Grant Thornton

Industrial Development Corporation Limited

Consolidated Financial Statements
31 December 2017

INDUSTRIAL DEVELOPMENT CORPORATION LIMITED
CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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CORPORATE INFORMATION

Name of Director	Organisation	Position
His Excellency the President of the Republic of Zambia	President of the Republic of Zambia	Chairman
Honourable Dr Bwalya Ng'andu	Minister of Finance [Appointed 15 July 2019]	Director
Honourable Christopher Yaluma	Minister of Commerce, Trade & Industry [Appointed 15 Feb 2018]	Director
Honourable Michael Z Katambo	Minister of Agriculture [Feb 2018]	Director
Honourable Dora Siliya	Minister of Agriculture – [Retired 15 Feb 2018]	
Mr. Lawrence Sikutwa	Executive Chairman - LSA Group [Resigned on 2 June 2017]	Director
Mr. Alexander B Chikwanda	Director - Apollo Enterprises Limited [Appointed on 25 September 2017]	Director
Mr. Fredson Yamba	Secretary to the Treasury	Director
Mr. Mushuma Mulenga	Permanent Secretary, Ministry of Commerce Trade and Industry	Director
Mr. David Kombe	Executive Chairman-Blackdot Media Limited	Director
Mr. Isaac Ngoma	Development Specialist	Director
Mr. Geofrey Sakulanda	Director - Spirit Insurance	Director
Mrs. Silvia Banda	Chief Executive - Sylva University	Director
Mr. Mateyo Kaluba	Group Chief Executive Officer – IDC	Director
Mr. Ben Shoko	Consultant – Banking	Director
Mr. Robinson Zulu	Executive Chairman - Meanwood Group [Resigned on 2 June 2017]	Director
Fr. Leonard Chiti	Director - Jesuit Centre for Theological Reflection,	Director

Group Secretary

Ms Rumbidzai Mutasa	Company Secretary [Resigned 1 June 2017]
Mrs Leya M Ngoma	Company Secretary [appointed 1 September 2017]

Principal place of business and registered office

61 Independence Avenue Prospect Hill
P.O. Box 37232
Lusaka

Bankers

Zambia National Commercial Bank PLC
P.O. Box 30226 Lusaka
Indo - Zambia Bank Limited
P.O. Box 35411 Lusaka

Auditor

Grant Thornton
5th Floor Mukuba Pension House
Dedan Kimathi Road
P O Box 30885
Lusaka

Management

Mateyo C Kaluba	Group Chief Executive Officer
Henry Sakala	Chief Portfolio Officer
Pamela S Musepa	Chief Corporate Services Officer
Chearyp M Sokoni	Chief Finance Officer
Leya M Ngoma	Chief legal Officer
Muchindu Kasongola	Chief Investment Officer

REPORT OF THE DIRECTORS

In compliance with the Companies Act 2017, the directors submit their report on the activities of Industrial Development Corporation Limited and its subsidiaries (the company) for the year ended 31 December 2017.

1. **Company activities and Principal place of business**

   The company was incorporated on 21 January 2014 and is domiciled in Zambia. The registered office and principal place of business is 61 Independence Avenue Prospect Hill P.O Box 37232 Lusaka.

   The Industrial Development Corporation Limited (IDC) is an investment holding company wholly owned by the Government of the Republic of Zambia. 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 co-investing alongside private sector investors. Simultaneously, IDC serves as an investment holding company for previously state-owned enterprises and acquisition of new investments in priority sectors. Sources of financing and revenue include dividend income, equity disposals, bank borrowings and debt issuance in the capital market. Surpluses generated by the IDC are reinvested to fund new projects or advanced as shareholder loans to its subsidiaries and paid out to its shareholder, the Minister of Finance as dividends.

2. **Subsidiaries**

   The portfolio of subsidiaries and investee companies diverse range of sectors. These subsidiaries are guided and managed by their respective boards with IDC providing strategic oversight.

ENERGY AND RESOURCES	ZCCM- Investment Holding Plc (60.28%) ZESCO Limited (100%) Zambia Forestry & Forest Industries PLC (100%) Indeni Petroleum Refinery Limited (100%) Kagem Mining Limited (20%)
FINANCIAL SERVICES	ZSIC Group (100%) Indo Zambia Bank Limited (40%) ZANACO PLC (25%)
INDUSTRIES	Afrox (Zambia) Limited (30%) Nitrogen Chemicals of Zambia (100%) Zambia China Mulungushi Textiles (33%) Zamcapital Enterprises Limited (100%)
TELECOMMUNICATIONS AND MEDIA	Zambia Telecommunications Company Limited (100%) Times Printpak (Z) Limited (100%) Zambia Printing Company Limited (100%) Zambia Daily Mail Limited (100%)
TOURISM, REAL ESTATE, AND OTHERS	Mulungushi Village Complex Limited (100%) Mulungushi International Conference Centre MICC) (100%) NIEC Business School Trust (100%) Nanga Farms Limited (14.27%) Mupepetwe Development Company (100%) Medical Services Limited (100%) Zambia International Trade Fair (100%) Mukuba Hotel Limited (100%) Lusaka Trust Hospital (50%) Lusaka South Multi Facility Economic Zone Limited (100%)
TRANSPORT AND LOGISTICS	Zambia Railways Limited (100%) Engineering Services Corporation (100%) Mpulungu Harbour Corporation Limited (100%) Zamcargo Logistics Limited (100%)

REPORT OF THE DIRECTORS (CONTINUED)

3. Share Capital

The company is wholly owned by the Minister of Finance, on behalf of the Government of the Republic of Zambia ("GRZ") pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia. Details of the company's authorised and issued share capital are included in note 37 to the financial statements.

4. Consolidated Financial Results

The consolidated financial results for the year under review are as reported in the financial statements set out on pages 11 to 102 as summarized below:

In Kwacha thousand

	Consolidated		Company	
	2017	2016	2017	2016
Turnover	10,223,153	11,030,714	92,060	95,219
(Loss)/profit before taxation	(3,216,221)	917,385	31,173	61,933
Income tax	735,464	740,650	(14,046)	(21,933)
(Loss)/profit for the year	(2,480,757)	1,658,035	17,127	40,000

5. Dividends

The Group has the dividend policy which has been adopted by all subsidiaries. During the year under review, Indo Zambia Bank Limited, Indeni Petroleum Refinery Limited, Mulungushi Village Complex, ZAFFICO, Nanga Farms, Lusaka Trust Hospital and Afrox paid dividends of ZMW92,060,286 million to Industrial Development Corporation Limited. The dividend income has been eliminated from the Group consolidated results.

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 of the	President of the Republic of Zambia, Chairman IDC Board
Honourable Dr Bwalya Ng'andu	Ministry of Finance (Appointed 15 July 2019)
Honourable Christopher Yaluma	Ministry of Commerce, Trade & Industry
Honourable Micheal Katambo	Ministry of Agriculture
Honourable Margaret Mwanakatwe	Ministry of Finance (Retired 15 July 2019)
Honourable Felix Mutati	Ministry of Finance (Retired 15 February 2018)
Mrs. Kayula A Siame	Ministry of Commerce Trade and Industry (Retired 5 September 2019)
Mr. Fredson Yemba	Secretary to the Treasury- Ministry of Finance
Mr. Mulenga Mushuma	Ministry of Commerce Trade and Industry (Appointed 5 September 2019)
Mr. Alexander Bwalya Chikwanda	Non Executive Director
Mr. David Kombe	Non Executive Director
Mr. Isaac Ngoma	Non Executive Director
Mr. Geofrey Sakulanda	Non Executive Director
Mrs. Silvia Banda	Non Executive Director
Mr. Ben Shoko	Non Executive Director
Fr. Leonard Chiti	Non Executive Director
Mr. Mateyo Kaluba	Executive Director

Secretary
Mrs Leya M Ngoma

REPORT OF THE DIRECTORS (CONTINUED)

7. **Property, plant and equipment**

The total addition to property, plant and equipment during the year was ZMW4,878,012,000 (2016: ZMW7,567,538,000).

8. **Health, safety and environment issues**

The Group recognises its responsibility regarding occupational health, safety and welfare of its employees and has put in place measures to safeguard them.

9. **Social responsibility**

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

10. **Human Resources**

The total remuneration for employees during the year amounted to ZMW3,758,312,000(2016: ZMW2,339,645,000). The table below shows the total average number of employees in the Group during the year.

Month	Total
January	11,604
February	11,592
March	11,596
April	11,582
May	11,577
June	11,565
July	11,563
August	11,848
September	11,879
October	11,809
November	11,801
December	11,821

11. **Events after the reporting period**

Subsequent to the year end, on March 11, 2020, the World Health Organisation announced the outbreak of a strain of the novel coronavirus ("COVID -19") pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Since then, the virus has spread to over 120 countries, including Zambia. The global pandemic has resulted in significant governmental measures being implemented by various governments to control the spread of the virus, including restrictions on work and travel, factory closures, production, and logistics in many regions of the world.

The Directors are monitoring the developments of the situation closely and remain confident that the Group is resilient enough to withstand the impact of the pandemic and will remain a going concern (note 49).

12. **Going Concern**

The Directors believe that the group has adequate financial resources and support to continue in operation for the foreseeable future and accordingly the consolidated financial statements have been prepared on a going concern basis. The board has satisfied itself that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Directors are not aware of any new material changes that may adversely impact the group. Further, the Directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group. The Group is committed to industrialisation mandate of promoting and supporting and facilitating job creation.

REPORT OF THE DIRECTORS (CONTINUED)

13. 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 Group which may have a significant effect on the financial position or profitability of the Group.

14. Gifts and donations

The Group made donations during the period amounting to ZMW3.7 million (2016: ZMW3.50 million).

15. Directors' fees

During the year, the renumeration of the directors was ZMW12.3 million (2016: ZMW17.33 million)

16. Other Material Facts, Circumstances and Events

The Directors are not aware of any material facts, circumstances or events which occurred between the accounting date and the date of this report, which might influence an assessment of the Group's financial position or the results of its operation. The Directors confirm that the financial statements have been prepared on a going concem basis.

17. Annual financial statements

The annual financial statements set out on pages 11 to 102 have been approved by the directors.

18. Auditors

The Group's external auditors, Messrs Grant Thornton retire at the conclusion of the 2017 audit. The appointment of the auditors for the year 2018 would be decided at the AGM.

We would like to thank Messrs Grant Thornton for their services rendered over the period of their appointment.

By Order of the Board

Company Secretary

27 July 2021

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

Section 265 of the Companies Act 2017 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of Industrial Development Corporation Limited and its subsidiaries 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 the applicable financial reporting framework, and on the going concern basis unless it is inappropriate to presume that the Group 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 Group and enable them to ensure that the financial statements comply with the Companies Act 2017. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirm that in their opinion:

(a) the financial statements give a true and fair view of the financial position of Industrial Development Corporation Limited and its subsidiaries as at 31 December 2017, 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 Group 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 Companies Act 2017 and International Financial Reporting Standards.

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

Signed at Lusaka on 27th July 2021

DIRECTOR

DIRECTOR

GrantThornton

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Report on the Audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Industrial Development Corporation Limited (the 'Company') and its subsidiaries (the 'Group') which comprise the consolidated and separate statements of financial position as at 31 December 2017, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Industrial Development Corporation and its subsidiaries as at 31 December 2017 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 3.4 in the financial statements which indicates that, at the reporting date the Group's current liabilities exceeded the current assets by ZMW8,602,076 thousand (2016: ZMW5,310,025 thousand). As stated in note 3.4, these events or conditions along with other matters as set forth in note 3.4 indicated that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Emphasis of matter paragraph above, we have determined the matters described below to be key audit matters to be communicated in our report.

Key Audit Matters	How the matter was addressed in our report
Measurement of financial assets Due to the complex and subjective judgements made in the assumption by the Directors over the timing recognition and estimation of the provision for bad debts, this was considered a key audit matter. The Directors are required to apply judgements relating to the key assumptions and judgements that underlie the inputs into the impairment calculation Key assumptions and judgements include the period used for unidentified impairment, the probability of default calculation and the loss given default calculation.	In considering the reasonableness of the impairment provision, the audit team performed various procedures, including but not limited to the following: • Assessing the design and implementation of the controls around the determination of the impairment provision with focus on compliance with the requirements of IAS 39: "Financial Instruments-Recognition and Measurements" • Assess the completeness of the receivables considered for impairment. • Tested, on sample basis, the recoverability of receivable balances through, testing of current year and subsequent receipts and corroborative enquiry of management.
Valuation and Measurement of Investments in associates As at 31 December 2017, the investments in associates and the financial assets at fair value through profit or loss of ZMW9,237 million represented 12% of the total assets that were subject to significant estimations. The valuation of the Group's investments is performed by an external valuation expert and has applied the Discounted Cash Flow (DCF) and the relative valuation methodology. The share prices for publicly traded companies were marked to the closing market price on the LuSE on 31 December 2017. These models require significant judgements and estimation over significant unobservable inputs and assumptions.	We evaluated the competence, experience and independence of the valuation expert. We compared the assumptions used to the preceding period and considered the reasonableness. In considering the appropriateness of the valuation model we compared the models used to that of the prior year. We had continuous discussions with the valuation experts and challenged assumptions used in the valuation report provided. We corroborated the inputs used against publicly available information and the reasonableness of the comparable universe. Key financial information was matched against latest available audited results. For investments valued using the market approach we agreed the prices of the listed shares to the Lusaka Stock Exchange lists.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and/or the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

Report on the other legal and regulatory requirements
The Companies Act, 2017 requires that in carrying out our audit, we consider and report to you on the accounting and other records and registers. We confirm that the accounting and other records and registers have been properly kept in accordance with the Act.

The Companies Act of 2017 requires that in carrying out our audit of the Company, we report on whether:

i. There is a relationship, interest or debt which us, as the Company's auditor, have in the Company.
ii. There are serious breaches by the Company's directors, of corporate governance principles or practices contained in part VII's sections 82 to 122 of the Zambia Companies Act of 2017; and

In respect of the foregoing requirements, we have no matter to report.

In accordance with the Insurance Act, 1997 (as amended), we report that in our opinion:

- The Group made available all necessary information in compliance with the requirements of this Act;

- The Group has complied with the provisions of this Act and the regulations, guidelines and prescriptions under this Act; except as described below:-

  (i) At 31 December 2017, a subsidiary, ZSIC General Insurance Limited failed to meet the minimum solvency margin of 10% as required by Section 37 of the Insurance Act, 1997 (as amended). The Company recorded a solvency margin deficit of 74.02% (2016: 51.11%).

  (ii) The Insurance Act 1997 (as amended) requires an actuarial valuation of a Life Company to be carried out once every three years. The latest available actuarial valuation report, at the reporting date of financial statements was as at 31 December 2017. According to Section 36(1) of the same Act, a Life Company is required to maintain a margin of solvency defined in terms of the Regulation 2(1) when its liabilities under life policies do not exceed the sum in the life insurance funds or funds maintained by it.

  The valuation report as at 31 December 2017 shows that the Total Liabilities of the company exceed the Actuarial Assets by ZMW90.08million. However, after removing the inadmissible assets, the admitted assets are less than admitted liabilities by 96%.

Chartered Accountants

Christopher Mulenga (AUD/F000178)
Name of Partner signing on behalf of the Firm

Date: 27 July 2021

INDUSTRIAL DEVELOPMENT CORPORATION LIMITED
CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENT OF FINANCIAL POSITION

Figures in Zambian Kwacha thousand

	Note(s)	Consolidated 2017	Consolidated 2016	Company 2017	Company 2016
Assets					
Goodwill	6	-	2,549,492	-	-
Intangible assets	7	69,393	87,139	-	-
Property, plant, and equipment	8	53,906,613	24,626,242	7,155	4,321
Plantation in formation	9	412,790	311,944	-	-
Investment property	10	1,863,261	1,830,770	-	-
Investments in subsidiaries	11	6,615	6,605	13,562,711	14,493,294
Loans to related parties	12	515,404	638,620	25,176	-
Investments in joint ventures	13	664,720	424,446	-	-
Investments in associates	14	8,879,435	8,226,042	1,689,246	1,211,748
Financial assets at fair value through profit & loss	15	357,243	529,057	21,453	-
Held to maturity financial assets	16	67,376	60,872	-	-
Available for sale financial assets	17	57,428	39,043	-	10,524
Other long-term assets	18	402,334	131,295	262,075	-
Deferred tax	19	614,787	2,716,175	-	-
		67,817,399	42,177,742	15,567,816	15,719,887
Current Assets					
Property, plant and equipment	8	1,521	1,591	-	-
Investment property	7	10,213	10,213	-	-
Investment in subsidiaries		-	-	-	-
Inventories	20	1,442,102	1,753,198	-	-
Trade and other receivables	21	4,505,412	3,838,846	6,479	1,673
Amounts due from related parties	22	2,263,721	1,538,224	81,351	10,568
Held to maturity financial assets	16	599,720	262,357	-	76,863
Available for sale assets	17	-	15,620	-	-
Other short term financial assets		2,898	240	-	-
Cash and cash equivalents	23	2,563,094	2,416,950	24,572	1,813
		11,388,681	9,837,239	112,402	90,917
Total Assets		79,206,080	52,014,981	15,680,218	15,810,804
Equity and Liabilities					
Share capital	37	10,000	10,000	10,000	10,000
Retained earnings		(2,949,654)	(401,747)	70,831	53,704
Reserves		33,845,098	16,780,655	15,287,908	15,705,042
		30,905,444	16,388,908	15,368,739	15,768,746
Non-controlling interest		3,736,406	3,456,028	-	-
		34,641,850	19,844,936	15,368,739	15,768,746

STATEMENT OF FINANCIAL POSITION (CONTINUED)

Figures in Zambian Kwacha thousand

		Consolidated		Company	
	Note(s)	2017	2016	2017	2016
Liabilities					
Non-Current Liabilities					
Deferred tax liability	18	6,279,680	178,618	-	-
Retirement benefit obligation	24	2,427,795	2,099,035	-	295
Capital Grants and Contributions	25	2,551,130	1,384,085	5,920	5,920
Long term portion of Borrowings	26	12,297,332	12,319,736	-	-
Finance lease liabilities	27	515	164,870	-	-
Provisions	28	122,558	25,201	-	-
Other long-term payables	29	294,097	211,730	-	-
Deferred income	30	114,003	139,503	-	-
Life Assurance Funds	31	303,341	345,180	-	-
Unearned premiums	32	76,039	76,042	-	-
Outstanding claims	33	106,984	78,781	-	-
		24,573,474	17,022,781	5,920	6,215
Current Liabilities					
Retirement benefit obligation	24	199,243	532,762	-	-
Capital Grant and Contribution	25	114,772	217,351	-	-
Short term portion of borrowings	26	3,624,904	3,029,783	30,446	-
Finance lease liabilities	27	443	3,663	-	-
Amounts due to related parties	34	1,286,012	610,680	18,784	-
Current tax payable	35(c)	1,728,154	1,828,748	30,425	30,383
Trade and other payables	36	12,927,989	8,839,143	225,904	5,460
Bank overdraft	23	109,239	85,134	-	-
		19,990,756	15,147,264	305,559	35,843
Total Liabilities		44,564,230	32,170,045	311,479	42,058
Total Equity and Liabilities		79,206,080	52,014,981	15,680,218	15,810,804

The responsibilities of the Directors with regard to the preparation of the financial statements are set out on page 9 The financial statements on pages 11 to 102 were approved by the Board of Directors for issue on 27th July 2021 and were signed on its behalf by:

