Limited is a combined newspaper, printing and publishing Company with its headquarters located in Ndola on the Copperbelt Province.	100%
	Zambia Printing Company		ZPC is currently a defunct, non-performing business. In its early days, Zambia Printing Company undertook commercial printing of magazines, books, stationary, newspapers and examination papers.	100%

ECONOMIC SECTOR	COMPANY	LOGO	DESCRIPTION	IDC SHARE HOLDING
TRANSPORT AND LOGISTICS	Engineering Services Corporation Limited		Engineering Services Corporation is located in Lusaka, Zambia and undertakes projects in civil and other engineering. The company owns 19 pontoons which operate on major river crossing points that are important for transport and trade.	100%
	Mpulungu Harbour Corporation Limited	MPULUNGU HARBOUR CORPORATION LTD	Mpulungu Harbour operates Zambia's only port and outlet to the great lakes region. The company provides transport, logistics, and vehicle, shipping and port agent business services and is used to ferry goods to Burundi, DRC and Tanzania.	100%
	Zambia Railways Limited		Incorporated in 1982, Zambia Railways Limited operates a rail freight and passenger business on a rail network of 848km of main land track running from Victoria falls bridge on the Zambia-Zimbabwe boarder to Chililabombwe close to the boarder with DRC Congo.	100%
HEALTH	Lusaka Trust Hospital	LUSAKA TRUST HOSPITAL	Lusaka Trust Hospital is an independent private hospital that offers medical services on a fee-paying basis to the public. The company was established in 1981.	50%
	Medical Stores Limited	MSL Medical Stores for life	The principle activity of Medical Stores Limited (MSL) is storage and distribution of medicines and medical supplies to health institutions.	100%
MINING	Kagem Minerals Limited	KAGEM MINING	Kagem Mining Limited engages in the exploration, mining, processing, and sale of emeralds. The company was founded in 1985. The company operates as a subsidiary of Gemfields Plc.	20%
	ZCCM-IH	ZCCM-IH	ZCCM-IH is an investment holding company whose principle activity is managing the Zambian Governments stake in the mining sector. The company has a primary listing on the Lusaka Stock Exchange and secondary listings on the London and Euronext Stock Exchanges.	60.28%
EDUCATION	NIEC School of Business		NIEC is a technical, vocational and training college. The school was established to provide in-service training to the then NIEC Group personnel.	100%

ECONOMIC SECTOR	COMPANY	LOGO	DESCRIPTION	IDC SHARE HOLDING
TELECOMMUNICATIONS	ZAMTEL Limited		Zamtel is one of the three mobile service providers in Zambia. Its principle activity is the provision of tele-communication services including fixed line, mobile and data services.	100%
ENERGY	Indeni Petroleum Refinery Limited		Indeni Oil Refinery was founded in 1973 and is based in Ndola, Zambia. The company operates a refinery for processing of crude oil into refined petroleum products.	100%
	Zambia Electricity Supply Corporation Limited		ZESCO Limited was formed in 1970. The company is a vertically integrated electricity utility, which generates, transmits, distributes and supplies electricity to local and international markets.	100%

1.3 New Investments

1.3.1 Scaling Solar Project

During the period under review, Zambia experienced a severe energy deficit and crisis attributed to poor rainfall patterns leading to low water levels for adequate hydro power generation. As a way of diversifying the energy mix, reduce the energy deficit and procure power at competitive tariffs, the IDC signed a memorandum of understanding ("**MOU**") with the International Finance Corporation ("**IFC**") for financial and advisory services assistance to develop and procure up to 600MW of solar PV power into the national grid. A phased approach was taken to procure 2x50 MW Solar PV plants in Round 1 through a transparent and competitive bidding process which resulted in a shortlist of 11 out of 48 firms being pre-qualified. The bidder with the lowest tariff will be selected in 2016 for co-investment with the IDC.

1.3.2 Other Projects

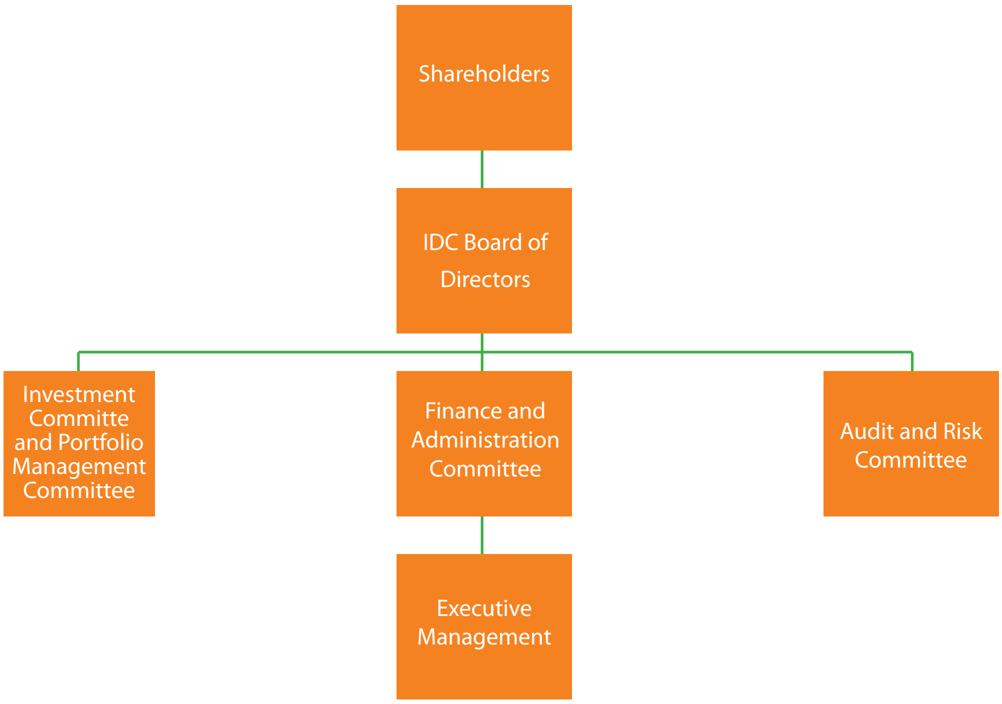
The IDC also embarked on identifying projects in sectors such as Aqua-culture, Agriculture and manufacturing as a way of developing a new investment pipeline for co-investment.

