INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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The Directors submit their report together with the audited annual financial statements for the year ended 31 December 2019, which disclose the state of affairs and performance of Industrial Development Corporation Limited (the "Company" or "IDC") and its subsidiaries (together "the Group").

1 PRINCIPAL ACTIVITIES OF THE COMPANY

The Company is an investment holding company for the State-Owned Enterprises (SOE) and is wholly owned by the Government of the Republic of Zambia through the Minister of Finance pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia. The Company'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 Company plays its role through co-investing alongside private sector investors. Simultaneously, the Company 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. Profits generated by the company 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 SHARE CAPITAL AND BENEFICIAL OWNERSHIP INFORMATION

The authorised share capital of the Group remained unchanged at **K20 million** (2018: K20 million) ordinary shares at a par value of **K1.00** (2018: K1.00) each. The issued and fully paid-up share capital remained at **K10 million** (2018: K10 million) ordinary shares at a par value of **K1.00** (2018: K1.00) each.

The Company shareholding is represented as follows:

Name of shareholder	Percentage of shareholding
Ministry of Finance and National Planning	99%
Minister of Finance and National Planning	1%

There were no changes in the shareholding or beneficial ownership during the year (2018:nil).

3 SHAREHOLDING IN INVESTEE COMPANIES

The portfolio of subsidiaries and investee companies' is across a diverse range of sectors. These subsidiaries are guided and managed by their respective boards with the Group providing strategic oversight.

Energy and resources	ZESCO (100%) ZCCM -IH (60.28%) ZAFFICO (100%) Indeni Petroleum Refinery Limited (100%) Kagem Mining Limited (25%) Zampalm Limited (90%)
Financial and insurance services	ZSIC Life Plc (100%) ZSIC General Plc (100%) Indo Zambia Bank Limited (40%) ZANACO Plc (25%) Zambia Industrial Commercial Bank (100%)

3 SHAREHOLDING IN INVESTEE COMPANIES (continued)

Industrial markets	Kawambwa Tea Industries (100%) Nitrogen Chemicals of Zambia (100%) Zambia China Mulungushi Textiles Zambia (33%) Zamcapital Enterprises Limited (100%) Agro - Luswishi Limited (100%) Pelidic Zambia Limited (100%)
Telecommunications and media	ZAMTEL (100%) Times Printpak (Z) Limited (100%) Zambia Printing Company Limited (100%) Zambia Daily Mail Limited (100%) Infratel Zambia Limited (100%)
Tourism , real estate and others	Mulungushi Village Complex Limited (100%) Mulungushi International Conference Centre (100%) NIEC Business School Trust (100%) 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%)

4 FINANCIAL RESULTS

The financial results for the year under review are as reported in the consolidated financial statements set out on pages 13 to 89 are summarised below:

	2019	**2018**
In thousands of Zambian Kwacha	K	K
Revenue	**13,458,805**	12,568,485
(Loss) / profit before taxation	**(6,745,490)**	405,197
Tax credit	**347,414**	3,915,868
(Loss) / profit for the year	**(6,398,076)**	4,321,065

The directors have not declared a dividend (2018:nil) nor was any dividend paid during the year (2018:nil).

5 DIRECTORS AND REMUNERATION

The Directors who held office during the year and at the date of this report are as follows:

Name of Director	**Sector**	**Position**
His Excellency Mr. Hakainde Hichilema	President of the Republic of Zambia (Appointed 12.08.21)	Chairman
Honourable Dr Musokotwane Situmbeko	Minister of Finance (Appointed 09.08.22)	Non - Executive Director