DIRECTOR

DIRECTOR

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in Zambian Kwacha thousand

		Consolidated		Company	
	Note	**2017**	**2016**	**2017**	**2016**
Revenue	38	10,223,153	11,030,714	92,060	95,219
Other income	39	1,105,182	2,116,124	3,688	3,202
Change in fair value of investment property		17,990	6,252	-	-
Cost of materials	40	(4,995,345)	(4,866,469)	-	-
Employee costs		(3,758,312)	(2,339,645)	-	-
Depreciation and impairment expenses		(1,469,217)	(883,065)	-	(1,623)
Operating and Other expenses		(2,106,999)	(5,246,489)	(64,138)	(34,865)
Operating profit (loss)		(983,548)	(182,578)	31,610	61,933
Finance income	41	183,168	965,146	-	-
Finance costs	42	(700,761)	(556,473)	(437)	-
Other financial items		-	832,544	-	-
Impairment loss recognised		(2,549,492)			
Share of profit from joint venture	13	235,124	151,073	-	-
Income from equity accounted investments		599,288	(292,327)	-	-
(Loss) /profit before taxation		(3,216,221)	917,385	31,173	61,933
Taxation	35(a)	735,464	740,650	(14,046)	(21,933)
(Loss)/profit for the year		(2,480,757)	1,658,035	17,127	40,000
(Loss)/profit for the period attributable to:					
Non-controlling interest		223,557	196,687	-	-
Owners of the parent		(2,704,314)	1,461,348	17,127	40,000
		(2,480,757)	1,658,035	17,127	40,000
Other comprehensive income:					
Gains on property revaluation/Investments		25,922,841	191,467	(417,134)	-
Income tax relating to items that will not be reclassified	35(d)	(8,977,515)	(24,354)	-	-
Total items that will not be reclassified to P&L		16,945,326	167,113	(417,134)	-
Items that may be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset		(627)	16,135	-	-
Exchange differences on translating foreign operations		102,329	(418,008)	-	-
Available-for-sale financial assets adjustments		-	(9,591)	-	-
Share of comprehensive income of associates and JVs		43,144	74,150	-	-
Income tax relating to items that may be reclassified		-	(1,145)	-	-
Total items that may be reclassified to profit or loss		144,846	(338,459)	-	-
Other comprehensive income for the year net of taxation		17,090,172	(171,346)	-	-
Total comprehensive income for the year		14,609,415	1,486,689	(400,007)	40,000
Total comprehensive income/loss attributed to:					
Non-controlling		280,378	75,503	-	-
Owners of the parent		14,329,037	1,411,186	(400,007)	40,000
		14,609,415	1,486,689	(400,007)	40,000
Earnings per share					
Basic earnings per share		(248,076)	165,804	1,712	4,000

STATEMENT OF CHANGES IN EQUITY

Figures in Zambian Kwacha thousand

	Share Capital	Capital reserve	Revaluation Reserve	Retained Earnings	Non-controlling interest	Total equity
CONSOLIDATED						
Balance at 1 January 2016	10,000	16,780,655	-	(1,813,191)	3,380,525	18,357,989
Profit for the year	-	-	-	1,461,348	196,687	1,658,035
Total comprehensive income for the year	-	-	-	(50,162)	(121,184)	(171,346)
Life Assurance funds				(1,042)	-	(1,042)
Transactions with owners						
Dividends	-	-	-	1,300	-	1,300
Balance at 1 January 2017	10,000	16,780,655	-	(401,747)	3,456,028	19,844,936
Profit for the year	-	-	-	(2,704,314)	223,557	(2,480,757)
Total comprehensive income for the year	-	-	16,945,327	88,025	56,821	17,090,173
Amortisation on revaluation	-	-	(68,383)	68,383	-	-
Transactions with owners		187,498	-	-	-	187,498
	-	-	-	-	-	
Balance at 31 December 2017	10,000	16,968,153	16,876,944	(2,949,653)	3,736,406	34,641,850

Company

	Share Capital	Capital reserve	Revaluation Reserve	Retained Earnings	Non-controlling interest	Total equity
Balance at January 1, 2016	10,000	15,705,042	-	13,704	-	15,728,746
Profit for the year	-	-	-	40,000	-	40,000
Other comprehensive income	-	-	-	-	-	-
Balance at January 1 2017	10,000	15,705,042	-	53,704	-	15,768,746
Profit for the year	-	-	-	17,127	-	17,127
Other comprehensive income	-	(417,134)	-	-	-	(417,134)
Total comprehensive income for the year	-	-	-	17,127	-	(400,007)
Balance at December 31 2017	10,000	15,287,908	-	70,831	-	15,368,739

INDUSTRIAL DEVELOPMENT CORPORATION LIMITED
CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENT OF CASH FLOWS

Figures in Zambian Kwacha thousand

	Consolidated		Company	
	2017	2016	2017	2016
Cash flows from operating activities				
Cash generated from operations	4,336,608	5,587,097	179,411	47,673
Finance costs	(700,761)	-	(437)	-
Tax paid	(113,520)	(131,713)	(3,349)	-
Other non-cash item	-	(243,490)	-	1,622
Net cash from operating activities	3,522,327	5,211,894	178,044	49,295
Cash flows from investing activities				
Purchase of property, plant and equipment	(4,878,012)	(7,567,539)	(6,092)	(1,500)
Sale of property, plant and equipment	36,221	-	562	-
Purchase of investment property	(14,501)	(1,579,924)	(7,567)	-
Investments in joint ventures	(240,274)	(117,737)	-	(9,457)
Movements in other intangible assets	17,746	-	-	-
Movement in other long-term assets and plant formation	(371,885)	(52,968)	(249,496)	-
Movements in financial assets	(171,412)	2,232,542	76,863	(65,882)
Investments in Associates	(693,757)	(36,751)	-	-
Interest Income	183,229	-	2,419	-
Net cash from investing activities	(6,132,645)	(7,122,377)	(183,331)	(76,839)
Cash flows from financing activities				
Proceeds from borrowing	3,671,380	5,020,743	-	-
Repayment of long-term portion of borrowings	(1,815,915)	(3,855,492)	30,446	-
Finance lease payments	(167,575)	153,218	-	-
Dividends paid	-	1,300	-	-
Capital Grant and contribution	1,064,467	240,336	-	-
Net cash from financing activities	2,732,357	1,560,105	30,446	-
Total cash movement for the year	122,039	(350,378)	22,760	(27,543)
Cash at the beginning of the year	2,331,816	2,682,194	1,812	29,357
Total cash at end of the year	2,453,855	2,331,816	24,572	1,812
Represented by:				
Bank balances and cash	2,563,094	2,416,950	24,572	1,812
Bank overdrafts	(109,239)	(85,134)	-	-
	2,453,855	2,331,816	24,572	1,812

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The company is incorporated and domiciled in Zambia.

The Industrial Development Corporation Limited (IDC) is an investment holding company wholly owned by the Government of the Republic of Zambia. 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 co-investing alongside private sector investors. Simultaneously, IDC serves as an investment holding company for previously state-owned enterprises and acquisition of new investments in priority sectors. Sources of financing and revenue include dividend income, equity disposals, bank borrowings and debt issuance in the capital market. Surpluses generated by the IDC are reinvested to fund new projects or advanced as shareholder loans to its subsidiaries and paid out to its shareholder, the Minister of Finance as dividends.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2017.

The Group has not adopted any new standards or amendments that have a significant impact on the Group's results or financial position.

The standards and amendments that are effective for the first time in 2016 (for entities with a 31 December 2016 year-end) and could be applicable to the Group are:

- 'Annual Improvements to IFRSs' 2014 - 2016 cycle;
- Classification and measurement of share-based payment transactions (Amendments to IFRS 2)
- Recognition of Deferred tax assets for unrealized losses (Amendments to IAS 12); and
- 'Disclosure Initiative' (Amendments to IAS 7)

These amendments do not have a significant impact on these financial statements and therefore disclosures have not been made.

2.2 Standards, amendments, and interpretations to existing standards that are not yet effective and have not been adopted early by the Group.

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 Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group'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 Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. **Application of new and revised International Financial Reporting Standards (IFRSs)**

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

IFRS 9 'Financial Instruments'

The new standard for financial instruments (IFRS 9) 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 Group'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 Group's trade receivables and investments in debt-type assets currently classified as Available For Sale (AFS) and Held To Maturity (HTM), 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 Group makes an irrevocable designation to present them in other comprehensive income.
- if the Group 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.

NOTES TO THE FINANCIAL STATEMENTS

2. **Application of new and revised International Financial Reporting Standards (IFRSs)**

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

IFRS 15 introduces new guidance that will require the Group to evaluate the separability of multiple elements based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- the customer benefits from the item either on its own or together with other readily available resources, and
- it is 'separately identifiable' (i.e., the Group does not provide a significant service integrating, modifying or customizing it).

The subsequent allocation of arrangement consideration to individual performance obligations is based on their relative stand-alone selling prices.

The Group is currently in the process of reviewing all its contracts to ascertain how the new requirements will impact the identification of distinct goods or services and the allocation of consideration to them.

The standard allows adoption using either retrospectively in full to each prior reporting period or modified retrospective with application only to contracts that are not complete at the date of initial application.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition

- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices

- assessing their current disclosures for finance leases and operating leases as these are likely to form the basis of the amounts to be capitalized and become right-of-use assets

- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions

- assessing the additional disclosures that will be required.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of accounting policies

3.1 **Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 **Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

The principal accounting policies are set out below.

3.3 **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee.
- is exposed, or has rights, to variable returns from its involvement with the investee; and has
- the ability to use its power to affect its returns.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of accounting policies (continued)

3.3 Basis of consolidation

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements.
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.3.1 Changes in the Group's ownership interests in existing subsidiaries.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of accounting policies (continued)

3.3 Basis of consolidation

3.3.1 Changes in the Group's ownership interests in existing subsidiaries.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.4 Basis of preparing the financial statements – going concern assumption.

At the reporting date the Group's current liabilities exceeded the current assets by ZMW 8,602,076 thousand (2016: ZMW5,310,025 thousand). Further, at the reporting date loan amounts repayable within twelve (12) months amounted to ZMW3,624,904 thousand (2016: ZMW 3,029,783 thousand) and overdrafts due on demand amounted to ZMW109,239 thousand (2015: ZMW85,134 thousand). The borrowings of the Group amounted to ZMW15,922,236 thousand (2016: ZMW15,349,519 thousand). The Company meets its day to working capital requirements through dividends received from its subsidiaries and associates and also support from its shareholder.

The financial statements have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future.

The validity of this assumption depends on the Group being able to generate sufficient funds from its future activities to meet its working capital requirements and obtaining renewed financing from long term debt financing.

If the Group were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long-term liabilities as current assets and liabilities.

After reviewing the available information including the Group's strategic plans and continuing support from the Group's working capital funders, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Board approved in March 2017 a plan of restructuring and recapitalization of the ZSIC Group of companies and resolved that ZSIC Life Limited and ZSIC General Insurance Limited be immediately transferred to Industrial Development Corporation Limited. As a result, the Holding company (ZSIC Limited) has changed its basis of accounting from going concern basis to a break- up basis.

3.5 Revenue recognition

Revenue represents the net invoice value of goods and services provided to third parties after deducting discounts, volume rebates, outgoing sales taxes and duties, and is recognised when all significant risks and rewards of ownership of the asset sold are transferred to the customer.

3. Summary of accounting policies (continued)

3.5 Revenue recognition (continued)

3.5.1 Sales to customers

For the sale of goods provided by the Group, revenue is currently recognised when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer.

Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognised for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses, or a reasonable estimate can be made.

3.5.2 Rendering of services

The Group is involved in providing banking and financial services, transport and logistics, telecommunications, tourism and hospitality as well as performing related services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognised using the stage-of-completion method.

The total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.

3.5.3 Commission

For commissions earned by the Group, the Group has determined that it acts in the capacity of an agent for certain transactions. The assessment will be based on whether the Group controls the specific goods before transferring them to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods.

3.5.5 Premium income

Gross premium income is measured at the fair value of the consideration receivable and is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The underwriting surplus is determined after taking full account of reinsurance, provision for unearned premiums, unexpired risks and outstanding claims. Premiums are accounted for in the period in which the risk commences.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of accounting policies (continued)

3.5 Revenue recognition (continued)

3.5.6 Investment income

Investment income is accounted for on an accruals basis and relates to interest from Government bonds, bank interest earned and rental income from investment properties.
Dividend income from investments is recognised when shareholder's right to receive payment has been established.

3.6 Foreign currencies

The financial statements are presented in thousands of Zambian Kwacha, which is the Group's functional and presentation currency.
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.
Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss in the period in which they arise.

Exchange differences arising on cash and cash equivalents are treated as realised for tax purposes.

3.7 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.7.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.7.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of accounting policies (continued)

3.7 Taxation

3.7.2 Deferred tax

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.7.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.8 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. All other repairs and maintenance are charged to Statement of profit or loss during the reporting period in which they are incurred.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated under the heading of properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties.

NOTES TO THE FINANCIAL STATEMENTS

3. **Summary of accounting policies (continued)**

3.8 **Property, plant and equipment**

Revaluation reserve relating to a previous revaluation of that asset. Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's Accounting Policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Leasehold land is not depreciated.
Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The principal annual rates used for this purpose are:

Description	Energy	Transportation	Telecom	Other
Dams and headrace tunnels	2%	-	-	-
Other Civil engineering works, buildings, plants and machines	3 - 7%	-	-	-
Tracks and	-	2.2 %	-	-
sidings, signals, locomotives, wagons, coaches and heavy equipment	-	-	-	-
Improvements other than buildings		5 -10% -	-	-
Furniture and equipment	13 - 33%	25%	-	25%
Motor vehicles	13 - 33%	25%	20 - 33%	25%
Computer software and equipment	4 - 7%	33%	6 - 10%	25%
Leasehold land and buildings	2 %	2%	3%	2%

Capital work in progress is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3. **Summary of accounting policies (continued)**

3.9 **Plantation in formation**

An entity shall recognised a biological asset or agricultural produce when, and only when:

- the entity controls the asset because of past events.
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Plantation in formation excludes bearer plants, which are included in the property, plant and equipment. Plantation in formation are measured at their fair value less costs to sell. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit. The fair value of the pine plantations is based on the combined fair value of the land and the pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the pine trees. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is included in profit or loss for the period in which it arises. Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined rate is used to determine fair value. An unconditional government grant related to a biological asset measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of timber destroyed by fire and disease is eliminated from plantations in formation and charged to the income statement in the year of damage. It is considered normal to lose a limited amount of timber through the effects of disease and fire.

3.10 **Intangible assets**

An intangible asset is recognised when:

i. it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
ii. the cost of the asset can be measured reliably. Intangible assets are initially recognised at cost.

a) **Goodwill**

Business combinations are accounted for using the acquisition method as at the acquisition date. The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquire; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets required and the liabilities assumed.

3. Summary of accounting policies (continued)

3.10 Intangible assets

When the excess is negative, a bargain purchase gain is recognised immediately in profit and loss. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Impairment losses on goodwill are recognised in profit or loss and determined in accordance with the impairment of non-financial assets. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured, and the settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquirees' awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared to the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

3.10.1 Intangible assets acquired separately

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Amortisation is charged on a straight-line basis over the estimated useful lives of the intangible assets which do not exceed four years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes being accounted for on a prospective basis.

3.10.2 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately

3.11 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. **Summary of accounting policies (continued)**

3.11 Impairment of tangible and intangible assets other than goodwill

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.12 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.12.1 The Group as lessee

The group recognises finance lease receivables in the statement of financial position. Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

Finance leases – lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 3.6 above). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of accounting policies (continued)

3.12 Leasing

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.13 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in statement of comprehensive income in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

3.14 Inventories

Inventories are measured at the lower of cost and net realisable value, Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.15 Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.
Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3. **Summary of accounting policies (continued)**

3.16 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.16.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.16.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed, and its perfomance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 45.

NOTES TO THE FINANCIAL STATEMENTS

3. **Summary of accounting policies (continued)**

3.16 Financial assets

3.16.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

3.16.4 Available for sale (AFS) financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as
(a) loans and receivables,
(b) held-to-maturity investments or
(c) financial assets at fair value through profit or loss.

3.16.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, bank balances and cash, and others are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Loans to shareholders, directors, managers and employees
These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS

3. **Summary of accounting policies (continued)**

3.16 **Financial assets**

3.16.6 **Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of accounting policies (continued)

3.16 Financial assets

3.16.6 Impairment of financial assets

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of 'investments revaluation reserve'. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3.16.7 Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.17 Financial liabilities and equity instruments

3.17.1 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.17.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of accounting policies (continued)

3.17 Financial liabilities and equity instruments

3.17.3 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.17.3.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

3.17.3.2 Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3. Summary of accounting policies (continued)

3.17 Financial liabilities and equity instruments

3.17.3.2 Financial liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37.
- The amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The accounting policies adopted for specific financial liabilities and equity instruments are as set out below:

Unearned premiums
Unearned premiums relate to the unexpired risks under policies in force. Unearned premiums are calculated on a time basis using the 24th method in respect of all classes of business.

Outstanding claims

Outstanding claims, net of reinsurance recoveries, include claims reported but unpaid, and claims incurred but not reported at the reporting date. Any differences between the original claim provision and subsequent re-estimates or settlements are reflected in the underwriting results for the year.

3.17.3.3. Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

3. **Summary of accounting policies (continued)**

3.19 **Retirement benefits and other employee benefit**

3.19.1 **Defined benefit plan**

The Group maintains a defined benefit scheme to provide pensions to employees. Payments to the defined contribution retirement plan are recognised as an expense when the employees have rendered service entitling them to the contributions. Costs relating to the scheme are charged against income on the basis of present remuneration. A defined benefit plan is a retirement benefit plan that is not a defined contribution plan.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in accumulated funds and will not be reclassified to income or expenditure. Past service cost is recognised in income or expenditure in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and Losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

3.19.2 **Termination benefits**

The Group recognises a liability for a termination benefit at the earlier of when the entity can nolonger withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

3.19.3 **Other entitlements**

Employee entitlements to annual leave and contract gratuity are recognised when they accrue to employees. Accrued leave pay and gratuity is accounted for in profit or loss as itarises.

3.19.4 **National Pension Scheme**

The Group and all its employees also contribute to the National Pension Scheme, a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the Group pays compulsory and monthly contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of accounting policies (continued)

3.20 **Borrowings**

Interest bearing loans and bank overdrafts are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognised over the terms of the borrowings in accordance with the Group's accounting policy for borrowing costs.

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

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.

3.21 **Actuarial valuation**

The current Insurance Act of 1997 (as amended) requires in Section 48(1) that the Life Company has its financial position investigated every three years by an approved Actuary. The last tri-annual valuation results submitted to Pensions and Insurance Authority was as at 31 December 2011.

In this respect ZSIC Life Limited has therefore complied with the requirement of the Insurance Act and hasgone further to carry our detailed Gross Premium Valuation (GPV) every year to monitor the solvency position of the fund and as part of the risk management policy implementation.

According to Section 36(1) of the same Act (2007), which requires the Life Company to maintain a margin of solvency defined in terms of the Regulation 2(1); states that, an Insurer has a sufficient margin of solvency in respect of its life business, if its liabilities under life policies do not exceed the sum in the life insurance funds or funds maintained by it.

According to the latest valuation results as at 31 December 2011, Total Gross Assets of the Life Fund exceed the Actuarial Liabilities by 26.07%. However, after removing the inadmissible assets, the admitted assets are less than admitted liabilities by 2.79%.

3.22 **Claims incurred**

Death claims are accounted for on notification of death. All other claims and surrenders are accounted for when payment is due. Reinsurance recoveries are credited to match the relevant gross amounts. Claims payable include direct costs of settlement.

3.23 **Contingencies and commitments**

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Group. Where the potential liabilities have a low probability of crystalizing or are very difficult to quantify reliably, they are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings, management does not expect them to have a materially adverse impact on the financial position or profitability.