2.0 CORPORATE GOVERNANCE REPORT

The Board of Directors of IDC is committed to achieving the highest standards of good corporate governance. It continues to refine the governance framework to ensure that it meets the interests of shareholders. Given the nature of the institution, the Board of Directors is committed to upholding transparency and integrity in the operations of the corporation to increase the confidence of its numerous stakeholders.

The IDC is in the process of adopting a Board charter which will set out how its roles, powers and responsibilities are exercised having regard to principles of good corporate governance, market practice and applicable laws.

2.1 Chart on Corporate Governance Structure



2.2 Board of Directors

The IDC Board is chaired by the President of the Republic of Zambia. During the year under review, the Board had [13] Members and its composition was as below;

No	Name	Status	Position on IDC Board
1	His Excellency the President of the Republic of Zambia	President of The Republic of Zambia	Chairman
2	Hon Alexander B Chikwanda	Minister of Finance	GRZ Nominee
3	Hon Given Lubinda	Minister of Agriculture	GRZ Nominee
4	Hon Margaret Mwanakatwe	Minister of Commerce Trade and Industry	GRZ Nominee
5	Mr. Fredson Yamba	Secretary to The Treasury	Director – GRZ Nominee
6	Mrs. Kayula Siame	Permanent Secretary - Ministry Of Commerce, Trade And Industry	Director – GRZ Nominee
7	Dr. Lawrence S. Sikutwa	Executive Chairman – LSA Group / Madison Financial Services Plc	Director – Private Sector
8	Mr. David Kombe	Executive Chairman – Black Dot	Director – Private Sector
9	Mr. Robinson K Zulu	Executive Chairman - Meanwood Group	Director – Private Sector
10	Mrs. Sylvia Banda	Managing Director – Sylvia Catering Limited	Director – Private Sector
11	Mr. Geoffrey Sakulanda	Chairman – Zambia Chamber of Commerce	Director – Private Sector
12	Mr. Isaac Ngoma	Executive Director – Economics Association of Zambia	Director – Private Sector
13	Fr. Leonard Chiti	Jesuit Centre for Theological Reflection	Director – Private Sector

2.3 Meetings of The Board

During the period under review, the Board met three times. A record of attendance of Board meetings during the year is as below;

Board meeting attendance schedule:

Name	23rd Feb 2015	10th Sep 2015	29th Dec 2015
His Excellency the President of the Republic of Zambia	✓	✓	✓
Hon Alexander B Chikwanda	✓	✓	✓
Hon Given Lubinda	✓	x	✓
Hon Margaret Mwanakatwe	✓	✓	✓
Mr. Fredson Yamba	✓	✓	✓
Mrs. Kayula Siame	x	x	✓
Dr. Lawrence S. Sikutwa	✓	✓	✓
Mr. David Kombe	✓	✓	✓
Mr. Robinson K Zulu	✓	✓	✓
Mrs. Sylvia Banda	✓	✓	✓
Mr. Geoffrey Sakulanda	x	✓	x
Mr. Isaac Ngoma	x	✓	✓
Fr. Leonard Chiti	x	✓	x

2.4 Board Committees

The Board has established three sub-committees that provide the required leadership to ensure that the mandate of the Board is effectively discharged. The committees are chaired by a board member.

2.4.1 Investments and Portfolio Management Committee

The Investment and Portfolio Management Committee (IC) assists the Board in fulfilling its responsibilities in respect to management of IDC's investments in a manner consistent with overall set goals as defined in the investment guidelines. This includes capital preservation and growth of IDC's investment portfolio; prudent maximization of risk adjusted returns on investment consistent with Board policies. The committee comprises of five private sector Directors, one GRZ nominee (PS- MCTI) and is chaired by a private sector Director. A record of attendance of the Investments and Portfolio Management Committee meetings during the year is as below;

Investments and Portfolio Management Committee meeting attendance schedule:

Name	18th Nov 2015
Dr. Lawrence S. Sikutwa	✓
Mr. Robinson K Zulu	x
Mr. Geoffrey Sakulanda	✓
Mr. Isaac Ngoma	✓
Fr. Leonard Chiti	✓

2. 4.2 Finance and Administration Committee

The Finance and Administration Committee is responsible for the IDC's annual budgets and work plans, fiscal management, staffing and human capital development and ensuring a high-performance work environment is established in the IDC. The committee comprises of five private sector Directors, one GRZ nominee (Secretary to Treasury) and is chaired by a private sector Director. A record of attendance of the Finance and Administration Committee meetings during the year is as below;

Finance and Administration Committee meeting attendance schedule:

Name	17th Nov 2015
Dr. Lawrence S. Sikutwa	✓
Mr. Robinson K Zulu	x
Mr. Geoffrey Sakulanda	✓
Mrs. Sylvia Banda	✓
Mr. Fredson Yamba	x
Mr. David Kombe	x