3. **Summary of accounting policies (continued**

3.24 **Discontinued operations and non-current assets held for-sale**

a) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. A disposal group that is to be abandoned may also qualify.

b) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets are available for immediate sale.

c) Measurement Immediately before classification as held-for-sale,the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with the applicable IFRS. Then, on initial classification as held for sale, the non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held-for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent measurement.

d) Reclassification

The non-current assets held-for-sale will be reclassified immediately when there is a change in intention to sell. At that date, it will be measured at the lower of its carrying value before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held-for-sale and its recoverable amount

3.25 **Segment reporting**
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the executive committee to make decisions about resources allocated to each segment and assess its performance, and for which discreet financial information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker and identified by the industry type.

4. **Critical accounting judgements and estimates**

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 Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. Critical accounting judgements and estimates (continued)

The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements are disclosed below:

4.1 Held to maturity investments

The Group follows the guidance on IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances - for example, selling insignificant amount close to maturity - it will be required to reclassify the entire class as available for sale. The investments will therefore be measured at fair value not amortised cost.

4.2 Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the period in which such determination is made.

4.3 Unearned premium reserves (UPR)

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the date of the statement of financial position, generally calculated on the 24th method.

4.4 Outstanding claims

The estimation of the ultimate liability arising from claims made under insurance contracts requires a lot of judgement. There are several sources of uncertainty that need to be considered in estimating the liability that the Group will ultimately pay for such claims.

4.5 Unexpired risk provision

An unexpired risk provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses likely to arise after the end of the financial year from contracts concluded before that date.

The expected claims are calculated having regard to events that have occurred prior to the date of the statement of financial position. Unexpired risks, surpluses and deficits, are aggregated where business classes are managed together.

4.6 Asset residual values, useful lives and asset componentizing

The carrying amounts of property and equipment are reviewed at each date of the statement of financial position to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed the estimated recoverable amounts, assets are written down to their recoverable amounts. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end. Management have also determined that componentizing items of property and equipment would not result in material differences in asset carrying values. In the opinion of Management, the Group does not have any material property and equipment with material components that can be identified which have different useful lives.

Figures in Zambian Kwacha thousand

4. Critical accounting judgements and estimates (continued)

4.7 Bad debt provision

The Group has made a provision on accounts receivable based on the ageing of the receivables and with reference to past default history. Management believes that the provision is adequate to absorb current bad debts in the financial statements.

5 Acquisitions and disposals

On 27 December the group acquired 100% shares in Zambia Cargo Logistics Limited by, the Government of the Republic of Zambia transferring its shares in Zambia Cargo Logistics Limited to the Industrial Development Corporation Limited. The details are as follows

	Consolidated 2017	Consolidated 2016	Company 2017	Company 2016
Fair value of consideration transferred				
Value of shares transferred	12,618	-	-	-
Contingent consideration	-	-	-	-
Recognised amounts of identifiable assets				
Property, plant and equipment	12,728	-	-	-
Intangible assets	-	-	-	-
Investment property	-	-	-	-
Total noncurrent assets	12,728	-	-	-
Inventories	602	-	-	-
Trade and other receivables	8,297	-	-	-
Cash and cash equivalents	1,808	-	-	-
Total current assets	10,707	-	-	-
	-	-		
Borrowings			-	-
Deferred tax liabilities	3,157	-	-	-
Total non current liabilities	3,157	-	-	-
Provisions	-	-	-	-
Income tax payable	-	-	-	-
Trade and non-current liabilities	7,660	-	-	-
Total current liabilities	7,660	-	-	-
Minority interest	-	-	-	-
Identifiable net assets		-	-	-
	12,618			
Goodwill	-	-	-	-
Acquisition costs charged to expenses	-	-	-	-

b) **Consideration transferred**

There was no cash settlement on the acquisition of the subsidiaries. There is no other acquisition-related costs included as part of consideration transferred.

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to ZMW 8,297thousand.

Figures in Zambian Kwacha thousand

6. Goodwill

Goodwill of K2,549,492,000 is primarily related to growth expectations, expected future profitability and the expected cost synergies.

The movement in the net carrying amount of goodwill is as follows

	Consolidated		Company	
Gross carrying amount	**2017**	**2016**	**2017**	**2016**
Balance at 1 January 2017	2,549,492	2,549,492	-	-
Impairment loss recognised	(2,549,492)	-	-	-
Balance at 31 December 2017	-	2,549,492	-	-

7. Intangible assets

Acquired Software Licenses

Gross carrying amount				
Balance at 1 January	146,829	146,567	-	-
Addition, separately acquired	-	262	-	-
Balance at 31 December	146,829	146,829	-	-
Amortisation or impairment				
At 1 January	59,690	49,875	-	-
Amortisation	17,746	9,815	-	-
	77,436	59,690	-	-
Balance at December 2017	69,393	87,139	-	-

NOTES TO THE FINANCIAL STATEMENTS

8. Property, Plant and Equipment

i) Group

	Land and Buildings	Equipment and furniture	Motor vehicles	IT Equipment	Capital Working in progress	Total
Cost/Revaluation assets						
At 1 January 2016	3,896,905	4,285,198	296,984	7,747,138	9,753,452	25,979,677
Additions	303,667	2,479,608	24,616	108,387	4,651,260	7,567,538
Disposals	20,782	-	5,145	-	(3,811,523)	(3,785,596)
Transfer from CWIP	247,274	13,831	-	2,073	(263,178)	-
Revaluation surplus	172,953	-	834	26,099	-	199,886
At 1 January 2017	4,641,581	6,778,637	327,579	7,883,697	10,330,011	29,961,505
Additions	17,552	698,715	39,616	13,878	4,108,251	4,878,012
Acquisition	-	14,601	-	-	-	14,601
Disposals	-	(24,327)	(11,880)	(14)	-	(36,221)
Transfer from CWIP	211,900	5,212,939	798	-	(5,425,637)	-
Reclassifications	(1,595,804)	10,775,687	(80,222)	(7,813,891)	(972,343)	313,427
Revaluation surplus	10,821,262	11,238,621	-	(1)	(30)	22,059,852
At 31 December 2017	14,096,491	34,694,873	275,891	83,669	8,040,252	57,191,176
Cost	3,075,170	19,808,433	275,891	83,670	8,040,282	31,283,446
Revaluation	11,021,321	14,886,440	-	(1)	(30)	25,907,730
	14,096,491	34,694,873	275,891	83,669	8,040,252	57,191,176
Deprecation						
At 1 January 2016	1,063,119	1,293,744	233,920	2,259,864	-	4,850,647
Charge for the year	129,697	47,876	21,525	298,481	-	497,579
Depreciation write back	(14,496)	(875)	592	225	-	(14,554)
At 1 January 2017	1,178,320	1,340,745	256,037	2,558,570	-	5,333,672
Depreciation	381,334	986,827	68,594	4,642	-	1,441,397
Depreciation Write back	(4,204)	(22,096)	(8,639)	(21)	-	(34,960)
Impairment	4,622	162,728	(7,536)	-	-	159,814
Elimination on revaluation	(200,059)	(3,647,819)	-	-	-	(3,847,878)
Reclassification	(1,100,742)	3,988,795	(113,785)	(2,543,271)	-	230,997
Balance at 31 December 2017	259,271	2,809,180	194,671	19,920	-	3,283,042
Carrying amounts						
At 31 December 2017	13,837,220	31,885,693	81,220	63,749	8,040,252	53,908,134
At 31 December 2016	3,463,261	5,437,892	71,542	5,325,127	10,330,011	24,627,833

Figures in Zambian Kwacha thousand

8. **Property, Plant and Equipment (continued)**

(i) **Group (continued)**

Disclosed as	
Non current assets	53,906,613
Current assets	1,521
	53,908,134

(ii) **Company**

	Land	Building	Equipment and furniture	Motor vehicles	IT Equipment	Capital working progress	Total
Cost/Revaluation assets							
At 1 January 2016	-	-	560	3,979	646	-	5,185
Additions	-	-	298	601	601	-	1,500
Revaluation surplus	-	-	-	-	-	-	-
At 1 January 2017	-	-	858	4,580	1,247	-	6,685
Additions	-	-	1,403	4,115	574	-	6,092
Disposals	-	-	-	(1,485)	-	-	(1,485)
At 31 December 2017	-	-	2,261	7,210	1,821	-	11,292
Deprecation							
At 1 January 2016	-	-	98	530	113	-	741
Charge for the year	-	-	171	1,145	307	-	1,623
At 1 January 2017	-	-	269	1,675	420	-	2,364
Charge for the year	-	-	497	1,683	516	-	2,696
Depreciation write back	-	-	-	(923)	-	-	(923)
Balance at 31 December 20	-	-	766	2,435	936	-	4,137
Carrying amounts							
At 31 December 2017	-	-	1,495	4,775	885	-	7,155
At 31 December 2016	-	-	589	2,905	827	-	4,321

NOTES TO THE FINANCIAL STATEMENTS

8. **Property, Plant and Equipment (continued)**

The Group's Civil engineering works, generation plants and transmission and distribution systems and leasehold buildings are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation. The fair value measurement of the Group's civil engineering works and buildings and generation plants and transmission and distribution systems as at 31 December 2017 were performed by Messrs Multiconsult United Kingdom and Upmarket Property Consultants respectively, independent valuers not related to the Group.

The information below shows the valuation techniques used as well as the significant inputs used.

Property, plant and equipment	Valuation technique	Description of valuation technique	Observable inputs
Freehold land and buildings	Market based approach - Direct Comparable Method (DCM) and Depreciated Replacement Cost (DRC)	Direct Comparable method renders an estimate of value through comparison with other similar available properties which have recently transacted in the vicinity in an attempt to discern the actions of buyers and sellers active in the marketplace. The current market value is built up from the Land and improvement values of the buildings derived from comparable transactions. Considerations were made with reference to; Location factor, time of sale, accessibility, quality, prevailing economic property trends. The Depreciated Replacement Cost method determines the present market value of the subject property by estimating the present cost of replacing the building(s) by estimating the total amount of accrued depreciation from all causes, namely physical deterioration, functional obsolescence and external obsolescence, subtracting the accrued depreciation from the present replacement costs, estimating the value of minor improvements and adding the site value to the depreciated cost of the building(s).This method was used where there was no market-based evidence of fair value because of the specialized nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business.	Not applicable
Transmission and distribution systems	Depreciated Current ReplacementValue (DCRV)	The DRC method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration. Transmission line asset prices were obtained from recent ZESCO transmission line projects pricing schedules. An additional 3% on-costs was added to account for the Owner's costs. Line costs were priced per unit length and according to terrain type (flat, hilly and swampy). Distribution equipment pricing data was obtained from recent ZESCO in-house pricing data. Unit installed prices (material and labour) per length of overhead line and underground cable was calculated from these data and a further 100% on-costs were added.	Market prices, exchange rates, discounted rate

NOTES TO THE FINANCIAL STATEMENTS

8. **Property, Plant and Equipment (continued)**

The significant inputs include the estimated construction costs and other ancillary expenditure. A slight increase in the depreciated factor would result in a significant decrease in the fair value of the buildings and civil engineering works, and a slight increase in the estimated construction costs would result in a significant increase in the fair value of the buildings, and vice versa.

In the opinion of the Directors there are no major components of Property, Plant and Equipment which have different useful lives that would require to be depreciated separately and allocated separate residual values.

The register of Land and Buildings is available for inspection by members and their duly authorised agents at the Registered records office of the Group.

Capitalised borrowing costs

During the year under review a total amount of ZMW1.36billion was capitalized as borrowing costs

9. **Plantation in formation**

	Consolidated		Company	
	2017	2016	2017	2016
At 1 January	311,944	258,976	-	-
Operation expenses	129,110	128,423	-	-
	441,054	387,399	-	-
Elimination in respect of thinning	(13,355)	(19,692)	-	-
Impairment loss	(28,329)	(55,763)	-	
	(41,684)	(75,455)	-	
Cost or valuation at 31 December				
Cost	399,343	306,666		
Valuation	13,356	5,278	-	-
	412,790	311,944	-	-

Capitalisation of expenses

Capitalisation of expenses includes expenses directly related to plantation management activities and 25% of administrative costs. The Directors are of the opinion that fair value cannot be measured reliably. The market prices or values for trees at varying stages of growth are not available and alternative estimates of fair value are unreliable. Therefore, the Directors have opted for a reliability exception allowed for by the standard (IAS41). In this case plantations in formation should be measured at cost less any accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

10. Investment property

	Consolidated		Company	
	2017	2016	2017	2016
Carrying amount at 1 January	1,840,983	1,746,912	-	-
Additions	14,501	87,819	-	-
Change in fair value	17,990	6,252	-	-
	1,873,474	1,840,983	-	-
Presented as:				
Current assets	10,213	10,213	-	-
Non-current assets	1,863,261	1,830,770	-	-
	1,873,474	1,840,983	-	-

11. Interest in subsidiaries

11.1 Composition of the Group

Set out below are the subsidiaries held directly by the Group

Entity	% Held
Zambia Forestry & Forest Industries Limited	100%
ZCCM – IH	60.28%
Mulungushi Village Complex Limited	100%
Zambia International Trade Fair Limited	100%
Mukuba Hotel Limited	100%
ZSIC Holdings Limited	100%
Times Printpak Limited	100%
Nitrogen Chemicals of Zambia Limited	100%
Zamcapital Enterprises Limited	100%
Zambia Telecommunications Company Limited	100%
Zambia Printing Company Limited	100%
Mulungushi International Conference Centre Limited	100%
NIEC Business School Trust Limited	100%
Mupepetwe Development Company Limited	100%
Medical Services Limited	100%
Lusaka South MFEZ Limited	100%
Zambia Railways Limited	100%
Engineering Services Corporation Limited	100%
Mpulungu Harbour Corporation Limited	100%
Zambia Cargo Logistics Limited	100%

The consolidated financial statements also include the Group's share of net profit of K15,687 thousand for the year ended 31 December 2017, as considered in the consolidated financial statements, in respect of the following entities, based on their unaudited financial statements as at and for the period ended 31 December, 2017:

- Zambia Printing Company
- Zambia China Mulungushi Textiles
- Zamcapital Enterprises Limited
- Mupepetwe Development Corporation

Those financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and jointly controlled entity is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Figures in Zambian Kwacha thousand

11. Interest in subsidiaries

11.2 Contribution of subsidiaries to the Group results

The performance of the subsidiaries for the year ended 31 December 2017 is as shown below:

	ZESCO	Indeni	MICC	ZAFFICIO	MVCL	NCZ
Revenue	7,424,850	355,998	17,939	229,507	20,096	705,142
Other Income	424,144	3,083	7,209	9,767	423	69,036
Cost of material	(3,529,044)	(69,165)	(5,684)	(28,464)	(4,377)	(663,608)
Employee benefit expense	(2,705,513)	(80,549)	(9,709)	-	(8,052)	(236,101)
Change in fair value of investment property	-	-	-	-	8,390	[illegible]
Depreciation and amortisation	(846,227)	(65,684)	(10,109)	(13,917)	(886)	[illegible]
Other Expenses	(514,504)	(55,614)	(12,980)	(44,103)	(3,573)	(140,120)
Operating profit	253,706	88,069	(13,334)	152,790	12,021	(269,707)
Share of profit from equity accounted investments	10,206	-	-	-	-	-
Share of profit from Joint ventures	235,124	-		-	-	-
Finance Costs	(439,910)	-	-	-	(761)	(467)
Finance Income	-	1,627	-	-	-	1
Profit before tax	59,126	89,696	(13,334)	152,790	11,260	(270,173)
Tax expense	711,877	(33,668)	1,420	(8,163)	(1,986)	-
Profit for the year	771,003	56,028	(11,914)	144,627	9,274	(270,173)
Other Comprehensive income for the year net taxation	16,739,984	-	-	-	(1,982)	-
Total Comprehensive income for the year	17,510,987	56,028	(11,914)	144,627	7,292	(270,173)

Figures in Zambian Kwacha thousand

11. Interest in subsidiaries (continued)

11.2 Contribution of subsidiaries to the Group results (continued)

	TIMES	ZCCMIH	ZITF	ZAMTEL	ZRL	Zambia Daily	Mukuba	ESCO
Revenue	39,154	72,864	7,891	673,948	187,393	84,125	8,560	20,501
Other Income	1,499	372,932	134	14,413	14,780	2,186	159	-
Cost of material	(28,257)	(102,260)	-	(238,757)	-	(44,834)	(1,770)	-
Employee benefit expense	(21,848)	(1,266)	(2,859)	(216,840)	(152,955)	(36,072)	(4,943)	(11,244)
Change in fair value of investment property	-	-	-	-	-	-	-	-
Depreciation, amortisation	(3,591)	(113,195)	(2,010)	(355,042)	(24,613)	(4,182)	(754)	(2,680)
Other Expenses	(82,347)	(190,774)	(5,862)	(316,127)	(123,528)	(8,253)	(5,126)	(6,569)
Operating profit	(95,390)	38,301	(2,706)	(438,405)	(98,923)	(7,030)	(3,874)	8
Share of profit from equity accounted investments	-	556,405	-	-	3,485	-	-	-
Share of profit from Joint ventures	-	-	-	-	-	-	-	-
Finance Costs	(428)	(208,771)	-	(43,078)	(719)	(618)	-	-
Finance Income	-	82,167	-	168	6,121	-	-	-
Profit before tax	(95,818)	468,102	(2,706)	(481,315)	(90,036)	(7,648)	(3,874)	8
Tax expense	-	94,730	-	(23)	(743)	(6,081)	(132)	-
Profit for the year	(95,818)	562,832	(2,706)	(481,338)	(90,779)	(13,729)	(4,006)	8
Other Comprehensive income for the year net taxation	4,000	143,055	79,039	-	1,665	-	10,086	-
Total Comprehensive income for the year	(91,818)	705,887	76,333	(481,338)	(89,114)	(13,729)	6,080	8

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Figures in Zambian Kwacha thousand

11. Interest in subsidiaries (continued)

11.2 Contribution of subsidiaries to the Group results (continued)

	MSL	ZSIC GENERAL	ZSIC LIFE	ZSIC LIMITED	ZPC	MCT
Revenue	51,061	249,322	132,151	5,212	-	274
Other Income	48,763	45,284	55,065	524	2,002	4,087
Cost of material	-	(211,308)	(83,385)	-	-	(226)
Employee benefit expense	(54,641)	(55,786)	(72,002)	(25,733)	(447)	-
Change in fair value of investment property	-	-	-	-	-	-
Depreciation, amortisation	(7,218)	(5,244)	(1,276)	(105)	-	(1,006)
Other Expenses	(60,394)	(43,692)	(37,056)	(42,311)	(514)	(206)
Operating profit	(22,429)	(21,424)	(6,503)	(62,413)	1,041	2,423
Share of profit from equity accounted investments	-	-	-	-	-	-
Share of profit from Joint ventures	-	-	-	-	-	-
Finance Costs	-	(2,231)	(369)	-	-	(2,434)
Finance Income	542	71,977	20,626	-	-	-
Profit before tax	(21,887)	48,322	13,754	(62,413)	1,041	(11)
Tax expense	(190)	(934)	(5,218)	(823)	-	-
Profit for the year	(22,077)	47,388	8,536	(63,236)	1,041	(11)
Other Comprehensive income for the year net taxation	101,085	(5,250)	8,765	(1,388)	-	4,814
Total Comprehensive income for the year	79,008	42,138	17,301	(64,624)	1,041	4,803

Figures in Zambian Kwacha thousand

11. Interest in subsidiaries (continued)

11.2 Contribution of subsidiaries to the Group results (continued)

	NIEC	MUPEPETWE	ZCL	ZAMCAPITAL	LSMEF	MHPL
Revenue	714	44	16,007	2,166	5,480	21,934
Other Income	-	3,029	8,753	1,554	8,352	4,316
Cost of material	(888)	(514)	(10,553)	(1,359)	(269)	-
Employee benefit expense	-	(4,476)	(7,555)	(3,262)	(4,905)	(14,200)
Change in fair value of investment property	-	-	-	9,600	-	-
Depreciation, amortisation	-	-	(70)	(1,025)	(1,240)	(2,391)
Other Expenses	-	(1,205)	(8,746)	(1,010)	(6,151)	(8,338)
Operating profit	(174)	(3,122)	(2,164)	6,664	1,267	1,321
Share of profit from equity accounted investments	-	-	-	-	-	-
Share of profit from joint ventures	-	-	-	-	-	-
Finance Costs	-	-	(348)	-	-	(190)
Finance Income	-	-	-	-	-	-
Profit before tax	(174)	(3,122)	(2,512)	6,664	1,267	1,131
Tax expense	-	-	-	-	(556)	-
Profit for the year	(174)	(3,122)	(2,512)	6,664	711	1,131
Other Comprehensive income for the year net taxation	-	-	-	6,300	-	-
Total Comprehensive income for the year	(174)	(3,122)	-	12,964	711	1,131

11. Interest in subsidiaries

11.3 Unconsolidated entities

	Consolidated		Company	
	2017	2016	2017	2016
ZITF	5,097	5,097	-	-
ZCMT	1,458	1,458	-	-
ZSIC Asset Management	50	50	-	-
ZAFFICO	10	-	-	-
	6,615	6,605	-	-

The above subsidiaries are not consolidated in the group financial statements.

ZITF - Zambia International Trade Fair

ZCMT – Zambia China Mulungushi Textiles

ZSIC Asset Management – Zambia State Insurance Company Asset Management

ZAMTEL – Mobile Money

ZAFFICO – Tea Company

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha thousand

11. Interest in subsidiaries (continued)

11.4 Investment Subsidiaries – Company

Country of incorporation	Name of company	Percentage held	Opening balance 1 January 2017	Disposal	Movement	Closing balance 31 December 2017
Zambia	ZESCO	100%	8,369,530	-	-	8,369,530
Zambia	ZCCM - IH Investments	60,28%	3,201,091	-	113,929	3,315,020
Zambia	Indeni Petroleum	100%	632,625	-	(257,275)	375,350
Zambia	Zambia Forestry and Forest Industries Corporation	100%	244,906	-	251,595	496,501
Zambia	Mulungushi International Conference Centre	100%	135,512	-	(91,481)	44,031
Zambia	Mukuba Hotel	100%	5,326	-	(777)	4,549
Zambia	Mupepetwe Development Company	100%	1	-	-	1
Zambia	Mulungushi Village	100%	140,487	-	41,682	182,169
Zambia	Zambia International Trade Fair	100%	39,747	-	48,945	88,692
Zambia	Medical Services Limited	100%	1	-	-	1
Zambia	Lusaka Multi- Facility Economic Zone	100%	1,889,080	-	36,781	1,925,861
Zambia	NIEC Business Trust School	100%	351	-	1,942	2,293
Zambia	Zambia Telecommunications Company	100%	(206,686)	-	(559,274)	(765,960)
Zambia	Zambia China Textiles	33%	(34,256)	-	72,213	37,957
Zambia	Zambia Printing Company	100%	(4,256)	-	(4,145)	(8,401)
Zambia	Times of Zambia Printpak Limited	100%	(506,826)	-	5,299	(501,527)
Zambia	Zambia Daily Mail Limited	100%	(93,235)	-	23,976	(69,259)
Zambia	ZSIC Group	100%	(193,996)	-	(43,718)	(237,714)
Zambia	Mpulungu Harbour Corporation Limited	100%	29,378	-	(7,299)	22,079
Zambia	Zambia Railways Limited	100%	928,907	-	41,876	970,783
Zambia	Engineering Services Corporation	100%	1	-	-	1
Zambia	ZAMCAPITAL ZEL	100%	1	-	-	1
Zambia	Nitrogen Chemicals of Zambia	100%	(84 395)	-	(604,852)	(689,247)
			14,493,294	-	(930,583)	13,562,711

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha thousand

Investment subsidiaries – Company (continued)

Country of incorporation	Name of company	Percentage held	Opening balance 1 January 2016 ZMW'000	Disposal ZMW'000	Acquisition ZMW'000	Closing balance 31 December 2016 ZMW'000
Zambia	ZESCO	100%	8 369 530	-	-	8 369 530
Zambia	ZCCM - IH Investments	60,28%	3 201 091	-	-	3 201 091
Zambia	Indeni Petroleum	100%	632 625	-	-	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 Trade Fair	100%	39 747	-	-	39 747
Zambia	Medical Services Limited	100%	1	-	-	1
Zambia	Lusaka 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 of Zambia Printpak 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)
			14 493 294	-	-	14 493 294

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha thousand

12. Loans due from Associates and Subsidiaries

i) Group

	Group		Company	
	2017	2016	2017	2016
Opening balances	638,651	303,830	-	-
Receipts/(Repayments)	(123,247)	334,790	25,176	-
	515,404	638,620	25,176	-

Maamba Collieries Limited

On 17 June 2015, ZCCM-IH entered into an intercompany loan agreement for a cash advance of K226.13 million (US$23.53 million) as part of its contribution towards the implementation of the Integrated Mining Project and the establishment of the 300 megawatts (MW) Thermal Power plant project. The loan attracts an interest rate of 6% per annum. The principal and interest accrued is repayable in 5 annual instalments commencing in November 2016.

ii) Company

	Group		Company	
	2017	2016	2017	2016
Bangweulu Power Company Limited	-	-	18,201	
Zambia China Mulungushi Textiles Limited	-	-	5,141	-
Mukuba Hotel Limited	-	-	1,834	-
	-	-	25,176	-

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respective of the amounts due from related parties. The balances for the year ended 31 December,2017 are as tabulated above. All amounts were not provided for impairment as they were all assessed as recoverable.

NOTES TO THE FINANCIAL STATEMENT

Figures in Zambian Kwacha thousand

13. Joint ventures

	Group 2017	Group 2016	Company 2017	Company 2016
Opening balance				
ItezhiTezhi Power Corporation Limited	531,697	296,573	-	-
Emerged Railways Properties Private Limited	133,023	127,873	-	-
	664,720	424,446	-	-

Itezhi tezhi Power Corporation Limited (ITTPC)

ZESCO Limited holds 50% shares in Itezhi tezhi Power Corporation Limited, co-owned with Tata Africa Holdings of India which owns 50% shareholding representing 2,500,000 shares. ZESCO Limited is therefore in a joint venture with Tata Africa Holdings.

Emerged Railways Properties Private Limited

Zambia Railways Limited holds 50% shares in Emerged Railways Properties Private Limited. The company is jointly cared by National Railways of Zimbabwe and Zambia Railways. The company was incorporated in Zimbabwe.

(b) Summary of financial information

	2017 Itezhi Tezhi Power	2017 Emerged Railways	2016 Itezhi Tezhi Power	2016 Emerged Railways
Non-current assets	1,722,948	240,974	1,780,594	242,110
Current assets	1,460,621	27,831	791,517	15,574
Total assets	3,183,569	268,805	2,572,111	257,684
Noncurrent liabilities	1,784,369	-	1,505,061	-
Current liabilities	334,661	2,759	309,244	1,935
Total liabilities	2,119,030	2,759	1,814,305	1,935
Net assets	1,064,539	266,046	757,806	255,749
Includes cash and cash equivalents	-	-	281,540	6,980
Includes financial liabilities (excluding trade and other payables and provisions)	-	-	1,327,009	-
Revenue	891,090	-	-	-
Profit and total comprehensive income for the year	470,248	6,966	465,660	(21,732)
Depreciation and amortisation	-	-	-	-
Tax expense	-	-	-	-
A reconciliation of the above summarized financial	-	-	-	-
Information to the carrying amount of the investment is set out below:	-	-	-	-
Total net assets	-	-	-	-
Proportion of ownership interests held by the Group %	235,124	133,023	378,909	127,875
Carrying amount of the investment	532,270	3,995	296,573	127,873
Share of equity accounted for investments	235,124	3,995	378,909	127,875

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha thousand

14. Investments in associates - Company

The carrying amounts of investments accounted for using the equity method by the company is as follows:

Company	% shares hold	1 Jan 2017 Opening balance	Non-cash movement	Total
Indo Bank Zambia PLC	40%	405,294	376,861	782,155
Zanaco PLC	25%	473,055	(122,777)	350,278
Kagem Limited	25%	275,546	245,212	520,758
Afrox Limited	30%	26,667	4,079	30,746
Lusaka Trust Hospital Limited	45%	6,450	(1,141)	5,309
	-	1,187,012	502,234	1,689,246

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Figures in Zambian Kwacha thousand
Investment in associates - Group

Name of company	Percentage held	Opening balance 1 January 2017	Acquisition	Non-Cash movements	Dividends received	Exchange Difference	Closing balance 31 December 2017
Kansenshi Copper Mines PLC	-	5,499,540	-	825,646	-	-	6,325,190
Konkola Copper Mines PLC	-	544,793	-	(275,606)	-	-	269,187
Maamba Collieries	-	366,599	-	2,000	-	-	368,599
Copperbelt Energy Corporation PLC	-	577,860	-	120,609	-	-	698,469
Indo Bank Zambia PLC	40%	437,111	-	30,318	(34,283)	-	433,146
Elsewedy Electric Limited	40%	29,429	-	5,301	-	-	34,730
Zambia Electrometer Limited	40%	(2,682)	-	4,905	-	-	2,223
ZANACO PLC	25%	463,660	-	(14,253)	-	-	449,407
Kagem Limited	20%	227,251	-	9,460	-	-	236,711
Afrox Limited	30%	30,126	-	3,397	(7,080)	-	26,444
Lusaka Trust	(100%)	-	-	268	(100)	-	168
Investrust Bank	45%	52,355	-	(17,194)	-	-	35,161
		8,226,042	-	694,751	(41,463)	-	8,879,435

2016

Name of company	Percentage held	Opening balance 1 January 2016	Acquisition	Non-Cash movements	Dividends received	Exchange Difference	Closing balance 31 December 2016
Kansenshi Copper Mines PLC	-	5,847,816	-	(348,276)	-	-	5,499,540
Konkola Copper Mines PLC	-	300,234	-	244,559	-	-	544,793
Maamba Collieries	-	381,335	-	(14,736)	-	-	366,599
Copperbelt Energy Corporation PLC	-	211,250	-	366,610	-	-	577,860
Indo Bank Zambia PLC	40%	415,488	-	33,271	(11,648)	-	437,111
Elsewedy Electric Limited	40%	15,396	-	14,033	-	-	29,429
Zambia Electrometer Limited	40%	(2,682)	-	-	-	-	(2,682)
ZANACO PLC	25%	474,092	-	(1,229)	(9,203)	-	463,660
Kagem Limited	20%	265,506	-	13,045	(51,300)	-	227,251
Afrox Limited	30%	31,559	-	(1,433)	-	-	30,126
Lusaka Trust Hospital Limited	45%	5,808	-	(5,808)	-	-	-
Investrust Bank	45%	-	36,751	15,604	-	-	52,355
		7,945,802	36,751	315,640	(72,151)	-	8,226,042

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha thousand

14. Investment in associates (continued)

	Consolidated		Company	
	31 December 2016 K'000	31 December 2015 K'000	31 December 2016 K'000	31 December 2015 K'000
(a) Summarised aggregated financial information of the Share in these associates				
Profit/(loss) from continuing operations	599,288	(292,327)	-	-
Other comprehensive income	43,144	74,150	-	-
Total comprehensive loss	642,432	(218,177)	-	-
Aggregate carrying amount of the Group's interest in these associates	8,879,435	8,226,042	-	-

15. Financial assets at fair value through profit and loss

(a) Reconciliation of carrying amounts

	Consolidated 2017	2016	Company 2017	2016
At January	529,057	238,247	21,553	24,736
Changes in fair value	(332,839)	257,436	-	-
Additions	139,572	33,374	-	-
Transfer to associates	-	-	-	-
At 31 December	335,790	529,057	21,453	24,736

	Country of incorporation	% holding	At 1 January 2017 K'000	Valuation Movement K'000	Transfer to associates K'000	Valuation December 2017 K'000
Nanga Farms	Zambia	14.3%	26,705	(26,705)	-	21,453
Investrust Bank PLC	Zambia	10.6%	-	-	-	-
Mopani Copper Mines Plc	Zambia	10.0%	229,510	(229,510)	-	-
Chibuluma Mines Plc	Zambia	15.0%	64,577	(64,407)	-	170
Chambishi Metals Plc	Zambia	10.0%	12,217	(12,217)	-	-
NFC Africa Mines Plc	Zambia	15.0%	196,048	139,572	-	335,620
			529,057	(193,267)	-	357,243

15. **Financial assets at fair value through profit and loss (continued)**

	Country of incorporation	% holding	At 1 January 2016 K'000	Valuation Movement K'000	Transfer to associates K'000	Valuation December 2016 K'000
Nanga Farms	Zambia	14.3%	26,705	-	-	26,705
Investrust Bank PLC	Zambia	10.6%	6,676	-	(6,676)	-
Mopani Copper Mines Plc	Zambia	10.0%	51,432	178,078	-	229,510
Chibuluma Mines Plc	Zambia	15.0%	133,454	(68,877)	-	64,577
Chambishi Metals Plc	Zambia	10.0%	-	12,217	-	12,217
NFC Africa Mines Plc	Zambia	15.0%	42,792	153,256	-	196,048
			261,059	274,674	(6,676)	529,057

(b) Measurement of fair value

Fair value hierarchy

The fair value for the Company's financial investments at fair value through profit or loss was determined by independent valuer, having appropriate recognised professional qualifications and recent experience of the financial investments being valued. The independent valuers determine the fair value of these investments annually. The fair value changed from K529 million in 2016 to K335 million in 2017. The increase is mainly attributable to improvement in copper production for most major mining companies due to stability in energy supply and an improvement in copper prices on the world market in the last quarter of 2016 and the first quarter of 2017. The fair value measurement for the Company's investments of K489.2 million has been categorised as a level 3 fair value based on the inputs to the valuation technique used. Valuation technique and significant unobservable inputs for *Level 2 and level 3 is fair value.* The following table shows the valuation technique used in measuring the fair value of investment in fair value through profit or loss, as well as the significant unobservable inputs used.

Investee Name	Valuation technique	Significant unobservable inputs and assumptions	Inter-relationship between Key unobservable inputs and fair value measurement
Mopani Copper Mines Plc	Discounted cash flows: It is an income approach to valuation and the most widely used valuation methodology. It computes the value of a business by calculating the present value of anticipated future cash flow generated by the business. The expected net cash flows are discounted using risk adjusted discount rates. There has been no changes to the valuation technique applied in the prior year	*Target capital structure* Debt to total capitalisation (2017: 60%, 2016:60%). Equity to total capitalisation (2017:40%, 2016: 40%) *Cost of debt* ▪ Cost of debt (2017: 3.81%, 2016: 3.5%) ▪ Tax rate (2017:30%, 2016:30%). ▪ After tax cost of debt (2017:2.66%, 2016: 2.7%). *Cost of equity* ▪ Risk free rate (2017: 8.0%, 2016:11.5%) ▪ Market risk premium	The estimated fair value would increase/ (decrease) if: ▪ Equity to total capitalisation were higher/(lower) ▪ Cost of debt were lower/(higher) ▪ The cost of equity were higher/ (lower) ▪ Target capital structure of debt to total capitalisation. ▪ Copper price higher/(lower)

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets at fair value through profit and loss (continued)

(b) Measurement of fair value (continued)

Investee Name	Valuation technique	Significant unobservable inputs and assumptions	Inter-relationship between Key unobservable inputs and fair value measurement
		▪ (2017:6.07%, 2016:5.2) ▪ Levered beta (2017:0.99, 2016:1.0). *The assumptions considered are as follows:* Copper price projected at US$5,000 per tonne for financial year 2017 increasing to US$7,309 per tonne in 2026. ▪ This is accompanied by an increase in production from 116,524 MT in FY17P to 206,574 MT in FY26P ▪ Projected to pay off the working capital facility in FY26P. Life of mine: 26 years	
Chibuluma Mines Plc	Discounted cash flows: It is an income approach to valuation and the most widely used valuation methodology. It computes the value of a business by calculating the present value of anticipated future cash flow generated by the business. The expected net cash flows are discounted using risk adjusted discount rates. There has been no changes to the valuation technique applied in the prior year	*Target capital structure* Debt to total capitalisation (2017:3%, 2016: 38%). Equity to total capitalisation (2017:97%, 2016: 62%) ▪ *Cost of debt* Cost of debt (2017:2.23%, 2016: 4.1%) Tax rate (2017:30%, 2016:30%). After tax cost of debt (2017: 1.56%, 2016: 2.9). ▪ *Cost of equity* Risk free rate (2017:8.0%, 2016: 11.5%) Market risk premium (2017: 6.1%, 2016: 5.2%) Levered beta (2017: 1.05, 2016:0.9). ▪ *The assumptions considered are as follows:* ▪ Revenue expected to decrease from USD66.8million in FY17P to USD 53.4 million in FY19P. ▪ Copper price of USD/Tonne 5,500 has been projected for FY18 to increase to USD 5,200 in FY19P. ▪ Projected production of 11,332 MT in FY17P, 9,973 MT in FY18P and 7,795 MT in FY19P. ▪ Life of mine: 3 years	The estimated fair value would increase/(decrease) if: ▪ Equity to total capitalisation were higher/(lower) ▪ Cost of debt were lower (higher) ▪ The cost of equity were higher/(lower) ▪ Target capital structure of debt to total capitalisation.