2.4.3 Audit and Risk Committee

The Audit and Risk Committee is responsible for ensuring that IDC's financial reporting to its core stakeholders is adequate and compliant with regulatory standards and requirements, publication of timely annual reports in line with regulatory requirements and enterprise wide risk management strategies. The committee comprises of four private sector Directors. A record of attendance of the Audit and Risk Committee meetings during the year is as below;

Audit and Risk Committee meeting attendance schedule:

Name	17th Nov 2015
Mr. Isaac Ngoma	✓
Fr. Leonard Chiti	✓
Mrs. Sylvia Banda	✓
Mr. David Kombe	✓

3.0 EXECUTIVE MANAGEMENT

The IDC mandate and Board policies during the year were implemented by a management team led by a Chief Executive Officer and two Executive Directors as shown below:

Mr. Andrew Chipwende	Chief Executive Officer
Mr. Charles Mate	Executive Director (Corporate)
Mr. Paul Siame	Executive Director (Operations)

4.0 2015 IN REVIEW

4.1 Financial Highlights

Despite the challenging economic conditions, the IDC recorded a total revenue of K43.5m, much of which was a dividend declared by Kagem Mining Limited. The year under review was IDC's first year of operation and therefore, no disbursements for investment projects were made.

4.2 Staff complement

The IDC maintained a lean structure primarily composed of an interim operationalization management team and support staff. This adversely affected IDC's capacity to fully implement its mandate. As at the end of year under review, the corporation had 9 employees against an establishment of 25.

Management will ensure that it attains an optimal staff compliment that delivers on the set objectives. It will also invest in training and developing staff.

5.0 FUTURE OUTLOOK

The IDC will continue to make investments in industries that can leverage Zambia's natural resource and other endowments to enhance industrial capacity and facilitate job creation. Our investment activity will focus on areas away from the extractive industries and towards more value addition.

In the next 3-7 years, the IDC will focus on recapitalizing and repositioning the existing portfolio of SOEs for subsequent public listing on the Lusaka Stock Exchange (LuSE). This will provide opportunities for citizens to own shares in strategic companies with full assurance of protection through the capital markets regulatory framework.

We will continue to look beyond the domestic market for large scale investments that will enable the IDC to have a regional outlook and thereby realize ambitious growth plans by focusing on markets of 500 million people in 26 countries rather than 14 million within one country.

We are optimistic that the IDC will continue to position itself as a partner of choice for joint ventures and facilitator of citizen involvement in industrialisation through support of local high-impact growth enterprises.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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REPORT OF THE DIRECTORS

In compliance with Division 8.3 of the Companies Act, the directors submit their report on the activities of the company for the year ended 31 December 2015.

1. Principal activities

The Industrial Development Corporation Limited (IDC) is an Investment Holding Company wholly owned by the Zambian Government. IDC's mandate is to play a catalytic role in deepening and supporting Zambia's industrialization capacity to support job creation and domestic wealth formation across key economic sectors. The IDC plays its role through evaluation, pricing and lowering the investment risk profile by serving as co-investor alongside private sector investors. IDC facilitates provision and raising of long term finance for projects. Simultaneously IDC serves as an investment holding company for state-owned enterprises and new investments, on behalf of the Government of the Republic of Zambia (GRZ). IDC is not funded by the GRZ. Its sources of financing and revenue include dividend income from investee companies, equity disposals, bank borrowings and debt issuance in the capital market. Surpluses generated by the IDC will be reinvested to fund new projects or paid out to GRZ as dividends or paid into the proposed sovereign wealth fund of Zambia.

2. The company

The company was incorporated on 21 January 2014 and is domiciled in Zambia.

Business address
3rd Floor, Mukuba Pension House
Dedan Kimathi Road
Lusaka, Zambia

Postal address
P O Box 37232
Lusaka
Zambia

3. Share capital

The company is wholly owned by the Government of the Republic of Zambia. Details of the Company's authorised and issued shares capital are included in note 13 to the financial statements.

4. Results

The company's results are as follows:

	12 months to	11 months to
	31 December 2015	31 December 2014
	ZMW	ZMW
Revenue	43,466,500	-
Profit/(loss) before taxation	24,971,461	(2,523,900)
Income tax charge	(8,742,827)	-
Profit/(loss) for the year	16,228,634	(2,523,900)

5. Dividends

No interim dividend has been paid during the period under review (2014: Knil).

REPORT OF THE DIRECTORS (CONTINUED)

6. Directors and Secretary

The directors in office at the financial year end and at the date of this report were as follows:

- His Excellency, The President of the Republic of Zambia, Chairman of the IDC Board.
- Honourable Alexander Bwalya Chikwanda, Minister of Finance.
- Honourable Margaret Mwanakatwe, Minister of Commerce Trade and industry.
- Honourable Given Lubinda, Minister of Agriculture.
- Mr. Fredson Yamba, Secretary to the Treasury.
- Mrs. Kayula A. Siame, Permanent Secretary, Ministry of Commerce Trade and Industry.
- Dr. Lawrence Sikutwa, Chairman and Chief Executive Officer for LSA Group of Companies.
- Mr. Isaac Ngoma, Development Consultant.
- Mrs. Silvia Banda, Chief Executive Officer, Sylva University.
- Mr. Geoffrey Sakulanda, Director, Spirit Insurance.
- Fr. Leonard Chiti, Director Jesuit Centre for Theological Reflection.
- Mr. David Kombe, Chairman and Chief Executive Officer for Blackdot Media.
- Mr. Robison Zulu, Chairman and Chief Executive Officer Meanwood Group of Companies.

7. Directors' fees and remuneration

- The Company paid K5,116,720 (2014 – K1,704,911) to Executive directors during the year.
- There were no loans made to directors or any outstanding loans from directors at the year end.
- Members of the Board were not entitled to any form of defined pension benefits from the company.

8. Employees

The company employed an average of 13 employees and total salaries and wages were K6,884,149 (2014-K1,739,282) for the year ended 31 December 2015.

9. Health, safety and environmental issues

As part of the conditions of the IDC's Investment projects, the Company undertakes Environmental and Social Impact Assessments, a requirement of both the local Zambian standards as well as international standards relating to the environment.

10. Social Responsibility

The Company is committed to supporting various activities and Companies across Zambia in line with its overall mandate of promoting, supporting and facilitating job creation.

REPORT OF THE DIRECTORS (CONTINUED)

11. Legal matters

There are no significant or material legal or arbitration proceedings to the knowledge of the Directors, any such proceedings which are pending or threatened, by or against the Company which may have or have had during the year immediately preceding the date of this document a significant effect on the financial position or profitability of the Company.

12. Gifts and donations

The company made no donations during the year (2014 – Knil).

13. Property, plant and equipment

The Company acquired assets totalling K4,053,660 (2014 – K1,131,698) during the year.

14. Other material facts, circumstances and events

The directors are not aware of any material fact, circumstance or event which occurred between the accounting date and the date of this report which might influence an assessment of the company's financial position or the results of its operations.

15. Annual financial statements

The annual financial statements set out on pages 21 to 40 have been approved by the directors.

16. Auditors

In accordance with the provisions of section 171(3) of the Zambian Companies Act the auditors, Messrs Grant Thornton, will retire as auditors of the company at the forthcoming Annual General Meeting, and having expressed their willingness to continue in office a resolution for their re-appointment will be proposed at the Annual General Meeting.

LEYA M. NGOMA
COMPANY SECRETARY
By order of the Board

Date: 19th December 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Companies Act 1994 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Industrial Development Corporation Limited and of its financial performance and its cash flows for the year then ended. In preparing such financial statements, the directors are responsible for

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error;

- selecting appropriate accounting policies and applying them consistently;

- making judgements and accounting estimates that are reasonable in the circumstances; and

- preparing the financial statements in accordance with International Financial Reporting Standards, and on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1994. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that in their opinion

(a) the financial statements give a true and fair view of the financial position of the Industrial Development Corporation Limited as of 31 December 2015, and of its financial performance and its cash flows for the year then ended;

(b) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when these fall due; and

(c) the financial statements are drawn up in accordance with the provisions of the second schedule to Section 164 of the Companies Act and International Financial Reporting Standards.

This statement is made in accordance with a resolution of the directors.

Signed at **Lusaka** on 19th December 2017.

Director **Director**

Grant Thornton

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

We have audited the accompanying financial statements of Industrial Development Corporation Limited, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, 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 notes.

Directors' responsibility for the financial statements

As described on page 18 the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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 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 whether the financial statements are free of 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 risks 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INDUSTRIAL DEVELOPMENT CORPORATION LIMITED (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Industrial Development Corporation Limited as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements of the Industrial Development Corporation Limited as of 31 December 2015 have been properly prepared in accordance with the Companies Act 1994, and the accounting and other records and registers have been properly kept in accordance with the Act.

Grant Thornton

Chartered Accountants

Wesley. M. Beene (AUD/F000465)

Name of Partner signing on behalf of the Firm

Lusaka

Date: 19 December 2017

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	12 months to 2015 ZMW	11 months to 2014 ZMW
Revenue	5	43,466,500	-
Other operating income		319,193	92,261
Administrative expenses **schedule 1**		(18,814,232)	(2,616,161)
Operating profit/(loss)		24,971,461	(2,523,900)
Finance costs		-	-
Profit/(loss) before taxation	6	24,971,461	(2,523,900)
Income tax	7(a)	(8,742,827)	-
Profit/(loss) for the period		16,228,634	(2,523,900)
Other comprehensive income		-	**-**
Total comprehensive income/(loss)		16,228,634	(2,523,900)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital	Capital reserve	Retained profits	Total
	ZMW	ZMW	ZMW	ZMW
At 1 February 2014	-	-	-	-
Shares issued	10,000,000	-	-	10,000,000
Loss for the period	-	-	(2,523,900)	(2,523,900)
At 31 December 2014	10,000,000	-	(2,523,900)	7,476,100
Shares issued	-	15,705,042,000	-	15,705,042,000
Profit for the year	-	-	16,228,634	16,228,634
At 31 December 2015	10,000,000	15,705,042,000	13,704,734	15,728,746,734

STATEMENT OF FINANCIAL POSITION - 31 DECEMBER 2015

ASSETS

	Note	2015	2014
		ZMW	ZMW
Non – current assets			
Property, plant and equipment	8	4,444,152	1,055,867
Investment in subsidiaries	9(a)	14,493,294,000	-
Investment in associates	10(a)	1,211,748,000	-
Other investments	11	1,066,980	-
Deferred tax asset	7(c)	469,295	-
		15,711,022,427	1,055,867
Current assets			
Short term deposits	12	10,980,600	3,460,000
Trade and other receivables	13	50,971	127,262
Bank and cash balances		29,356,807	2,924,711
		40,388,378	6,511,973
Total assets		15,751,410,805	7,567,840