15. Financial assets at fair value through profit and loss (continued)

Investee name	Valuation technique	Significant unobservable inputs and assumptions	Inter-relationship between Key unobservable inputs and fair value measurement
Chambishi Metals Plc	Discounted cash flows: It is an income approach to valuation and the most widely used valuation methodology. It computes the value of a business by calculating the present value of anticipated future cash flow generated by the business. The expected net cash flows are discounted using risk adjusted discount rates. There has been no changes to the valuation technique applied in the prior year	*Target capital structure* Debt to total capitalisation (2017:46%, 2016:46%). Equity to total capitalisation (2017: 54%, 2016: 54%) ▪ *Cost of debt* Cost of debt (2017:9.0%, 2016: 9%) Tax rate (2017: 35%, 2016: 30%). After tax cost of debt (2017: 5.85%, 2016: 5.9%). ▪ *Cost of equity* Risk free rate (2017:8.0%, 2016: 11.5%) Market risk premium (2017: 6.07%, 2016: 5.2%) Levered beta (2017: 0.6, 2016: 1.3). ▪ *The assumptions considered were as follows:* ▪ Projects copper prices to be at USD/tonne6,000 for the period FY17P to FY21Pwhile cobalt prices are expected to steadily decrease from US$/ lb19.4 in FY17P to 12.5 in FY21 ▪ Projects growth in revenues from USD313 million in FY17P to USD 389 million in FY21P. ▪ Projects 28% revenue growth in FY18P, mainly driven by projected 102% increase in cobalt production, would result in significant EBITDA growth. ▪ Maintenance capex spend of USD 2.5 million has been budgeted for in FY17P, following which, USD 5.0 million of capex spend has been projected for each year to FY21P.	The estimated fair value would increase/(decrease) if: ▪ Equity to total capitalisation were higher/(lower) ▪ Cost of debt were lower/(higher) ▪ The cost of equity were higher/ (lower) ▪ Target capital structure of debt to total capitalisation. ▪ Copper prices higher/(lower) ▪ Capital expenditure (higher)/ lower ▪ Copper prices higher/(lower)

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15. **Financial assets at fair value through profit and loss (continued)**

Investee name	Valuation technique	Significant unobservable inputs and assumptions	Inter-relationship between Key unobservable inputs and fair value measurement
NFC Africa Mines Plc	The RV Valuation Methodology is based upon how similar companies are currently priced by the market. RV Valuation methods establish the value of a business in comparison to pricing multiples from transactions involving similar businesses or valuation multiples from comparable business that are listed on stock exchanges There has been no changes to the valuation technique applied in the prior year.	▪ Price/Book Value (P/BV) ▪ P/BV Multiple - 2017: 1.1 (2016:0.26).	The estimated fair value would increase/ (decrease) if: ▪ P/BV were higher/(lower) ▪ P/BV multiple were higher/(lower)
Nanga Farms	The RV Valuation Methodology is based upon how similar companies are currently priced by the market. RV Valuation methods establish the value of a business in comparison to pricing multiples from transactions involving similar businesses or valuation multiples from comparable business that are listed on stock exchanges. There has been no changes to the valuation technique applied in the prior year.	▪ Price/Book Value (P/BV) ▪ P/BV Multiple - 2017: 1.1 (2016:0.26).	The estimated fair value would increase/ (decrease) if: ▪ P/BV were higher/(lower) ▪ P/BV multiple were higher/(lower)

16. Held to maturity financial assets

Held to maturity investments comprise of:

	Consolidated		Company	
	2017	2016	2017	2016
Government bonds (i)	37,409	30,209	-	-
Corporate bonds	3,508	8,508	-	-
Bank fixed term deposits (ii)	13,884	15,869	-	-
Commercial paper (iii)	245	435	-	-
COMESA Yellow Card Reinsurance	552	552	-	-
Collective investment scheme	4,048	551	-	-
Treasury bills	9,796	15,608	-	-
	69,442	71,732	-	-
Less: Provision for impaired investment	(2,066)	(1,508)	-	-
	67,376	70,224	-	-

Analysis of held to maturity investments.

i) Government Bonds

	Consolidated		Company	
	2017	2016	2017	2016
Two-year maturity	10,511	7,581	-	-
Three-year maturity	5,746	2,816	-	-
Five-year maturity	19,604	18,264	-	-
Seven-year maturity	434	434	-	-
Ten-year maturity	595	595	-	-
Fifteen-year maturity	519	519	-	-
	37,409	30,209	-	-

ii) Bank fixed Deposits

	Consolidated		Company	
	2017	2016	2017	2016
Two-year maturity	5,015	7,000	-	-
Four-year maturity	-	-	-	-
Five-year maturity	3,000	3,000	-	-
Seven-year maturity	-	-	-	-
Ten-year maturity	5,869	5,869	-	-
	13,884	15,869	-	-

The corporate bonds at the year-end were held in Izwe Loans, Stanbic Bank, Real Estate Investments Zambia PLC(REIZ) and Bayport Financial Services with tenures of two to ten years. Interest on the corporate bond is pegged at the 182 days government treasury bill rate plus 250 basis points semi annual interest payments , with a floor rate of 13% to 15.5% per annum. The basis points for the Izwe Loans and Stanbic Bank were 350 and 400, respectively.

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Figures in Zambian Kwacha thousand

16. Held to maturity financial assets (continued)

iii) Term deposits – Long term

The fixed term deposits at year end were held follows:

	Consolidated		Company	
	2017	2016	2017	2016
First Capital Bank	-	3,000	-	-
First Alliance Bank	-	2,000	-	-
Pelton Finance Limited	1,000	1,000	-	-
Emerging Markets	355	355	-	-
Zambia State Financing Company Limited	153	153	-	-
Commercial Leasing Limited	2,000	2,000	-	-
	3,508	8,508		
	(2,066)	(1,508)	-	-
	1,442	7,000	-	-

As at the reporting date, the deposits had an average tenure of 365days.

"The deposits due from Pelton Finance Limited, Emerging Markets and Zambia State Financing Company Limited have been fully provided for as the companies are under receivership."

iv) Term deposits - Current

	Consolidated		Company	
	2017	2016	2017	2016
			-	-
Banc ABC	37,500	19,000		
Cavmont Bank Ltd	107,504	4,000	-	-
Ecobank	39,809	19,736	-	-
Finance Bank	-	16,776	-	-
First Alliance (Z) Ltd	33,838	27,630	-	-
First Capital Bank	19,905		-	-
FNB	96,775	40,000	-	-
Investrust Bank Plc	67,952	3,000	-	-
Stanbic Bank	47,000		-	-
Standard Chartered	-	15,000	-	-
UBA	39,962	10,000	-	-
ZANACO PLC	109,475	97,863	-	76,863
Others	-	9,352	-	-
At the end of the year	599,720	262,357	-	76,863

v) Commercial paper

Kalunamu Farms Limited	235	435	-	-

The commercial paper at the year-end was held at the average tenure of 365days with a fixed interest rate of 12% per annum.

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Figures in Zambian Kwacha thousand

16. Held to maturity financial assets (continued)

vi) Effective interest rates

The weighted average annual effective interest rates during the year were as follows:

Government bonds	18.32
Corporate bonds	25.21
Term deposits	25.92

The Directors consider that the carrying amounts of the above financial assets approximate their fair value

17. Available for sale financial assets

The movement on the available for sale investments was as follows:

	Consolidated		Company	
	2017	2016	2017	2016
At beginning of the year	55,044	73,066	-	-
Additions	22,927	12,423	-	-
Disposals	(14,584)	(15,113)	-	-
Exchange gains	(5,836)	(5,836)	-	-
Fair value adjustments	258	(9,496)	-	-
	57,809	55,044	-	-
Less: Provision for impaired investments	(381)	(381)	-	-
	57,428	54,663	-	-
Presented as follows				
Non-current assets	57,428	39,043	-	-
Current assets	-	15,620	-	-
	57,428	54,663	-	-

The available for sale financial assets in 2017 totaling ZMW 57,428,000 (2016: ZMW54,666) million are in respect of equity investments held in the following companies:

17. Available for sale financial assets (continued)

The available for sale financial assets in 2017 totaling ZMW51,365,000 (2016: ZMW54,666) million are in respect of equity investments held in the following companies:

	2017	2016	2017	2016
At market value	Number of shares	Market Share price Kwacha	Market value 2017	Market value 2016
Standard Chartered Bank Plc	-	-	-	5,179
Zambia Sugar Plc	204,108	3	551	3,120
Zanaco Bank Plc	-	-	6,063	743
First Quantum Minerals Limited	1,063,830	4	3,936	3,872
Lafarge Cement Zambia Plc	307,604	6	1,924	1,593
Copperbelt Energy Corporation Plc	6,893,478	1	9,927	5,997
Zambian Breweries Plc	2,307	7	16	2,480
Puma Energy Zambia Plc	-	-	-	742
Investrust Bank Plc	40,453	14	546	546
Zambia Metal Fabricators Plc	-	-	-	545
Celtel Zambia Plc	-	-	-	458
Zambeef Plc	-	-	-	37
AELZ	1,750	7	12	12
British American Tobacco Plc	-	-	-	487
Commerce Bank Plc	381,140	1	381	381
Commerce Bank Plc	-	-	-	722
Zambia Privatization Trust Fund	124	500	62	62
Pamodzi Hotels Plc	37,400	1	23	23
Development Bank of Zambia	7,000	-	1	1
ZEP-Re Insurance	580,849	53	30,913	28,044
CECA Plc	6,893,478	-	2,758	-
National Breweries	39,253	13	696	-
			57,809	55,044
Less: Provision for impaired investments				
Commerce Bank Plc			(381)	(381)
			57,428	54,663

Listed equities

Listed equity investments comprise investments in shares listed on the local stock exchange. These investments amount to less than 20% of the ordinary share capital of the investees. The Group is not able to exert significant influence over the investees. Fair values are determined by reference to price quotations published by the stock exchange.

18. Other long-term assets

	Consolidated		Company	
	2017	2016	2017	2016
Insurance Receivables	126,663	105,539	-	-
Sealing solar project/Other Projects	262,075	10,523	169,323	-
Investments in Strategic reserves	13,596	8,804	-	-
Other Receivables	-	6,429	-	-
	402,334	131,295	169,323	-

18. Other long-term assets(continued)

ZSIC General Limited and ZSIC Life Limited

Other long-term assets relate to the insurance receivables which are amounts receivable from the underwriting of the insurance contracts.

ZESCO Limited

Further, in accordance with section 20(2)(c) of the Energy Regulation Act, chapter 436 of the laws of Zambia, ZESCO Limited is required to make contributions based on 1% of the additional gross revenue on the tariff increment awarded to it by Energy Regulation Board on the 1 July 2014. The Fund is planned to be used for developmental projects in the energy sector. ZESCO Limited is currently the sole contributor to the fund of which contributions began in the period under review. The Statutory Instrument to guide the strategic reserve fund management is currently still work in progress. Other projects relate to investments in Zampalm and Kabwe Textiles.

19. Deferred tax

	Consolidated		Company	
Deferred tax liability (Note 36)	**2017**	2016	**2017**	2016
Opening bal 1 Jan 2017	2,537,557	1,649,670	-	-
Recognised in other comprehensive	(8,976,829)	882,880	-	-
Other adjustments	1,525,044	-	-	-
Recognised in the profit and loss	(750,665)	5,007	-	-
Total deferred tax liability	(5,664,893)	2,537,557	-	-
Presented as follows				
Non current assets	614,787	2,716,175	-	-
Non current liabilities	(6,279,680)	(178,618)	-	-
Total deferred tax liability	5,664,893	2,537,557	-	-

Deferred tax asset

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

a) the utilization of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
b) the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

Figures in Zambian Kwacha thousand

20. Inventories

	Fuel	Goods in transit	Materials	Other inventory	Provision for obsolescence	Total inventories
At Jan 2016	11,298	123,370	845,784	270,653	(12,182)	1,238,923
Movements	1,248	57,151	453,127	1,789	960	514,275
At 1 Jan 217	12,546	180,521	1,298,911	272,442	(11,222)	1,753,198
Movements	(1,776)	(23,051)	(236,793)	(45,297)	(4,179)	(311,096)
Closing balance	10,770	157,470	1,062,118	227,145	(15,401)	1,442,102

21. Trade and other receivables

	Consolidated		Company	
	2017	2016	2017	2016
Trade receivables	7,139,759	8,116,770	-	-
Prepayments	273,829	153,613	-	-
Deposits	164	14,026	-	-
Staff and other receivables	2,172,511	2,582,619	6,479	1,673
Provision for bad debts	(5,080,851)	(7,028,182)	-	-
	4,505,412	3,838,846	6,479	1,673

22. Amounts due from related parties.

i) Group

Itezhi-tezhi Power Corporation	325,324	282,274	-	-
Zambia Electrometer Limited	2,211	2,209	-	-
Zambia State Insurance Pension Trust Fund (ZSIPTF)	30,405	42,550	-	-
Other related parties	-	18,429	81,351	10,524
Government of the Republic of Zambia	1,905,781	1,192,762	-	-
	-	-	-	-
	2,263,721	1,538,224	81,351	10,524

The amounts due from government of ZMW1,905,781 relates to the provision of the electricity services to all government departments by Zambia Electricity Supply Corporation (ZESCO).

ii) Company

ZSIC General	252	-
ZAFFICO	23,654	10,524
Ministry of Finance	23,133	-
Zamcargo	1,015	-
ZSIC Life	12,010	-
Indo Zambia Limited	18,887	-
Afrox Zambia Limited	2,400	-
	81,351	10,524

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha thousand

22. Amounts due from related parties(continued)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respective of the amounts due from related parties. The balances for the year ended 31 December,2017 are as tabulated above.
All amounts were not provided for impairment as they were all assessed as recoverable.

23. Cash and cash equivalents

Cash and cash equivalents consist of:

	Consolidated		Company	
	2017	2016	2017	2016
Bank balances	2,549,954	2,295,409	9,572	1,813
Fixed deposits	13,068	121,400	15,000	-
Petty cash	72	141	-	-
Current Assets	2,563,094	2,416,950	24,572	1,813
Bank overdraft	(109,239)	(85,134)	-	-
	2,453,855	2,331,816	24,572	1,813

Restricted cash balances are donor grants held to be applied on specific activities, therefore not available for pool operational funding. The restricted funding included in the cash and cash equivalent is ZMW52,619,000(2016: ZMW4,042,000).

Figures in Zambian Kwacha thousand

23. Cash and cash equivalents (continued)

i) Zesco Limited a subsidiary owed the following

a) **Barclays Bank Zambia plc**

An overdraft banking facility amounting to K50 million. The overdraft was agreed in January 2017 with a 12-month tenor with interest payable monthly at three-month LIBOR plus 15.5%. the facilities are repayable strictly on demand. The amount drawn as on 31 December 2017 under this facility is K52 million (2016: K50 million).

b) **Zambia National Commercial Bank Zambia Plc**

An overdraft banking facility amounting to K50 million. The overdraft was initially agreed in November 2014 of K25 million, and in September 2017 the facility was increased to K50 million with a 12-month tenor with interest payable monthly at three-month LIBOR plus 3.75%. The facilities are payable strictly on demand. The amount drawn as on 31 December 2017 under this facility was K41 million (2016: K14.8 million). The facility is secured against unlimited collections held in the bank accounts from time to time.

c) **Standard Chartered Bank Zambia Plc**

An overdraft banking facility amounting to K10 million. The overdraft was agreed in April 2017 with a 12-month tenor with interest payable monthly at three-month LIBOR plus 10.5%. The facilities are payable strictly on demand. The amount drawn as at 31 December 2017 under this facility was Nil (2016: K5.3 million).

ii) **Zambia National Commercial Bank Plc**

The cash book overdraft position in ZSIC General Limited at the year-end arose due to timing differences between the transfer of monies from one bank account into the paying account on which payments are already issued.

24. **Pension and other employee obligations**

The liabilities recognised for pensions and other employee remuneration consist of the following:

	Consolidated		Company	
	2017	2016	2017	2016
Employee related provisions & accruals	1,741,068	1,799,224	-	-
Pensions - defined contribution plans	124,769	69,806	-	-
Pension - defined benefit plans	761,201	762,767	-	-
	2,627,038	2,631,797	-	-
Presented as				
Non-current	2,427,795	2,099,035	-	-
Current	199,243	532,762	-	-
	2,627,038	2,631,797	-	-

(i) **Defined contribution plan**

Defined contribution plans are a pension plan under which the Group pays fixed contributions into the National Pension Scheme Authority, which is a defined contribution plan. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Groups' contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate. The Group has no further obligation once contributions have been paid.The total expense recognised in the profit or loss of represents contributions payable to these plans by the Group.

24. **Pension and other employee obligations**

(ii) **LASF defined benefit plan**

In accordance with IAS 19 Employee Benefits paragraph 62 an entity is required to recognise the net defined benefit liability in the statement of financial position. However, when sufficient information is not available to use defined benefit accounting for a multi-employer defined benefit plan, an entity shall account for the plan as if it were defined contribution plan.

The ZESCO Limited operates a defined benefits pension scheme which is funded by the payment of contributions to a separately administered fund called the Local Authorities Superannuation Fund ("LASF"). This fund administers pension schemes of a number of organizations, including all local authorities. The last actuarial valuation of the entire fund for the five years period to 31 December 2012 was carried out and showed a deficit of K723 million. These deficits are not the latest actual valuation attributed to individual member organisation as the valuation was performed three years ago.

Accordingly updated information on the actuarial deficit is not available to enable the entity to account for the plan as a defined benefit plan. On this basis the company has opted to account for the plan as if it were a defined contribution plan.

In addition, no provision has been made in these financial statements for any unfunded liability of the company as the directors are of the opinion that any liability will be met by the Government of the Republic of Zambia.

(iii) **Retirement benefit obligation ZSIC Group**

The plan is operated by ZSIC Limited and its subsidiaries ZSIC Life Limited and ZSIC General Insurance Limited. Under the plan, the employees are entitled to retirement benefits varying between 40% and 45% of final salary on attainment of a retirement age of 55. No other post – retirement benefits are provided to these employees."

The latest actuarial valuation was carried out by Independent Actuaries and Consultants to determine the fund's position as at 31 December 2015 and shows that the plan assets were K31.29 million and liabilities were K72.29 million resulting in a deficit of K41million (31 December 2014: K44.15 million). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Expected return on plan assets	18.5%	22.00%	-	-
Expected rate of salary increase	10.5%	15.60%	-	-
Discount rate	18.5%	22.00%	-	-
Pension increase assumption	10.5%	14.10%	-	-
Long term price inflation	10.5%	14.10%	-	-

Average longevity at retirement age for current employees (future pensioners):				
Male	16	18	-	-
Female	18	21	-	-

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha thousand

24. Pension and other employee obligations (continued)

Remeasurement on the defined liability

	Consolidated 2017	Consolidated 2016	Company 2017	Company 2016
Actuarial gains and losses arising from changes in financial assumptions	7,920	18,369	-	-
Actuarial gains and losses arising from changes in experience adjustments	(8,547)	8,348	-	-
Return on plan assets (excluding amounts in net interest)	(627)	26,717	-	-
Components of defined benefits costs recognised in other comprehensive income	(627)	26,717	-	-

* There were no changes in the asset ceiling restrictions in the year.
The current service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.

Amounts recognised in profit or loss in respect of the defined benefit plan are as follows:

	Consolidated 2017	Consolidated 2016	Company 2017	Company 2016
Current service cost	1,457	3,948	-	-
Interest cost	6,010	8,824	-	-
Total period costs included in staff costs	7,467	12,772	-	-

The expense for the year is included in the employee benefits expense in the profit or loss.

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

	Consolidated 2017	Consolidated 2016	Company 2017	Company 2016
Present value of funded obligations	51,465	54,727	-	-
Fair value of plan assets	(4,381)	(12,922)	-	-
Closing fair value	47,084	41,805	-	-
Net liability arising from defined benefit obligation	47,084	41,805	-	-

Movements in the present value of the defined benefit obligation in the current year were as follows:

	Consolidated 2017	Consolidated 2016	Company 2017	Company 2016
Opening fair value of plan assets	41,805	44,119	-	-
Interest income	17,756	15,350	-	-
Contributions	22,127	18,369	-	-
Benefits paid	(35,282)	(31,633)	-	-
Actuarial (loss) gains	(1,702)	(8,348)	-	-
Current service costs	2,581	3,948	-	-
Closing fair value of plan assets	47,285	41,805	-	-

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality.

The Board of Trustees on 20 January 2015 closed the current defined benefit scheme as a deferred pension and will only be accessed upon the member attaining the statutory retirement age. The salary escalation and the pensionable service was capped in the defined benefit scheme. The amortisation of the actual deficit of K41 million including the outstanding pension contribution is not to exceed three (3) years.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha thousand

25. Capital Grants and Contribution

	Consolidated		Company	
	2017	2016	2017	2016
Capital Grants and Contribution				
Non-current liability	2,531,130	1,384,085	5,920	5,920
Current liability	114,772	217,351	-	-
	2,645,902	1,601,436	5,920	5,920

i) **Private Sector Development, Industrialisation and Job Creation (PSDIJC) – ZMW5,920,000.00**
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. As at the year end, the company had not yet utilized the grant.

ii). **Capital Grants and Contributions**
The capital grants and contributions are related to the funds provided by the government and partners in funding various projects within the group.

26. Borrowings

Figures in Zambian Kwacha thousand

	Consolidated		Company	
	2017	2016	2017	2016
At the beginning of the year	15,349,519	14,184,268	-	-
Received during the year	3,671,380	5,020,743	30,446	-
Payments during the year	(1,815,915)	(2,886,637)	-	-
Exchange difference	(1,212,748)	(968,855)	-	-
	15,992,236	15,349,519	30,446	-
Disclosed as				
Amounts due within one year	3,624,904	3,029,783	30,446	-
Amounts due after one year	12,297,332	12,319,736	-	-
	15,992,236	15,349,519	30,446	-

Figures in Zambian Kwacha thousand

26. Borrowings

Borrowings are due to the following:

		Consolidated		Company	
		2017	2016	2017	2016
i	Industrial Commercial Bank of China	2,834,097	2,805,594	-	-
ii	China Exim Bank	2,131,582	2,373,913	-	-
iii	Nordea Stanbic Bank	1,324,283	1,053,631	-	-
iv	Standard Chartered Bank	1,214,303	1,202,090	-	-
v	DBSA - Kafue George Hydro Power Station	995,330	985,650	-	-
vi	DBSA - Kariba North Bank Extension Power Corporation Limited	662,300	744,316	-	-
vii	India Exim Bank	471,104	466,366	-	-
viii	China Exim	448,542	444,031	-	-
ix	European Investment Bank	411,612	407,473	-	-
x	GRZ/International Development Association - Kafue Muzuma	407,204	375,202	-	-
xi	GRZ/Agence Française De Development	342,394	338,950	-	-
xii	African Development Bank	305,684	-	-	-
xiii	Industrial Commercial Bank of China Facility Loan - Musonda Falls	298,053	-	-	-
xiv	Standard Bank	206,010	262,207	-	-
xv	GRZ/International Development Agency	164,989	37,766	-	-
xvi	Stanbic Bank	151,469	216,589	-	-
vii	European Investment Bank	140,319	96,256	-	-
xviii	Bank of China	120,665	199,086	-	-
xix	ZANACO - Short Term Facility	113,827	-	-	-
xx	Stanbic Bank	97,722	161,232	-	-
xxi	Development Bank of Southern Africa Bank 1	88,006	90,663	-	-
xxii	Industrial Commercial Bank of China Facility-Chipata-Lundazi	73,625	-	-	-
xxiii	Nigeria Trust Fund	59,693	58,698	-	-
xxiv	Industrial Commercial Bank of China Facility-Mpika Transmission	57,550	-	-	-
xxv	GRZ/Japan International Cooperation Agency	46,645	42,675	-	-
xxvi	CNMC Industrial Zone Development	44,272	51,131	-	-
xxvii	GRZ/World Bank	43,921	43,479	-	-
xxviii	European Investment Bank 2	38,710	39,949	-	-
xxiv	Agency Francaise de Development	35,681	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha thousand

26. Borrowings (continued)

		Consolidated		Company	
		2017	2016	2017	2016
xxx	GRZ/World Bank Facility 2	32,226	31,902	-	-
xxxi	Sinohydro Bridging Loan II-Musonda Falls	28,841	166,541	-	-
xxxii	Barclays Bank Zambia Plc	25,549	57,527	-	-
xxxiii	EIB - LTDRP LOAN FACILITY	22,578	-	-	-
xxxiv	Zambia National Commercial Bank Plc	13,318	151,366	-	-
xxxv	Standard Chartered Bank	10,652	42,183	-	-
xxxvi	Sinohydro Corporation Limited	-	98,532	-	-
xxxii	ZTE Corporation – Rural	116,856	193,786	-	-
xxxiii	ZTE Corporation – GSMIII	25,686	144,077	-	-
xxxix	Huawei – National Fiber	84,240	106,839	-	-
xl	Export-Import Bank of China (Exim bank)	1,095,520	1,040,499	-	-
	GRZ loan	664,431	662,761	-	-
xli	Standard Bank of South Africa	182,869	149,201	-	-
	Investrust Bank PLC	11	222	-	-
	Finance Bank	1,221	1,671	-	-
xlii	First National Bank Limited	5,059	5,465	-	-
xliii	Zambia National Commercial Bank Plc	1,856		-	-
xliv	Stanbic Bank Zambia	5,663	-	-	-
xlv	Indo Zambia Limited	30,446	-	-	-
xlvi	Stanbic Bank	2,579	-	-	-
xlvii	Commercial Bank of Africa	3,436	-	-	-
xliv	Other loans	309,607	-	-	-
		15,992,236	15,349,519	-	-

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha thousand

26. Borrowings (continued)

The loan terms are as disclosed below:

i. **Industrial Commercial Bank of China**
This is a US$285 million loan facility obtained from Industrial Commercial Bank of China on 30 May 2011 to finance the Pensulo-Msoro-Chipata West 330 KV and Pensulo-Kasama 330 kV Transmission lines. Interest is 2.5% Margin plus LIBOR (Screen Rate), the Loan will be repaid over 10 years. The loan is denominated in United States Dollar and the balance at the reporting date was US$284.7 million or K2.8 billion.

ii. **China Exim Bank**
This is a US$315.6 million loan facility was obtained from China Exim Bank in October 2008 with tenure of 15 years. Interest is computed at LIBOR plus 2% per annum. The facility is secured by receivables from Copperbelt Energy Corporation and Chambeshi Mining Company. The loan is denominated in United States Dollar and as at reporting date, the loan balance was US$214.2 million or K2.1 billion.

iii. **Nordea Stanbic Bank**
This is a US$133million loan facility obtained from Nordea bank on 14 August 2014. The loan was obtained to finance the connection of North western Province to the National Grid. The loan shall be repaid over a 14-year period including a grace period of 2 years. The interest rate is 3.69% per annum payable semi-annual. The loan facility is in United States Dollar and the balance at the reporting date was US$133.1 million or K1.3 billion.

iv. **Standard Chartered Bank ($122m)**
This is a US$122 million loan facility obtained from Standard Chartered Bank in February 2016 to refinance the $40 million bridge facility and other general corporate purposes relating to capital projects but not limited to the upgrading of Musonda falls power station, new Lusiwasi Upper 15 MW plant, construction of Chama Lundazi Transmission Line. Interest is charged at an average of 5.75% plus 6 month Libor, semi-annum and the loan (principal plus interest) will be repaid over 7 years including 2 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was US$122 million or K1.2 billion.

26. Borrowings (continued)

The loan terms are as disclosed below (continued:

v. Development Bank of South Africa (DBSA) (KGL)

This is a US$100 million loan facility obtained from Development Bank of South Africa (DBSA) on 4 May 2016 to finance the Kafue Gorge Lower Hydro Power Project. interest is charged at 9.4% plus 6 month Libor, semi-annum and the loan (principal plus interest) will be repaid over 15 years including 2 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was US$100 million or K995.3 million.

vi. Development Bank of South Africa (DBSA) (KNBEPC)

The borrowing is a term loan facility of US$105.5 million from the Development Bank of Southern Africa Limited. The loan is used to finance the Kariba North Bank Extension Power Corporation project. The loan is to be repaid in equal instalments semi-annually commencing on 31 January 2013. The amount of repayments during the year was US$12,3million. Interest is charged semi-annually as the sum of the margin (4.95% before commencement of operations and 4.70% after commencement of operations) and 6- month LIBOR. The loan has a second ranking security on property, plant and machinery of the project and is denominated in United States Dollars.

vii. India Exim Bank

This is a US$63.39 million facility obtained from India Exim bank on 9 June 2012. The loan was obtained to finance the connection of Luangwa to the national grid. The loan will be repaid in seven equal installments. The interest rate is LIBOR plus 5.5%. The facility is in United States Dollar and the balance as at the reporting was US$47.3 million or K471 million.

viii. China Exim Bank

This is a US$45 million facility obtained from China Exim bank through the Ministry of Finance on 13 October 2014. The loan was obtained to Finance the Kariba North Bank-Kafue west 330KV transmission project. The interest rate is 2%. The facility is in United States Dollar and the balance as at the reporting was US$45 million or K448.5 million.

ix. European Investment Bank

This is a EUR 50 million loan facility from the European Investment Bank (EIB) by the Government of the Republic of Zambia on the 10 December 2012. The facility was obtained for the purpose of financing the Itezhi-Tezhi Hydro Power plant, Mumbwa Substation and Lusaka West - Mumbwa Transmission Line Project. The facility shall be settled over a period of twenty five (25) years including a grace period of five (5) years. The interest is charged at 1.2% per cent per annum. The balance at the reporting date was US$41.3 million or K411.6 million.

x. GRZ/International Development Association-Kafue Muzuma

This is a US$60 million loan facility obtained from the International Development Association on 6 December 2012 by the Government of the Republic of Zambia and on lent to ZESCO to finance the Kafue Muzuma Transmission Project. Interest shall be computed at 2% per annum and the loan (principal plus interest) will be repaid over 20 years including 5 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was US$40.9 million or K407.2 million.

NOTES TO THE FINANCIAL STATEMENTS

26. Borrowings (continued)

The loan terms are as disclosed below (continued):

xi. GRZ/Agence Française De Development

This is a US$34.4 million loan facility obtained from the International Development Association on 18 December,2012 by the Government of the Republic of Zambia and on lent to ZESCO to finance the construction of Itezhi Tezhi Power Station. Interest is computed at 1.5% semi annum and the loan (principal plus interest) will be repaid over 25 years including 5 years of grace period. The loan is denominated in United States Dollar. The balance at reporting date was US$34.4 million or K342.4 million.

xii. African Development Bank

This is a US$30 million loan facility obtained from the African Development Bank (ADB) by the Government of the Republic of Zambia on 19 December 2012. The loan was obtained to finance the transmission line for the Itezhi-Tezhi Hydro Power and Transmission Line Project. The loan facility is in United States Dollars and the balance at the reporting date was US$29.6 million or K305.7 million.

xiii. Industrial and Commercial Bank of China

This is a US$35.25 million loan facility obtained from Industrial and Commercial Bank of China by ZESCO Limited on the 26 January 2017. The loan facility was obtained to finance the rehabilitation and upgrading of Musonda Falls Hydro Power Plant. The loan shall be repaid over a 15 year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$29.9 million or K298 million.

xiv. Standard Bank of South Africa

This is a US$29.5 million facility obtained from Standard bank of South Africa. The loan was obtained to finance the connection of Northwestern Province to the National grid. The interest rate is LIBOR plus 5% per annum. The loan is to be repaid over a period of 7 years with a 2 years grace period. The facility is in United States Dollar and the amount as at the reporting date was US$20.7 million or K206.2 million.

xv. GRZ/International Development Association

This is a US$105 million loan facility obtained from the International Development Association on 3 October 2013 by the Government of Republic of Zambia and on lent to ZESCO to finance the Lusaka Transmission and Distribution Rehabilitation Project. Interest is charged at 1.5% semi-annum and the loan (principal plus interest) will be repaid over 30 years including 10 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was US$16.6 million or K165 million

xvi. Stanbic Bank

This is a US$29.5 million facility obtained from Standard bank of South Africa. The loan was obtained to finance the connection of Northwestern Province to the National grid. The interest rate is LIBOR plus 5% per annum. The loan is to be repaid over a period of 7 years with a 2 years grace period. The facility is in United States Dollar and the amount as at the reporting date was US$15.2 million or K151.5 million.

NOTES TO THE FINANCIAL STATEMENTS

26. Borrowings (continued)

The loan terms are as disclosed below (continued):

xvii. European Investment Bank

This is a EUR 22 million loan facility obtained from the European Investment Bank (EIB) by the Government of the Republic of Zambia on the 4 of December 2012. The Government agreed to on-lend to ZESCO Limited on the terms and conditions set forth in the finance contract. The purpose of the facility was to finance the Kafue-Livingstone transmission Line project. The loan facility shall be repaid to the Government in equal semi-annual installments beginning five (5) years after the signature date of the on-lending loan and ending ten (10) years after the date of such agreement. The interest is charged at one and half percent (1.5%). The loan facility is in US$14.1 million or K141.3 million.

xviii. Bank of China

This is a US$48.4 million loan facility obtained from Bank of China on 20 May 2011. The loan was obtained to finance the extension of fibre network to other parts of the country. The facility is for duration of 8 years with the grace period of 2 years. The interest rate is LIBOR plus 3% per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$12.1 million or K120.7 million.

xix. ZANACO Short-term Facility

This is a US$14.21 million loan facility obtained from Zambia National Commercial Bank by ZESCO Limited on the 18 July 2017. The loan facility was obtained to finance 15% advance payments to ZTE Corporation, KEC International, Howell and Sinohydro Corporation for delivery, supply and construction of Metropolitan Area Networks and transmission assets. The interest is at 8% and is paid monthly together with the principal. The loan facility is denominated in United States Dollars and will be repaid within 24 months. The balance at the reporting date was US$11.4 million or K113.8 million.

xx. Stanbic Bank

This is a US$30 million Letter of Credit facility obtained from Stanbic Bank (Z) Limited meant to finance importation, mobilisation and installation of equipment by Elsewedy of Egypt. The Letter of Credit agreement was finalised on the 17 February 2014 for a period of 70 months, with a grace period of 15 (Fifteen) months. The repayment will be US$563,636 in equal installments of 55 months. The Letter of Credit was secured against the Company's receivables. The facility is in United States Dollar and the balance at reporting date was US$9.8 million or K97.8 million.

xxi. Development Bank of Southern Africa

This is a ZAR210.4 million loan facility obtained from Development Bank of South Africa Bank on 22 July 1998. The loan was obtained to finance the Power Rehabilitation Projects. The duration of the loan is 20 years including a grace period of 5 years. The loan facility has a fixed interest rate of 15.25% per annum. The balance as at the reporting date was ZAR109.6 million or K88 million.

xxii. Industrial and Commercial Bank of China

This is a US$36.84 million loan facility obtained from Industrial and Commercial Bank of China by ZESCO Limited on the 10 August 2017. The loan facility was obtained to finance the Connection of Lundazi and Chama to the National Grid. The loan shall be repaid over a 15-year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$7.4 million or K73.6 million.

NOTES TO THE FINANCIAL STATEMENTS

26. Borrowings (continued)

The loan terms are as disclosed below (continued):

xxiii. **Nigeria Trust Fund**

This is a US$6.4 million loan facility obtained from the Nigerian Trust Fund by the Government of the Republic of Zambia on the 19 December 2012. The loan was lent to ZESCO Limited for the purpose of financing the Itezhi-Tezhi Hydro Power and Transmission Line project. The loan shall be repaid over a period of twenty-five (25) years including a grace period of five (5) years. The interest is charged at zero-point seventy-five (0.75%) per annum fixed interest rate. The loan facility is in United States Dollars and the balance at the reporting date was US$5.9 million or K59.7 million.

xxiv. **Industrial and Commercial Bank of China**

This is a US$29.6 million loan facility obtained from Industrial and Commercial Bank of China by ZESCO Limited on the 13 July 2016. The loan facility was obtained to finance the improvement of power supply in Mpika. The loan shall be repaid over a 15-year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$5.8 million or K57.6 million.

xxv. **GRZ/Japan International Cooperation Agency (JICA)**

This is a Yens 5 billion loan facility obtained from JICA by Government of Republic of Zambia on 1 November 2010. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 15-year period including a grace period of 5 years. The interest is charged at 0.05% per annum. The loan facility is in Japanese Yen and the balance at the reporting date was Yens 508 million or K46.6 million.

xxvi. **CNMC Industrial Zone Development**

The facility was obtained as capital contribution in 2009 on the Chambishi line from CNMC Industrial Zone Development who contributed 40% of the total project costs of US$27.8 million (i.e. US$11.1 million). It is to be paid in 180 equal instalments of US$61,778 per month. There is no interest on this amount and there is no security attached to the agreement. The balance at the reporting date was US$4.4 million or K44.3million.

xxvii. **GRZ/World Bank**

This is a US$16 million loan facility obtained from World Bank by Government of Republic of Zambia on 9 February 2009. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 20 year period including a grace period of 5 years. The loan will have a 2% interest charge per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$4.4 million or K43.4 million.

xxviii. **European Investment Bank 2**

This is a EUR7.6 million loan facility obtained from European Investment Bank by ZESCO Limited on 12 July 2005 to finance the Kariba North Bank Power Station Rehabilitation and Uprating Works under Power Rehabilitation Projects. The interest rate is 3.3% per annum. The loan facility is in Euro and the balance at the reporting date was EUR3.3 million or K38.1 million.

xxix. **Agence Française de Development**

This is a €40 million loan facility obtained from Agency Francaise de Development by GRZ and on lent to ZESCO Limited on the 23 June 2016 to finance the improvement of power supply in Southern Division. The loan shall be repaid over a 20year period including a grace period of 5 years. The interest rate 5.00% per annum Fixed. The loan facility is in Euros and the balance at the reporting date was €3.0 million or K35.7 million.

NOTES TO THE FINANCIAL STATEMENTS

26. **Borrowings (continued)**

The loan terms are as disclosed below (continued):

xxx. **GRZ/World Bank Facility 2**

This is a US$10 million loan facility obtained from World Bank by Government of Republic of Zambia on 21 March 2010. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 20 year period including a grace period of 5 years. The loan will have a 2% interest charge per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$3.2 million or K32.2 million.

xxxi. **Sinohydro Corporation Limited**

This was a US$ 29 million loan facility (Bridging finance) obtained from Sinohydro Corporation Limited by ZESCO Limited on the 17 October 2016. The facility was obtained for the purpose of rehabilitation and upgrading works at the Musonda Falls Hydropower Station. The tenure of the facility is from the date when the agreement came into effect to the date when the funds are available to the employer from the financial institution. Funds and Interest shall be repaid at once after the employer obtains financing. The interest is charged at 7% per annum. The balance at the reporting date was US $2.9 million or K28.8 million.

xxxii. **Barclays Bank Zambia Plc**

This is a letter of credit facility of US$15 million from Barclays Bank Plc Limited obtained on 7 November 2012, with tenure of 70 months and is repayable over 55 months. The facility is secured by company's receivables deposited in Barclays Bank Accounts. The facility is in United States Dollar and the balance at reporting date was US$2.6 million or K25.5 million.

xxxiii. **European Investment Bank**

This is a US$106 million loan facility obtained from the European Investment Bank on 3 October 2013 by the Government of Republic of Zambia and on lent to ZESCO to finance the Lusaka Transmission and Distribution Rehabilitation Project. Interest is charged at 1.2% semi-annum and the loan (principal plus interest) will be repaid over 30 years including 10 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was US$2.3 million or K22.6 million.

xxxiv. **Zambia National Commercial Bank Plc**

This is a letter of credit facility of US$80 million from Zambia National Commercial Bank Zambia Limited, incorporated in Zambia with tenure of 70 months, and is repayable in 55 monthly instalments. The loan is denominated in United States Dollar and as at reporting date the loan balance was US$1.34 million or K13.3 million. The facility is secured by company's collections and guarantee from the Government of the Republic of Zambia.

xxxv. **Standard Chartered Bank**

This is a letter of credit facility of US$15 million from Standard Chartered Bank PLC, incorporated In Zambia with tenure of 84 months or 7 years, is repayable in equal instalments of US$267,570.15 over 55 monthly instalments. The letter of credit is in United States Dollar and the balance at the reporting date was US$1.1 million or K10.7 million.

xxxvi. **Sinohydro Corporation Limited**

This is a US$10 million facility (Bridging finance) obtained from Sinohydro Corporation Limited by ZESCO Limited on the 17 September 2015. The facility was obtained for the purpose of rehabilitation and upgrading works at the Musonda Falls Hydropower Station. The tenure of the facility is from the date when the agreement came into effect to the date when the funds are available to the employer from the financial institutions. Funds and Interest shall be repaid at once after the employer obtains financing. The interest is charged at 7% per annum. The Bridging Loan was fully paid on 11 August 2017 by ICBC Bank financing the Musonda Falls Project.