EQUITY AND LIABILITIES

	Note	2015	2014
Capital and reserves			
Share capital	14	10,000,000	10,000,000
Capital reserve	15	15,705,042,000	-
Retained profits/(losses)		13,704,734	(2,523,900)
		15,728,746,734	7,476,100
Non current liabilities			
Capital grant	16	5,920,084	-
		5,920,084	-
Current liabilities			
Trade and other payables	17	7,531,865	91,740
Taxation payable	7(d)	9,212,122	-
		16,743,987	91,740
Total equity and liabilities		15,751,410,805	7,567,840

The financial statements on pages 21 to 41 were approved by the Board of Directors on 19th December 2017 and were signed on its behalf by:

)
)
) **DIRECTORS**
)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	12 months to 31 December 2015 ZMW	11 months to 31 December 2014 ZMW
Cash flows from operating activities		
Profit/(loss) before taxation	24,971,461	(2,523,900)
Depreciation	665,375	75,831
Earnings before interest and tax	25,636,836	(2,448,069)
Decrease/(increase) in trade and other receivables	76,291	(127,262)
Increase/(decrease) in trade and other payables	7,440,125	91,740
Net cash inflows/(outflows) from/(on) on operating activities	33,153,252	(2,483,591)
Investing activities		
Purchase of property, plant and equipment	(4,053,660)	(1,131,698)
Movements in other investments	(1,066,980)	-
Net cash outflow on investing activities	(5,120,640)	(1,131,698)
Net cash inflow /(outflow) before financing activities	28,032,612	(3,615,289)
Financing activities		
Proceeds from issue of share capital	-	10,000,000
Capital grant received	5,920,084	-
Net cash inflow from financing activities	5,920,084	10,000,000
Increase in cash and cash equivalents	33,952,696	6,384,711
Cash and cash equivalents at beginning of the year	6,384,711	-
Cash and cash equivalents at end of the year	40,337,407	6,384,711
Represented by:		
Cash in hand and at bank	29,356,807	2,924,711
Short term bank deposits	10,980,600	3,460,000
	40,337,407	6,384,711

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

1. Company

The company was incorporated on 21 January 2014 and domiciled in Zambia.

The Industrial Development Corporation of Zambia is a domestic development finance institution wholly owned by the Zambian government. IDC Zambia's mandate is to play a catalystic role in deepening and supporting Zambia's industrialization capacity to support job creation and domestic wealth formation across key economic sectors. The IDC Zambia plays its role through evaluation, pricing and lowering the investment risk profile by serving as co-investor alongside private sector investors. IDC Zambia facilitates provision and raising of long term finance for projects. Simultaneously IDC Zambia serves as an investment holding company for state-owned enterprises and new investments.

2. Principal accounting policies

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

(a) Basis of presentation

The financial statements are prepared in accordance with the provisions of the Companies Act 1994 and International Financial Reporting Standards (IFRS). The financial statements are presented in accordance with IAS 1 "Preparation of financial statements". They have been prepared under the historic cost convention, as modified by the revaluation of property, plant and equipment, available-for-sale financial assets, and financial assets and liabilities at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) New and revised standards that are effective for annual periods beginning on or after 1 January 2015

'Defined Benefit Plans: Employee Contributions' (Amendments to IAS 19) came into mandatory effect for the first time in 2015 but the Company early adopted these Amendments in 2014.

Other amendments to IFRSs that became mandatorily effective in 2015 have no material impact on the Company's financial results or position. Accordingly, the Company have made no changes to its accounting policies in 2015.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Company. Information on those expected to be relevant to the Company's financial statements is provided below. Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Principal accounting policies (continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (continued)

IFRS 9 'Financial Instruments' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Company's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- an expected credit loss-based impairment will need to be recognised on the Company's trade receivables, unless classified as at fair value through profit or loss in accordance with the new criteria
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Company makes an irrevocable designation to present them in other comprehensive income.
- if the Company continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Company's own credit risk.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

Management has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Principal accounting policies (continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (continued)

Amendments to IFRS 11 Joint Arrangements

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The amendments are effective for reporting periods beginning on or after 1 January 2016.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost.

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 of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost, net of any related deferred income tax, is transferred from the revaluation surplus to retained earnings.

Depreciation is calculated to write off the cost of property, plant and equipment on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Motor vehicles	25%
Computer hardware and software	33.3%
Office equipment	33.3%

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income in the other operating income.

(e) Financial assets

The Company classifies its investments into the following categories: financial assets at fair value through profit or loss, debtors and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Principal accounting policies (continued)

(d) Property, plant and equipment (continued)

Management determines the classification of its investments at initial recognition and re-evaluate this at every reporting date.

(i) *Financial assets at fair value through income*

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial assets at fair value through income' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management.

Financial assets designated as at fair value through profit or loss at inception are those that are:

- held in internal funds to match investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- managed and whose performance is evaluated on a fair value basis. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

(ii) Trade and other *receivables*

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the company intends to sell in the short term or that it has designated as at fair value through income or available for sale. Trade and other receivables are recognised at fair value, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms.

(iii) *Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of debtors and receivables that the Company's management has the positive intention and ability to hold to maturity. These assets are recognised at fair value, less provision for impairment. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to their original terms.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Principal accounting policies (continued)

(e) Financial assets (continued)

(iv) *Available-for-sale financial assets (continued)*

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Trade and other receivables and held-to-maturity financial assets are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the year in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as net realised gains or losses on financial assets.

Interest on available-for-sale securities is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the company establishes fair value by using valuation techniques.

(f) Impairment of assets

(i) *Financial assets carried at amortised cost*

The company assesses at each reporting date whether there is objective evidence that a financial asset or Company of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
- adverse changes in the payment status of issuers or debtors in the Company; or
- national or local economic conditions that correlate with defaults on the assets in the Company.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2. Principal accounting policies (continued)

(f) Impairment of assets (continued)

(i) *Financial assets carried at amortised cost (continued)*

If there is objective evidence that an impairment loss has been incurred on debtors and receivables or held-to-maturity investments, the amount of the loss is measured as the difference between the asset's carrying amount and the present value. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income.