NOTES TO THE FINANCIAL STATEMENTS

26. Borrowings (continued)

The loan terms are as disclosed below (continued):

xxxvii. **ZTE Corporation - Rural**
The loan obtained by Zamtel is denominated in US dollars. The loan was obtained to finance the supply, delivery, and installation and commissioning of the Rural Telecommunication Network. Interest is at 6 months USD libor+ 4% p.a. The effective interest rate is 4.5%. The loan is payable over a period of three (3) years with a grace period of 6 months from May 2010. Vendor financing liabilities are secured by a third party guarantee by the Government of the Republic of Zambia.

xxxviii. **ZTE Corporation - GSMIII**
The loan obtained by Zamtel is denominated in US dollars. The loan was obtained to finance the supply, delivery and commissioning of GSM Cellular Telephone Systems. Interest is at 6 months USD libor + 4% p.a. The effective interest rate is 4.5%. Repayment is three (3) years beginning two (2) years grace period from the May 2010. Vendor financing liabilities are secured by a third-party guarantee by the Government of the Republic of Zambia.

xxxix. **Huawei - National Fibre**
The financings were obtained to finance the supply, delivery, and installation and commissioning of the SDH Optical Fibre Network by Zamtel. The loans are denominated in US dollars borrowings bear interest at 6 months USD libor + 4% p.a. The effective interest rate is 4.5%. Repayment is three (3) years beginning two (2) years grace period from November 2010. Vendor financing liabilities are secured by a third-party guarantee by the Government of the Republic of Zambia.

xl. **Export-Import Bank of China (Eximbank) - Equipment**
The financing was obtained by Zamtel to finance the purchase of equipment. The loan facility is denominated in US Dollars and bears interest at 2% p.a. and 0.25% p.a. on management fees. The effective interest rate is 2.5%. Repayment is fifteen (15) years beginning after five (5) years grace period from December 2019. Vendor financing liabilities are secured by a third-party guarantee by the Government of the Republic of Zambia, the Company's shareholder

xli. **Standard Bank of South Africa**
The loan of K244 million (USD 25.4 million) is due to Standard Bank of South Africa by Ndola Lime Company Limited at a carrying interest of 4.76% per annum. It is repayable over 54 months with interest and principal payable quarterly. The loan is secured under all leased assets held as security, ZCCM-IH loan repayment guarantee, Export Credit Insurance Corporation (of South Africa) cover, project accounts charge, mortgage debenture and security assignment. The balance as at 31 December 2017 was 141.032million.

xlii. **First National Bank Limited (Zambia Railways Limited)**
This short-term loan at First National Bank Limited is secured by 50% of the value of outstanding debtors up to a maximum of USD 500, 000. (K5,013,050). Debtors more than 90 days are to be excluded from the calculations.

xliii. **Zambia National Commercial Bank Plc**
This is a short-term loan of ZMW1.856 thousand which is unsecured obtained from Zambia National Commercial Bank plc.

xliv. **Stanbic Bank Zambia**
This is a Stanbic Bank Zambia refinanced Investrust Bank Plc loan balance and paid the company a total loan of ZMW6million for working capital requirements in July 2017. The company pays interest at the Bank of Zambia Policy Rate 12.5% plus the bank margin of 16.5% per annum. The tenor of the loan is four years with a quarterly principal and interest repayment. The loan is secured by legal mortgage registered over Stand No. 10967, Lusaka.

NOTES TO THE FINANCIAL STATEMENTS

26. Borrowings (continued)

The loan terms are as disclosed below (continued):

Xlv. **Indo Zambia - ZMW**

This is a K79.5 million-loan facility obtained from Indo Zambia Bank by Industrial Development Corporation on the 21 October 2018. The loan facility was obtained to support operations of Zambia Electricity Supply Corporation Limited (ZESCO Limited), a subsidiary of IDC. The loan facility is denominated in Zambian Kwacha and will be repaid within 51 months.

Xlvi **Stanbic Bank**

On November 24 2016 Zambia Cargo and Logistics Limited entered into lease finance with Stanbic Bank Limited for the purchase of a reach stacker at US$398,583 repayable in 3 years(i.e 36 months) at an interest rate of 9%. The reach stacker is a joint registration of Stanbic Bank Limited and Zambia Cargo and Logistics Limited. The balance as at 31 December 2017 was 2.579 million

Xlvii **Commercial Bank of Africa**

On October 2017 Zambia Cargo and Logistics Limited acquired an insurance premium finance from Commercial Bank of Africa for them to pay for the custom insurance bond. The amount of the insurance finance was US$176,285 issued at an interest rate of 7.9% repayable in 10 months. No physical security is attached against this financing. Insurance policies are held by the Commercial Bank of Africa whereby in the event of default, the insurance cover will be called off.

Breach of loan agreements

During the current year, the Group was not compliant with the following covenants:

(i) **European Investment Bank**

The Group was not in compliance with some covenants because the current ratio was less than 1, the Debt Service Cover ratio was less than 2 and; ratio of long term debt to equity was more than 1.

(ii) **Barclays Bank Zambia Plc**

The Group was non-compliant with the Barclays Bank letter of credit as the interest cover was below 1.5 times and the current ratio was less than 1.

(iii) **Development Bank of South Africa**

The Group was non-compliant with the DBSA loan in which the capital expenditure plan and budget were not submitted within 20 days before the start of each of its financial years. We also noted that the Group was in breach with the leverage and the Debt Service Cover ratios.

(iv) **Standard Chartered Bank**

Debt to equity ratio was 2.2:1 which is higher than the covenant of 1.5:1, the Gross Debt to EBITDA was more than 6:1; and the Debt Service Cover Ratio was less than 1.25.

(v) **Stanbic Bank**

The Group was non-compliant with the Letter of Credit agreement in which the annual budget were not submitted within 60 days after the reporting date. We also noted that the Debt to Equity percentage exceeded 140%, the Available Cash Flow Before Debt Service to all Principal and Interest Debt Service fell below 1.25:1 and the ratio of Gross Debt to EBITDA was more than 6.

(vi) **Bank of China**

The Group was non-compliant as the EBITDA to Total Interest Cost was less than 2 and; the ratio of Total Liabilities to Total Assets was more than 70%.

(vii) **Zanaco Bank**

The Group was non-compliant as the gearing ratio was more than 1; and the current ratio was less than 1.

Figures in Zambian Kwacha thousand

27. Obligations under finance lease

	Consolidated		Company	
	2017	2016	2017	2016
Opening balance	168,533	15,315	-	-
Receipts during the year	797	160,261	-	-
Repayments during the year	(168,372)	(7,043)	-	-
	958	168,533	-	-
Repayments within one year	443	3,663	-	-
Amounts due after one year	515	164,870	-	-
	958	168,533	-	-

28. Provisions

	Consolidated		Company	
	2017	2016	2017	2016
Non-current liabilities	122,558	25,201	-	-
	122,558	25,201	-	-

ZCCM-IH (ZMW122.56 million)

The year-end provision represents restoration, rehabilitation and environmental provisions for the Company and its subsidiary Ndola Lime Company Limited. The Company's provision is as a result of inherited environmental obligations from the old ZCCM Limited.

The provision represents the best estimate of the expenditure required to settle the obligations to rehabilitate environmental disturbances caused by mining operations. Ndola Lime is expected to make contributions to the Environmental Protection Fund, controlled by the Department of Mines and Mineral Development. Contributions made towards the fund reduces the environmental provision obligation. No payment has been made into the Environmental Protection Fund for the years ended 31 December 2017 and 31 December 2016, respectively. At the end of useful life of mine, Ndola Lime is obligated to rehabilitate the damage to the environment and all payments made to the Environmental Protection Fund will be reimbursed towards this rehabilitation.

The valuation for the environmental restoration provision at 31 December 2017 was performed by Misenga Environmental and Technical Services Limited and was independently reviewed by Glory Consultancy an independent environmental expert.

The provision recognized as a liability is the best estimate of the consideration required to settle the obligation at the reporting date, assuming a discount rate of 1.93 % (2016:2.61%) and an inflation rate of 2.4% (2016: -0.9%) being the US Dollar inflation rate. The liability for restoration, rehabilitation and environmental obligations for Group and Company on undiscounted basis before inflation is estimated to be US$16.6 million (approximately K163.7 million) (2016:US$26.0 million (approximately K291.1 million) and US$11.96 million (approximately K114.96 million) (2016:US$19.9 million approximately K222.1 million) respectively. Because of the long-term nature of the liability the greatest uncertainty in estimating the provision is the cost that will be incurred. In particular, the Group has assumed that the site will be restored using technology and materials available currently.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha thousand

29. Other long-term payables

	Consolidated		Company	
	2017	2016	2017	2016
NAPSA Penalties	2,149	2,281	-	-
Other long-term payables	291,948	209,449	-	-
	294,097	211,730	-	-

30. Deferred income

	Consolidated		Company	
	2017	2016	2017	2016
At January	139,503	139,503	-	-
Additions during the year	13,518	-	-	-
Expenditure	(39,018)	-	-	-
	114,003	139,503	-	-

The increase in the expenditure is because of the transfer of Capital grant to fund the establishment of the electricity sub-station. The deferred income relates to the capital grants provided by CIDA, UNFPA, UNICEF, UNDP, EU and the Government of Zambia. The funding is specific to the projects undertaken by Group through its subsidiaries.

31. Life Assurance Funds

	Consolidated		Company	
	2017	2016	2017	2016
At January	345,180	354,561	-	-
Payments	(41,839)	(9,381)	-	-
At December	303,341	345,180	-	-

32. Unearned premiums

Unearned premiums are calculated on a time basis using the 24th. method.

	Consolidated		Company	
	2017	2016	2017	2016
At January	76,042	64,023	-	-
Earned/unearned premium during the year	(3)	12,019	-	-
Total Unearned Premiums	76,039	76,042	-	-

33. Outstanding claims

Outstanding claims comprise amounts outstanding in respect of claims arising from the underwriting of the insurance contracts. The Directors consider that the carrying amount of the outstanding claims approximate their fair value.

	Consolidated		Company	
	2017	2016	2017	2016
At January	78,781	54,692	-	-
Additions during the year	189,485	240,901	-	-
Payments	(161,282)	(216,812)	-	-
Total Outstanding claims	106,984	78,781	-	-

NOTES TO THE FINANCIAL STATEMENTS

Figures in Zambian Kwacha thousand

34. Amounts due to related parties.

	Consolidated		Company	
	2017	2016	2017	2016
Itezhi tezhi	1,133,828	610,680	-	-
Elsewedy Electronic Zambia Limited	100,065	-	-	-
Ministry of Finance	10,000	-	10,000	-
Other related parties	42,119			
Zampalm	-	-	8,784	-
	1,286,012	610,680	18,784	-

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts due from related parties. However, in the prior year the entire balance due from Government had been provided for. These amounts are as a result of the trading activities of the Group.

35. Income tax expense

	Consolidated		Company	
	2017	2016	2017	2016
a) Charge for the year	15,201	142,030	14,046	21,171
Income tax on taxable profit @35%	-	-	-	(2)
Deferred taxation	(750,665)	(882,680)	-	764
	(735,464)	(740,650)	14,046	21,933
b) Reconciliation of the tax charge:				
(Loss)/profit before taxation	(2,997,952)	917,384	31,172	61,933
Taxation at current rate on accounting profit	(1,049,283)	321,085	10,910	21,676
Adjustments for income on lower tax rate	(17,226)	(16,505)		-
Adjustments for non-deductible expenses	1,801,973	436,070	3,136	258
Adjustments for tax except income	-	-	-	-
Tax charge	735,464	740,650	14,046	21,933
c) Movement in taxation payable account:				
At the beginning of the year	1,826,448	1,817,812	30,642	9,212
Charge of the year	15,201	140,030	-	21,171
Payments made during the year	(113,495)	(131,394)	(217)	-
Current tax payable	1,728,154	1,826,448	30,425	30,383
Non-current asset	-	-	-	-
Payments made during the year	113,495	131,713	217	30,383
Deferred taxation				
This represents:				
Accelerated tax allowances	2,567,534	(2,537,557)	(265)	265
d) Analysis of movement in deferred tax:				
At the beginning of the year	2,537,557	1,649,670	-	(469)
Provision made during the year	(8,976,829)	882,880	-	764
Business acquisition	-	-	-	-
Other adjustments	1,509,842	5,007	-	-
Charge to Income statement	(735,464)	-	-	-
At the end of the year	(5,664,894)	2,537,557	-	295

35 **Income tax expense (continued)**

Applicable tax rates

All sectors	35%
Listed Corporations	30%
Agriculture	15%

36. **Trade and other payables**

	Consolidated		Company	
	2017	2016	2017	2016
Trade creditors	8,855,683	5,072,304	2,884	86
Accrued expenses	2,509,948	2,401,364	215,249	2,387
Other payables	1,530,930	1,365,475	7,259	2,987
	12,896,561	8,839,143	225,392	5,460

37. **Share Capital**

	Consolidated		Company	
	31 December 2017 K'000	31 December 2016 K'000	31 December 2017 K'000	31 December 2016 K'000
Authorised:				
Ordinary shares of K1 each	20,000	20,000	20,000	20,000
Shares issued and fully paid				
Beginning of the year	10,000	10,000	10,000	10,000
At 31 December 2017	10,000	10,000	10,000	10,000

As stated in note 8, on 27 August 2015, the Government of the Republic of Zambia transferred its shares in some companies to IDC and an amount of ZMW15,496,548,000 was recognised in capital reserve.

NOTES TO THE FINANCIAL STATEMENTS

38. Segmental reporting

2017

	Energy and Resources	Financial Services	Industries	Telecommunications & media	Tourism Real Estate & others	Transport & logistics	Total
Revenue	8,083,219	386,685	707,582	797,227	203,846	245,835	10,424,393
Cost of material	(3,728,933)	(294,693)	(757,716)	(311,848)	(13,502)	(10,553)	(5,117,245)
Employee benefit expense	(2,787,328)	(153,521)	(239,363)	(275,207)	(116,938)	(185,954)	(3,758,312)
Depreciation, amortisation	(1,039,023)	(6,625)	(6,087)	(362,815)	(24,913)	(29,754)	(1,469,217)
Other Expenses	(804,995)	(123,059)	(247,436)	(407,240)	(129,379)	(147,180)	(1,859,289)
Operating profit	(277,060)	(191,213)	(543,021)	(559,883)	(80,886)	(127,606)	(1,779,670)
Segment assets	85,781,323	775,243	830,579	2,383,957	2,875,053	1,049,694	

NOTES TO THE FINANCIAL STATEMENTS

38. Segmental reporting (continued)

Segment	Energy and Resources	Financial Services	Industries	Telecom & Media	Tourism Real estate	Transport and Logistics	Other	Total
Revenue								
From external customers	8,812,837	434,115	922,854	588,695	141,140	209,162	95,219	11,204,022
From other segments	-	-	-	-	-	-	-	-
Segment revenues	8,812,837	434,115	922,854	588,695	141,140	209,162	95,219	11,204,022
Operating expenses								
Cost of material	3,896,292	306,155	599,104	98,264	41,186	3,105	-	4,944,106
Employee benefit expense	1,765,598	122,372	173,356	219,794	48,267	10,258	-	2,339,645
Depreciation, amortisation	588,217	3,820	-	269,547	19,859	-	1,622	883,065
Operating expenses	3,927,158	78,097	200,095	577,770	90,393	339,280	34,865	5,247,658
Segment operating expenses	10,177,265	510,444	972,555	1,165,375	199,705	352,643	36,487	13,414,474
Segment operating (loss)/profit	(1,364,428)	(76,329)	(49,701)	(576,680)	(58,565)	(143,481)	58,732	(2,210,452)
Segment assets	1,035,309	1,621,846	1,220,129	1,873,421	2,669,029	1,035,309	2,655,252	52,070,020

Revenues from external customers are divided into the following geographical areas.

Geographical area	Consolidated 2017	Consolidated 2016	Company 2017	Company 2016
Within Zambia	9,464,926	10,606,184	-	-
Export	768,227	597,838	-	-
	10,233,153	11,204,022	-	-

Key Group customers

The key customers for ZESCO in the Group include Mining (ZMK4.168billion, Residential (K1.578billion), Industrial & Agricultural (K0.924billion) and Government (K0.754billion) which exclude part of intergroup transactions.

NOTES TO THE FINANCIAL STATEMENTS

38. Segmental reporting (continued)

The totals presented for the group's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

	31 December 2017 K'000	31 December 2016 K'000
Revenues		
Total reportable segment revenues	10,424,393	11,204,022
Other segment revenues	-	-
Elimination of intersegment revenues	(201,240)	(173,308)
Group revenues	10,223,153	11,030,714
Segment expenses	(12,329,873)	(13,414,474)
Profit/(loss)	2,106,720	(2,383,760)
Total reportable segment operating loss		
Change in fair value of investment property	17,990	6,252
Other income not allocated	1,105,182	2,116,841
Other expenses not allocated	-	-
Elimination of intersegment profits	-	78,090
Operating (loss)	(983,458)	(182,577)
Share of profit from equity accounted investments	599,288	(292,327)
Share of profit from joint venture	235,124	151,073
Finance costs	(700,761)	(556,473)
Finance income	183,168	965,146
Other financial items	-	832,543
Impair loss recognised	(2,549,492)	-
(Loss)/profit before tax	(3,216,221)	917,385

39. Other Income

	Consolidated 2017	Consolidated 2016	Company 2017	Company 2016
Treasury income	6,299	4,651	495	321
Rental income	41,211	1,738,250	-	-
Bad debts recovered	1,408	-	-	-
Storage charges and other	125,717	173,033	-	-
Proceeds from asset disposal	68,759	66,640	-	-
Sundry Income	419,880	5,468	3,193	2,881
Commission income	325,446	91,997	-	-
Premium Incomes	5,320	5,276	-	-
Other gains	6,047	3,022	-	-
Amortisation income	11,667	10,409	-	-
Courier Services	80,600	8,641	-	-
Government grants	12,828	8,737	-	-
	1,105,182	2,116,124	-	-

NOTES TO THE FINANCIAL STATEMENTS

40. Cost of Materials

	Consolidated		Company	
	2017	2016	2017	2016
Direct Maintenance	3,936,883	3,145,142	-	-
Other Expenses	639,286	516,102	-	-
Electricity and water	100,183	752,098	-	-
Materials	318,993	453,127	-	-
	4,995,345	4,866,469	-	-

41. Finance Income

Investment income	180,913	965,146	-	-
Interest on cash and cash equivalents	2,255	-	-	-
Total finance income	183,168	965,146	-	-

42. Finance costs

Borrowing costs on bank loans	700,761	556,473	437	-

43. Cash generated from operations

	Consolidated		Company	
	2017	2016	2017	2016
Profit before taxation	(3,216,221)	917,385	31,171	61,934
Adjustments for:				
Depreciation and impairments	4,018,709	507,131	2,696	1,622
Gains on disposals, scrappings and settlements of assets and liabilities	(51,283)	-	-	
Gains on foreign exchange	102,329	(418,008)	-	-
Income from equity accounted investments	(599,288)	-	-	-
Interest income	(183,168)	-	(2,419)	-
Finance costs	700,761	-	(437)	-
Fair value gains	(17,990)	-	-	-
Movements in provisions	97,357	-	-	-
Other non-cash items	(379,495)	1,562,384	-	-
Changes in working capital:				
Inventories	311,096	(514,275)	-	-
Trade and other receivables	(666,566)	596,675	(4,806)	(1,622)
Movements in retirement benefits and liabilities	(4,759)	124,648	4,057	-
Trade and other payables	4,157,575	3,837,582	219,932	(2,072)
Deferred income	(25,500)	-	-	-
Loans to related parties	123,216	6,522		
Amounts due from related parties	(725,497)	(565,935)	-	-
Amounts due to related parties	675,332	(467,012)	(70,783)	(10,567)
	4,316,608	5,587,097	179,411	49,295

44. Risk management Capital riskmanagement

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 12, 24, 23 & 22 cash and cash equivalents disclosed in note 21, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the group monitors capital based on the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non- current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus netdebt.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2017 and 2016 respectively were as follows:

Gearing ratio	(72%)	(67%)	-	-

NOTES TO THE FINANCIAL STATEMENTS

45. Carrying amounts for financial assets and liabilities
Liquidity risk 2017

	At Fair value Through profit and loss	Held for Trading	Held to Maturity	Loans and receivables amortised cost	Total
Financial assets					
Other long term financial assets	-	462,453	-	462,453	462,453
Trade and other receivables	-	-	-	4,505,412	4,505,412
Cash and cash equivalents	-	-	2,453,855	2,563,094	2,453,855
	-	462,453	2,453,855	7,530,959	7,421,720

	Consolidated		Company	
Financial liabilities	2017	2016	2017	2016
Borrowings	15,992,236	15,681,780	30,446	-
Finance lease	958	168,533	-	-
Trade and other payables	12,927,989	8,839,143	225,392	5,460
	28,921,183	24,689,456	255,838	5,460

The fair values of financial assets and liabilities, together with carrying amounts shown in the statement of financial position are as follows:

Financial assets 2016	Financial assets at fair value Through profit and loss	Held for Trading	Held to Maturity Amortized cost	Loans and receivables amortized cost	Total
Other long-term financial assets	529,057	54,663	70,224	769,915	1,423,859
Other short-term financial assets	-	-	-	335,790	335,790
Trade and other receivables	-	-	-	4,505,412	4,505,412
Cash and cash equivalents	-	-	-	2,563,094	2,563,094
	529,057	54,663	70,224	8,174,211	8,828,155
Financial liabilities					
Borrowings	-	-	-	15,681,780	15,681,780
Finance lease	-	-	-	958	958
Trade and other payables	-	-	-	12,815,807	12,815,807
	-	-	-	28,498,545	28,498,545

46. Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non- financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 3.8 – property plant and equipment; and
Note 3.15 - financial instruments.

47 Financial instruments

Risk Management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the audit and risk committee, which is responsible for developing and monitoring the Group's risk management policies.

The committee reports quarterly to the board of directors on its activities. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and non-derivative financial instruments and investing excess liquidity.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities The group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Figures in Zambian Kwacha thousand

47 Financial instruments (continued)

The Group is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of this financial risk are interest rate risk, credit risk, liquidity risk and cash flow risk. These risks are exposed to general and specific market movements.

Interest rate risk

The Group has exposure to both variable and fixed interest rates on its borrowings. The area where the Group is exposed to interest risk is where the variable rate benchmark such as LIBOR, Zambian Treasury Bill rate, or the Bank of Zambia Policy rate may change. Group Management periodically review economic conditions relating to such variable benchmarks and considers alternate debt structures where the need may arise.

Cash flow risk

The Group has exposure to the risk that future cash flows associated with monetary financial instruments will fluctuate in amount.

The Group's interest rate risk arises primarily from the interest received on short term deposits and interest paid on floating rate borrowings. This exposes the Group to cash flow interest risk.

Cash flow sensitivity analysis of variable rate instrument

A reasonable possible change of 100 basis points in interest rates at the reporting date would have increased /(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange, remain constant.

Group Effect in thousands of Kwacha equity	Increase	Decrease
2017		
Variable rate instruments	3,464,185	(3,464,185)
Company		
2017		
Variable rate instruments	-	-

The Group's investments in corporate term deposits, all of which are fixed rate and are measured at amortised cost exposes the Group to cash flow interest rate risk. The tenure of the investments is less than 1 year. At 31 December 2017, an increase/decrease of 100 basis points would have resulted in a decrease/increase in the Consolidated and separate post tax profit and equity of ZMW3.467billion.

Figures in Zambian Kwacha thousand

47 Financial instruments (continued)

Price risk

The Group is exposed to equity securities price risk because of investments in quoted and unquoted. shares classified as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity and debt securities, the Group diversifies its portfolio, in accordance with limits set by the Group. All quoted shares held by the Group are traded on the Lusaka Securities Exchange.

At 31 December 2017, if the LUSE Index had increased/decreased by five percent with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, consolidated profit or loss would have been ZMW 25.6thousand (2016: ZMW82.9 thousand) higher/lower.

Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The area where the Group is exposed to credit risk is amounts due from customers. The Group structures the levels of credit risk it accepts by placing limits on its exposure to the level of credit given to customers. Such risk is subject to an periodic or more frequent review.

Liquidity risk

The Group has exposure to significant liquidity risk, which is the risk that there may be inability to sell financial assets quickly at close to their fair value. This is due to the value of such assets being material.

Liquidity risk is that the company might be unable to meet its obligations. The company manages its liquidity needs by monitoring scheduled debt servicing payments for long term financial liabilities as well as forecast cash inflows and outflows due to day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis.

The following are the contractual maturities of financial assets and liabilities as at 31 December 2017:

	Contractual Cash flows	Carrying amount	Within 1 year	1 to 2 years	2 to 5 years	After5years
Trade receivables	-	2,041,157	2,041,157	-	-	-
Other receivables	-	2,464,255	2,464,255	-	-	-
Cash and cash equivalents	-	2,453,855	2,453,855	-	-	-
	-	6,959,267	6,959,267	-	-	-
Loans	15,992,236	15,992,236	3,624,904	6,240,280	6,127,023	-
Trade payables	12,927,990	12,927,990	12,927,990	-		-
Finance lease	797	797	797	-	-	-
	28,921,023	28,921,023	16,553,691	6,240,280	6,127,023	-

Figures in Zambian Kwacha thousand

47 Financial instruments (continued)

Financial Assets

	Contractual Cash flows	Carrying amount	Within 1 year	1 to 2 years	2 to 5 years	After5years
Non-derivative						
Financial instruments	603,054	603,054	24,973	60,872	39,042	529,057
Trade receivables	2,041,157	2,041,157	2,041,157	-	-	-
Other receivables	2,464,255	2,464,255	2,464,255	-	-	-
Cash and cash equivalents	2,453,855	2,563,094	2,563,094	-	-	-
	7,562,321	7,671,560	7,093,479	60,872	39,042	529,057

Financial Liabilities	Contractual Cash flows	Carrying amount	Within 1 year	1 to 2 years	2 to 5 years	After 5 years
Non-derivative	-	-	-	-	-	-
Loans	15,992,236	15,992,236	3,624,904	3,527,753	5,719,439	3,120,140
Trade payables	9,108,472	9,108,472	9,108,472	-	-	-
Other payables	3,819,518	3,819,518	3,819,518	-	-	-
Finance lease	958	958	958	-	-	958
	28,921,184	28,921,184	16,553,852	3,527,753	5,719,439	3,121,098

	Consolidated 2017	Consolidated 2016	Company 2017	Company 2016
(ii) Exposure to currency risk 2017				
Trade and other receivables	4,505,412	11,019,739	-	-
Trade and other payables	(12,927,990)	(13,012,051)	-	-
Net exposure	(8,422,578)	(1,992,312)	-	-
(iii) Credit risk analysis				
Classes of financial assets-carrying amounts				
Listed equity securities	51,364	54,663	-	-
Money market funds	-	70,224	21,453	10,524
Cash and cash equivalents	2,563,094	2,331,816	24,572	1,812
Trade and other receivables	4,505,412	8,467,511	6,479	1,673
	7,119,870	10,924,214	52,504	14,009

Figures in Zambian Kwacha thousand

48 Capital management policies and procedures.

Capital Management

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

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may make adjustments such as issue new shares or sell assets to reduce debt.

Generally, the Group has established an enterprise risk management system to elevate risk management to a strategic level in order to increase performance stability, build confidence of investment partners and stakeholders, foster good corporate governance and adapt and respond to changing business environment.

	Consolidated		Company	
	2017	2016	2017	2016
Total equity	34,641,850	19,844,935	15,806,343	15,768,746
Cash and cash equivalents	2,453,855	2,331,816	24,572	1,812
Total capital	37,095,705	21,083,651	15,830,915	15,770,558
Borrowings	(15,992,236)	(15,348,519)	(30,446)	-
Overall financing	21,103,469	6,828,232	15,800,469	15,770,558
Capital-to-overall financing ratio	43%	73%	0.20%	-%

49 Related party transactions

a) Parent and ultimate controlling party

The Group is controlled by the Government of the Republic of Zambia through the Ministry of Finance (17.2%) which owns a total of 100% of the Company's shares.

b) Related party transactions

(i) Key management personnel compensation
Group

	Consolidated		Company	
	2017	2016	2017	2016
Salaries and other short-term employment benefits	126,781	106,702	17,340	7,396
Directors' fees	12,277	13,692	-	-
	130,058	120,394	17,340	7,396
Post-employment benefit	5,431	4,707	-	-

Key management compensation relates to directors and the management committee.

50 Commitments

Capital expenditure authorised by the Board of directors at the reporting date but not yet contracted for is as follows:

	Consolidated		Company	
	2017	2016	2017	2016
Property, plant and equipment	8,678,592	6,719,209	-	-

51 Contingent liabilities

(i) The National Pension Scheme Authority (NAPSA) made an assessment of penalties from the year 2000 to 2008 for underpayment of contributions as a result of an error by Ndola Lime Company in the mode of calculation used to arrive at the contribution. The total claim by NAPSA is K27 million and K17 million has been included as a liability. A remaining amount of K10 million has not been included as a liability because Ndola Lime Company Limited obtained a legal opinion from its lawyers who advised that it was unlikely that NAPSA would enforce the liability given the facts of the case. NAPSA has not made any subsequent claims for the assessment from 31 March 2014 to the date of the financial statements.

(ii) A Value Added Tax (VAT) amount per the subsidiary Ndola Lime Company Limited was less by K8 million, compared to the VAT amount per the Zambia Revenue Authority (ZRA) statement. The differences noted have not been agreed or reconciled with the Zambia Revenue Authority

(iii) Chambishi Metals rights issue In May 2005, the Board of Directors of Chambishi Metals Plc resolved to undertake a rights issue of 25,000,000 new shares at par value of US$1 per share. ZCCM-IH was offered 2,500,000 ordinary shares at a par value of US$1 representing 10% of the shareholding of the new shares to be issued. The ZCCMIH subscription was converted into a deferred loan for 10 years to be serviced by dividend payments when due from Chambishi Metals Plc. The loan carries interest at LIBOR + 3%. During the 10 years period to May 2015 no dividends were paid by Chambishi Metals Plc in order to enable ZCCM-IH service the loan in accordance with the resolution. ZCCM-IH has determined that in the absence of dividends from the Company it has no present obligation to settle the loan. Further, based on profit and cash flow forecasts made available to the directors of ZCCM-IH, it is unlikely that Chambishi Metals will have sufficient distributable profits from which to pay dividends for the foreseeable future. Therefore, the total amount of US$ 3.7 million made up of principal US$2.5million plus interest of US$1.2million has not been recognised in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

51 Contingent liabilities (continued)

(iv) ZCCM-IH, being a co-owner of Maamba Collieries Limited (Maamba) with Nava Bharat (Singapore) PTE Ltd (NBS), was, during the year, required to contribute US$9.75 million in form of a shareholder loan towards Maamba's Base Project Equity according to its shareholding ratio of 35%. However, NBS contributed the whole amount including the US$9.75million share for ZCCM-IH. As a result, it was resolved that ZCCM-IH refunds NBS, interest free, the excess contribution of US$9.75 million paid by NBS in the following manner:

a) $1.23 million by way of interest payment due to ZCCM-IH from Maamba on the initial outstanding shareholder loan as at 31 May 2015, which should instead be paid by Maamba to NBS towards part repayment of the excess contribution of US$9.75 million.

b) The balance of US$8.52 million should be paid by Maamba to NBS from future dividends of Maamba, payable to ZCCM-IH. The US$1.23 million was paid. However, no dividends were received from Maamba during the year and hence US$8.52 million was still outstanding as at 31 March 2017.

v) *Guarantees*

a) Ndola Lime SBSA Loans The loan of USD19, 751,677 (K190 million) due to Standard Bank of South Africa (SBSA) by the subsidiary Ndola Lime is guaranteed by ZCCM-IH. The loan has a carrying interest of 4.76% per annum and is repayable in 42 months with interest and principal payable quarterly. In case of loan recall by SBSA or failure by Ndola Lime to meet the obligation, ZCCM-IH will be obligated to settle the loan.

b) Maamba Letter of Credit

ZCCH-IH has US$8.5 million letter of credit placed with Standard Chartered Bank on behalf of Maamba Collieries Limited (MCL) as collateral for the obligations of ZCCM-IH under the Sponsor Support Agreement (SSA) in case of MCL Project Cost overrun or MCL is unable to meet operational costs prior to the Financial Completion Date, then ZCCM-IH will be obligated to meet these costs subject to the cap of US$ 25 million in the ratio of the shareholding.

52. Events after the reporting date

a) Impact of outbreak of COVID-19

On 30 January 2020, the World Health Organisation announced the outbreak of COVID-19 as a world health emergency of international concern, and on March 11 2020 the outbreak was classified as a global pandemic. The outbreak of COVID-19 and the subsequent measures imposed by various Governments in an attempt to contain the spread of the virus, including travel restrictions, social distancing measures and enforced lockdowns have caused disruption to business and economic activity in the country.

Outcomes ranging from successful virus containment with a short-term economic impact, to a prolonged global contagion resulting in a potential local or global recession are possible. At the same time, there are a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impacts. The group is monitoring the COVID-19 outbreak developments closely. The group follows guidance from the World Health Organisation and abides by the requirements as activated by local governments. Contingency plans have been implemented as far as possible to mitigate the potential advance of the group 's employees and operations.

52. Events after the reporting date (continued)

a) Impact of outbreak of COVID-19 (continued)

As the events arising as a result of the government interventions in response to COVID-19 pandemic only occurred after reporting date the company considers this to be a non-adjusting post balance sheet event and accordingly the financial effects resulting from the impact of COVID-19 have not been reflected in the group's financial statements. As the situation remains fluid and rapidly evolving (due to continuing changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors of the group considered that the financial effects of COVID-19 on the Company's financial statements cannot be reasonably estimated. Nevertheless, the economic effects arising from the COVID-19 outbreak are expected to affect the results of the group for the year 2020.

The notable in impact of the COVID-19 pandemic has been the general slowing down of economic activities due to travel restriction resulting, depressed commodity prices and lower than projected GDP across the global. From the initial projected growth of 3.2% to -1%. Copper prices declined by 23% to US$4,754 per metric ton in March 2020 from US$6,165 per metric ton in January 2020 but prices have recovered and now trading above pre-pandemic levels. As of 20 November 2020, copper was trading at above US $7000.00 or 14.4% increase on a year to date basis. The Directors are monitoring this development in order to assess the potential impact on the group mining interests.

b) Electricity Supply (ZESCO)

During the year 2019 the Energy Regulation Board approved the tariff application with an average tariff increase of 113% on domestic customers which was effected on 1 January 2020. The tariff increase is meant to assist ZESCO our largest subsidiary to meet the rising cost of materials for maintenance of plant and to support the capital investment projects ZESCO has embarked on. Further, the Cost-of-Service study was launched and is expected to be completed by fourth quarter of 2020. The Cost-of-Service study will result in determining cost reflective tariffs across all customer categories.

One of the major Bulk Supply Agreements (BSA)s that ZESCO had with key customer expired on 31 March 2020.

The water levels at Itezhi Tezhi Dam and Kariba North Bank Power stations are projected to increase significantly by mid-year of 2020. This is based on the current water inflows monitored by Hydrological department from Kafue and Zambezi Rivers which feeds into the respective Dams.

c) Valuations of investments

The 31 December 2018 valuation of the group's investment in subsidiaries, associates, and financial assets at fair value through profit or loss resulted in a gain of K4billion which compensated for the valuation of 2019, whose outcome was impacted by the uncertainty arising from supply chain and market disruptions. This acknowledgement does not invalidate the valuations as at the reporting date but does imply increased uncertainty than under normal market conditions. In view of the uncertainty, sensitivity analysis has been incorporated on the valuation of the investments.

d) Ndola Lime Company Limited

In September 2018, Two (2) former employees of Ndola Lime Company Limited (NLC) a subsidiary of ZCCM-IH instituted business rescue proceedings in the Lusaka High Court pursuant to the Corporate Insolvency Act No. 9 of 2017. By order of the Court dated 5th October 2018, the Official Receiver was appointed as Interim Business Administrator of NLC. Subsequently, ZCCM-IH commenced the process of restructuring NLC with a view to address the debt burden and optimize its operations. The restructuring process involves the settlement of NLC's creditors through a Court Order and subsequent transfer of NLC's core assets to a newly incorporated company, Limestone Resources Limited.

52. Events after the reporting date (continued)

e) **Zambia Gold Limited ("Zambia Gold")**
Subsequent to the reporting date, Zambia Gold was incorporated on 10 January 2020. Zambia Gold has been incorporated to spearhead and manage gold mining activities in Zambia. Its activities include but are not limited to gold exploration, mining, processing, marketing, and value addition. Zambia Gold is owned 51% by ZCCM-IH and 49% by the Government of the Republic of Zambia through the Minister of Finance. On 19 May 2020, the Minister of Finance gave the Industrial Development Corporation Power of attorney to do all things permissible to be done by the Shareholder with respect to the 49% shares held by the Minister of Finance in the Company. Zambia Gold provides an opportunity for the group to expand its activities in the mining sector and contribute positively to the Zambian economy.

f) **Consolidated Gold Company of Zambia Limited**
On 23 December 2019, ZCCM-IH was granted approval to enter a Joint Venture partnership with Karma Mining Services and Rural Development Company ("Karma") under Consolidated Gold Company of Zambia Limited (CGZ), which was incorporated on 10 February 2020. The primary objective of CGZ is to develop a gold processing and trading operation in Zambia. The main source of the gold ore is from Artisanal and Small-Scale Gold Miners. CGZ is owned 45% by ZCCM-IH and 55% by Karma.

g) **Zampalm Limited**
As at the reporting date Zampalm was at acquisition stage and subsequently the acquisition was completed giving the Industrial Development Corporation 90% shareholding. As part of the acquisition agreement Zampalm was going to be operated by Zambeef under a three (3) year Management Contract. Prior to expiry of the Management Contract on 5 September 2020, the Industrial Development Corporation expressed its intention for non- renewal of the Management Contract. The decision emanated from the shareholder's desire to see Zampalm grow out of its project stage and develop into an independent entity with the management team driving the company's strategic direction going forth.

h) **Divestitures**
In the year 2018, IDC divested its interest in Nanga farms and Afrox Zambia Limited which were included in the financial statements for the year ended 31 December 2017 at valuation of ZMW21.453million and ZMW30.743million, respectively.

i) **Medical Stores Limited**
On 3rd February 2021, the IDC divested its interest in Medical Stores Limited, following the coming into operation of the Order of the Zambia Medicines and Medical Supplies Agency Act of 2019. The operation of Medical Stores Limited ceased on 3rd February 2021.

j) **Strategic plan 2021-2025**
In its meeting of 3 December 2020, the Board of Directors of the Industrial Development Corporation approved the second Strategic plan for the period 2021-2025 which also resulted in segmenting the two business directorates of Investment and Portfolio into 1) Manufacturing, Mining and Agribusiness, 2) Energy and Infrastructure and 3) Services to enhance focus and deployment of relevant skillset to achieve the key business segments of the IDC. The Portfolio department has been realigned to place emphasis on subsidiary transformation and a dedicated department has been set up effective 1 January 2021 to underscore transformation efforts of the group for maximum impact.

k) **Overall**
There have been no other material facts or circumstances that have occurred between the reporting date and the date of these consolidated financial statements that require disclosure in or adjustment to the consolidated financial statements.