If in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

(ii) *Financial assets carried at fair value*

The Company assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not subsequently reversed. The impairment loss is reversed through the statement of comprehensive income, if in a subsequent year the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in statement of comprehensive income.

(iii) *Impairment of other non-financial assets*

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments and balances held with banks.

Bank overdrafts are defined as facilities which are repayable on demand and classified as current liabilities.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Principal accounting policies (continued)

(h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(i) Interest bearing liabilities

Short term interest bearing liabilities include all amounts expected to be repayable within twelve months from the reporting date, including instalments due on loans of longer duration. Long term interest bearing liabilities represent all amounts repayable more than twelve months from the reporting date.

(j) Leased assets

Where fixed assets are financed by leasing agreements which give rights approximating to ownership (Finance leases) the assets are treated as if they had been purchased and the capital element of the leasing commitments is shown as obligations under finance lease. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the profit and loss account over the period of the lease so as to produce a constant periodic rate of interest in the remaining balance of the liability under the lease agreement for each accounting period.

Rentals payable under operating leases are charged to the statement of comprehensive income over the term of the relevant lease and in accordance with the terms of the relevant leases.

(k) Investment income

Investment income is accounted for on an accrual basis and relates to interest earned from short term deposits.

(l) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Tax currently payable is based on the results for the year as adjusted for items which are non-assessable or disallowed for tax purposes.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Principal accounting policies (continued)

(l) Taxation (continued)

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(m) Employee benefits

Pension obligations

The company has a plan with National Pension Scheme Authority (NAPSA) where the company pays an amount equal to the employee's contributions. Employees contribute 5% of their gross earnings up to the statutory limit.

(n) Provisions

Restructuring costs and legal claims

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 more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(o) Dividend distribution

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

(p) Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current year results disclosed in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Critical accounting estimates and judgements

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income, expenses and contingent liabilities. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and judgements are under continuous review.

3. Useful lines of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates, relate to technological obsolescence that may change the utility of certain assets.

4. Management of financial risk

4.1 Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities. The most important components of this financial risk are interest rate risk and credit risk. These risks arise from open positions in interest rate and business environments, all of which are exposed to general and specific market movements.

The Company manages these positions with a framework that has been developed to monitor its customers and return on its investments.

4.2 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The company is not exposed to this risk as at 31 December 2015.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to the level of credits given to a single customer. Such risk is subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved annually by the Board of Directors.

4.3 Capital management

The company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company sets the amount of capital in proportion to its overall financing structure. The Company manages the capital structure and makes adjustments to it in the light of the economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of the dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital structure

In Zambian Kwacha

	2015	2014
	ZMW	**ZMW**
Cash and cash equivalents	40,337,407	6,386,211
Equity	6,702,502,734	7,476,100
	6,742,840,141	13,862,311

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

	2015	2014
	ZMW	ZMW

5. Revenue

Turnover represents the dividends received during the year

6. Loss before taxation

Profit/(loss) before taxation is stated after charging:

7. Income tax credit

	2015 ZMW	2014 ZMW
(a) The charge for taxation is made up as follows:	-	-
Income tax at 35% (2014:35%) on the taxable profit for the year	9,212,122	-
Deferred taxation	(469,295)	-
	8,742,827	-
(b) Reconciliation of the tax charge:		
Profit/(loss) before taxation	24,971,461	(2,523,908)
Taxation at current rate on accounting profit	8,740,011	(883,365)
Permanent differences:		
Disallowable expenses	62,985	6,570
Timing differences:		
Capital allowances and Depreciation	(220,838)	(72,483)
Tax loss	(950,983)	(949,278)
Movement in provision	1,580,947	-
Deferred taxation	(469,295)	-
Tax charge for the year	8,742,827	-
(c) Deferred taxation		
Anaylsis of movement:		
1 January 2015	-	-
Provision during the year	(469,295)	-
At 31 December 2015	(469,295)	-
(d) Movement in taxation account		
Taxation as at 1 January	-	-
Charge for the year	9,212,122	-
Taxation paid	-	-
Taxation payable as at 31 December	9,212,122	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

8. Property, plant and equipment

(a) Summary in Zambian Kwacha

Cost or valuation

	Office equipment	Motor vehicles	Furniture and fittings	Office Computer hardware	Total
	ZMW	ZMW	ZMW	ZMW	ZMW
At 1 February 2014	-	-	-	-	-
Additions	46,648	937,090	95,572	52,388	1,131,698
At 31 December 2014	46,648	937,090	95,572	52,388	1,131,698
Additions	32,719	3,042,529	384,708	593,704	4,053,660
At 31 December 2015	79,367	3,979,619	480,280	646,092	5,185,358
Depreciation					
At 1 February 2014	-	-	-	-	-
Charge for the period	3,840	54,636	8,632	8,723	75,831
At 31 December 2014	3,840	54,636	8,632	8,723	75,831
Charge for the year	21,746	475,511	63,746	104,372	665,375
At 31 December 2015	25,586	530,147	72,378	113,095	741,206
Net book value					
At 31 December 2015	53,781	3,449,472	407,902	532,997	4,444,152
At 31 December 2014	42,808	882,454	86,940	43,665	1,055,867

(b) In the opinion of the directors, the carrying values of property, plant and equipment stated above are not higher than their fair values.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

9. Investments in subsidiaries

(a) The company's interest in its subsidiaries is as follows:

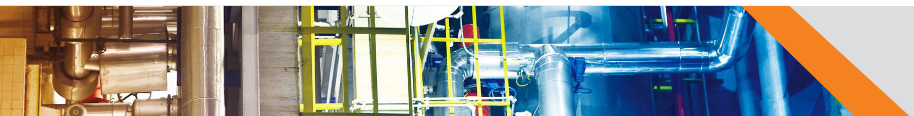
Country of incorporation	Name of company	Percentage	At acquisition	Additional	At 31 December 2015
		held	ZMW'000	ZMW'000	ZMW'000
Zambia	ZESCO	100%	8,262,909	106,621	8,369,530
Zambia	ZCCM Investment	60.28%	3,201,091	-	3,201,091
Zambia	Indeni Petroleum	100%	518,636	113,989	632,625
Zambia	Zambia Forestry and Forest Industries Corporation	100%	244,906	-	244,906
Zambia	Mulungushi International Conference Centre	100%	135,512	-	135,512
Zambia	Mukuba Hotel	100%	5,326	-	5,326
Zambia	Mupepetwe Development Company	100%	1	-	1
Zambia	Mulungushi Village	100%	140,487	-	140,487
Zambia	Zambia International	100%	39,747	-	39,747
Zambia	Medical Services Limited	100%	1	-	1
Zambia	Lusaka South Multi-Facility Economic Zone	100%	1,889,080	-	1,889,080
Zambia	NIEC Business Trust School	100%	351	-	351
Zambia	Zambia Telecommunications Company	100%	(206,686)	-	(206,686)
Zambia	Zambia –China Textiles	33%	(34,256)	-	(34,256)
Zambia	Zambia Printing Company	100%	(4,256)	-	(4,256)
Zambia	Times Printpak (Z) Limited	100%	(506,826)	-	(506,826)
Zambia	Zambia Daily Mail Limited	100%	(93,235)	-	(93,235)
Zambia	ZSIC GROUP	100%	(193,996)	-	(193,996)
Zambia	Mpulungu Harbour Corporation Limited	100%	29,378	-	29,378
Zambia	Zambia Railways Limited	100%	928,907	-	928,907
Zambia	Engineering Services Corporation	100%	1	-	1
Zambia	ZAMCAPITAL ZEL	100%	1	-	1
Zambia	Nitrogen Chemicals of Zambia	100%	(84,395)	-	(84,395)
Total at end of 31 December 2015			14,272,682	220,610	14,493,294

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

9. Investments in subsidiaries (continued)

b) The summarised financial information for the subsidiaries is as follows:

Country of incorpor-ation	Name of company	Percentage held	Assets ZMW'000	Liabilities ZMW'000	Revenues ZMW'000	Profit/ (loss) ZMW'000
Zambia	ZESCO	100%	23,769,814	17,486,329	2,502,204	835,386
Zambia	ZCCM Investment	60.28%	9,835,819	1,324,930	64,918	985,522
Zambia	Indeni Petroleum	100%	629,122	180,610	136,033	30,995
Zambia	Zambia Forestry and Forest Industries Corporation	100%	396,416	49,014	56,995	28,425
Zambia	Mulungushi International Conference Centre	100%	85,881	50,377	4,309	(5,401)
Zambia	Mukuba Hotel	100%	15,740	12,951	3,345	(1,751)
Zambia	Mupepetwe Development Company	100%	110,663	12,858	1,863	427
Zambia	Mulungushi Village	100%	184,441	26,759	6,050	1,728
Zambia	Zambia International Trade Faire	100%	23,073	8,651	1,054	(1,422)
Zambia	Medical Services Limited	100%	93,255	23,349	8,059	22,942
Zambia	Lusaka South Multi-Facility Economic Zone	100%	1,904,291	96,131	569	(437)
Zambia	NIEC Business Trust School	100%	1,674	3,038	188	(4)
Zambia	Zambia Telecommunications Company	100%	1,849,552	2,763,926	193,783	(687,186)
Zambia	Zambia –China Textiles	33%	31,581	328,043	-	(119,253)
Zambia	Zambia Printing Company	100%	9,370	12,976	283	(278)
Zambia	Times Printpak (Z) Limited	100%	47,041	553,331	16,408	(63,508)
Zambia	Zambia Daily Mail Limited	100%	67,381	504,943	27,190	(44,603)
Zambia	ZSIC GROUP	100%	670,011	863,157	129,052	(39,984)
Zambia	Mpulungu Harbour Corporation Limited	100%	31,674	31,664	3,268	437
Zambia	Zambia Railways Limited	100%	1,012,393	203,326	81,895	8,693
Zambia	Engineering Services Corporation	100%	43,171	2,177	5,707	614
Zambia	ZAMCAPITAL Enterprises Limited	100%	95,670	33,894	1,032	5,278
Zambia	Nitrogen Chemicals of Zambia	100%	559,772	1,131,132	393,642	(239,670)
Total at end of 31 December 2015			41,467,805	25,703,566	3,637,847	716,950



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

	2015	2014
	ZMW	ZMW

10. Investments in associates

(a) Movement at cost:

At beginning of the year	-	-
Arising during the year	1,211,748,000	-
At end of the year	1,211,748,000	-

(b) The company's interest in its associates is as follows:

Country of incorporation	Name of company	Percentage	Acquisition 01-Sep-15	Fair value gain/(loss)	31-Dec-15
		held	ZMW'000	ZMW'000	ZMW'000
Zambia	Kagem Mine	20%	8,802	266,744	275,546
Zambia	Nanga Farms	14.27%	25,090	(354)	24,736
Zambia	ZANACO	25%	259,034	214,021	473,055
Zambia	Indo-Zambia Bank	40%	249,306	155,988	405,294
Zambia	Lusaka Trust Hospital	50%	5	6,445	6,450
Zambia	Afrox	30%	25,221	1,446	26,667
Total			567,458	644,290	1,211,748

11. Other investments

	2015	2014
	ZMW	ZMW
Scaling solar project	1,066,980	-
	1,066,980	-

12. Short term deposits

Zambia National Commercial Bank – 182 days	10,980,600	3,460,000

13. Trade and other receivables

Interest receivable	-	92,261
Prepayments	29,317	33,001
Staff debtors	333	2,000
Other receivables	21,321	-
	50,971	127,262

14. Share capital

Authorised

20,000,000 ordinary shares of K1 each	20,000,000	20,000,000
Issued and fully paid, 10,000,000 ordinary shares of K1	10,000,000	10,000,000
At beginning of the year	-	-
Issued during the year	10,000,000	10,000,000
At 31 December	10,000,000	10,000,000

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

15. Capital reserve

On 24 August 2015 the Government of the Republic of Zambia transferred its shares in certain companies to IDC and an amount of K15,705,042,000 was recognised as capital reserve.

16. Capital grant

Government of the Republic of Zambia	5,920,084	-
	5,920,084	-

The Private Sector Development, Industrialisation and Job Creation (PSDIJC) had agreed to collaborate with the Company on four (4) projects anchored under the implementation framework for the Industrialisation and Job Creation. The projects include; Development of 600MW Grid Scale Solar Power Plants; Expansion of Industrial Forestry Plantations, establishment of Tourism Investment vehicle; and the development of Integrated fish Industry.

17. Trade and other payables

	2015	2014
	ZMW	ZMW
Trade payables	2,972,006	91,740
Employee related provisions	4,559,859	-
	7,531,865	91,740

18. Financial instruments

Financial Assets

The company's principal financial assets are equity instruments, bank balances and cash and trade and other receivables. The company maintains its bank accounts with major banks in Zambia of high credit standing. Trade debtors are stated at their nominal value reduced by appropriate allowances for estimated irrecoverable amounts. Equity instruments are stated at cost less provision for impairment.

Financial liabilities

The company's financial liabilities are short and long term loans and trade creditors. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Trade creditors are stated at their nominal value.

(a) **Price risk**

(i) **Currency risk**

The Company's transactions during the period were carried out in Zambian kwacha. Therefore there is no financial exposure to currency exchange rates arising from those transactions.

(ii) **Interest rate risk**

Financial assets are not exposed to the risk that their value will fluctuate due to changes in market interest rates. The Company's investment in short term deposits pays a fixed interest rate.

(iii) **Market risk**

The company is not exposed to the risk of the value of its financial assets fluctuating as a result of changes in market prices.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

19. Fair value measurement

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are companied into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

20. Contingent liability

There were no known contingent liabilities as at 31 December 2015 (2014: Knil).

21. Related party transactions

The results of transactions with related parties during the year are detailed below:

(a) **Compensation of key management personnel**

The remuneration of management other members of key management during the year was as follows:

	2015	2014
	ZMW	ZMW
Short-term benefits	5,116,720	1,704,911

(b) There were no loans to related parties and key management personnel.

(c) The company received a capital grant from the Government of the Republic of Zambia (GRZ) during the year, the amount was as follows:

Capital grant from GRZ	5,920,084	-

22. Capital commitment

There are no capital commitments as at 31 December 2015 (2014: Knil).

23. Events subsequent to reporting date

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature, likely, in the opinion of the directors of the Company, to affect substantially the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in the subsequent financial years.

SCHEDULE 1

DETAILED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

Revenue:

	2015	2014
	ZMW	**ZMW**
Dividends Received:		
-Kagem $3.5m	43,466,500	-
Interest on funds placed on deposit	197,369	92,261
Sale of Tender Document	121,824	-
Total Revenue	43,785,693	92,261
Expenditure:		
External audit	7,656	91,740
Bank Charges	8,050	3,112
Depreciation	665,375	75,831
Fuel & Oils	35,090	4,840
ICT Services	16,569	19,678
Insurance	39,396	9,939
Office Consumables	48,378	37,124
Operationalization of the IDC*	759,868	609,612
Postage	3,292	4,896
Procurement Committee Meetings	135,100	10,150
Publication of corporate promotional materials	30,951	2,668
Salaries	6,884,149	1,739,282
Staff Training	-	1,050
Other Staff Costs	4,520,568	-
Telephone	28,728	2,489
Tender Evaluation Meetings	77,358	3,750
Motor Vehicle Expenses	32,625	-
Transport Expenses	3,081	-
Computer and Office Accessories	7,028	-
Stationery and Printing	44,827	-
Water	3,441	-
Newspaper and Periodicals	34,920	-
Office Rentals	233,950	-
Office Cleaning	22,300	-
Repairs and Maintenance	5,482	-
Foreign Travel Expenses	47,443	-
Exchange Loss	4,416,993	-
Incorporation and Transfer of Shares	157,219	-
Company Searches –PACRA	415	-
Company Seals	650	-
Website Development	23,200	-
Project Development	500,572	-
General Expenses	19,558	-
Total Expenditure	18,814,232	2,616,161
Profit/(loss) before tax	24,971,461	(2,523,900)
*Operationalization of the IDC:		
- Facilitation costs in interim staff allowances	759,868	551,000
- Recruitment costs	-	31,396
- Travel and subsistence	-	27,216
	759,868	609,612