5 DIRECTORS AND REMUNERATION (continued)

Name of Director	Sector	Position
Honourable Chipoka Mulenga	Minister of Commerce , Trade & Industry (Appointed 27.08.21)	Non - Executive Director
Honourable Reuben Phiri	Minister of Agriculture (Appointed 09.09.21)	Non - Executive
Mr. Felix Nkulukusa	Secretary to the Treasury (Appointed 09.08.22)	Non - Executive
Mr. Edson M Hamakowa	Farmer and freelance Consultant (Appointed	Non - Executive
Mr. Windu.C. Matoka	Entrepreneurship and Business Development Coach (Appointed 09.03.22)	Non - Executive Director
Mrs. Beatrice Nkanza	Entrepreneur and Performance Coach (Appointed 09.03.22)	Non - Executive Director
Ms Lynda Mataka	Legal Practitioner (Appointed 09.03.22)	Non - Executive
Mr. Nitesh Patel	Business Turnaround, Restructuring and Insolvency Professional (Appointed 09.03.22 and resigned 24.04.23)	Non - Executive Director
Mr. Arthur Ndhlovu	Finance & Business Transformation Professional (Appointed 09.03.22 and resigned 24.04.23)	Non - Executive Director
Mr Perry Mapani	Industrial Development Corporation Ltd (Appointed 09.03.22 and resigned 10.08.23)	Executive Director
Mr Cornwell Muleya	Industrial Development Corporation Ltd (Appointed 11.10.23)	Executive Director
His Excellency Dr Edgar Chagwa Lungu	President of the Republic of Zambia (Resigned 12.08.21)	Chairman
Honourable Dr Bwalya Ng'andu	Minister of Finance (Resigned 12.08.21)	Non - Executive Director
Honourable Christopher Yaluma	Minister of Commerce , Trade & Industry (Resigned 12.08.21)	Non - Executive Director
Honourable Micheal Katambo	Minister of Agriculture (Resigned 12.08.21)	Non - Executive Director
Mr. Fredson Yamba	Secretary to the Treasury (Resigned 12.08.21)	Non - Executive
Mr. Mushuma Mulenga	Permanent Secretary , Ministry of Commerce , Trade and Industry (Resigned 12.08.21)	Non - Executive Director
Mr. Mateyo Kaluba	Industrial Development Corporation Ltd (Resigned 17.08.21)	Non - Executive Director
Mr . David Kombe	Executive Chaiman - Blackdot Media Limited (Resigned 12.08.21)	Non - Executive Director
Mr . Isaac Ngoma	Development Specialist (Resigned 12.08.21)	Non - Executive
Mr. Alexander B Chikwanda	Director -Apollo Enterprises Limited (Resigned 12.08.21)	Non - Executive Director
Mr . Geofrey Sakulanda	Director - Spirit Insurance (Resigned 12.08.21)	Non - Executive
Mrs . Silvia Banda	Chief Executive - Sylva University (Resigned	Non - Executive
Mr . Ben Shoko	Consultant - Banking (Resigned 12.08.21)	Non - Executive
Mr . Leonard Chiti	Director- Jesuit Centre for Theological Reflection (Resigned 12.08.21)	Non - Executive Director

During the year, the total Directors remuneration was K1.22 million (2018: K1.55 million) for services rendered by directors.

6 PROPERTY, PLANT AND EQUIPMENT

During the year, the Group purchased property, plant and equipment amounting to K12.19 billion (2018: K15.22 billion). In the opinion of the Directors, the carrying value of property, plant and equipment is not more than their recoverable value.

7 HEALTH , SAFETY AND ENVIRONMENT ISSUES

The Group recognizes its responsibility regarding occupational health, safety and welfare of its employees and has put in place measures to safeguard them. Further, IDC is a signatory to Environmental and Social Action Plans ("ESAPs"), which requires the investors meet both local as well as international standards relating to the environment.

8 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.

9 HUMAN RESOURCES

The total remuneration for employees during the year (Note 7.4 of the financial statements) amounted to K3.61 billion (2018: K3.85 billion) and the average number of employees was as follows:

Month	Number of employees	Month	Number of employees
January	13,067	July	12,710
February	12,930	August	12,722
March	12,878	September	12,670
April	12,769	October	12,676
May	12,741	November	12,697
June	12,792	December	12,708

10 INTERESTS REGISTER INFORMATION

During the year, the Group officers (directors, company secretary or executive officers of the Group) did not declare any interest in the Group transactions and business (2018: Nil).

The interests' register, as required by the Companies Act, 2017 of Zambia, that should contain particulars of the interests declared, is available for inspection at the Company's registered office.

11 GIFTS AND DONATIONS

During the year the Group made donations of K27.38 million (2018: K23.45 million) to various charitable and sporting events.

12 RESEARCH AND DEVELOPMENT

The Group did not incur any costs on research and development during the year (2018: Nil).

13 EXPORTS

During the year, the Group exported K1.21 billion (2018: K1.06 billion) worth of goods to Zimbabwe, Botswana, Namibia, South Africa, DRC, Malawi, and other countries.

14 GOING CONCERN ASSUMPTION

As at 31 December, 2019, the Group's current liabilities exceeded its current assets by K22.55 billion (2018 :K16.53 billion). As at the reporting date, the total borrowings amounted to K29.71 billion (2018: K25.41 billion) on which some of the loan covenants were breached.The net current liability position is largely driven by the trade payables of ZESCO and Zamtel.

As at 31 March, 2024, the Group's current liabilities exceeded its current assets by K16.1 billion and the total borrowings amounted to K57.69 billion. The increase is as a result of a draw down on the loans and impact of depreciation of the kwacha against the United States dollar.

14 GOING CONCERN ASSUMPTION (continued)

For the Group, management has implemented several strategies aimed at optimising revenue and expenditure, and these are expected to significantly improve the financial position. Some of the key strategies implemented by the directors include the following:

- Debt structuring and refinancing of existing loans with lower rates to reduce the finance costs and repayments.
- Reassessment of investments made over the years to identify non-profitable ventures for possible disinvestments.

The shareholder is undertaking an extensive business review, and is expected to influence key decisions that will support sustainability of the business. Once the exercise is complete, the Group will be repositioned to deliver positive financial performance and maximise value for the shareholders.

i) ZESCO Limited

ZESCO, which is a significant subsidiary within the IDC Group, the Government of the Republic of Zambia provided a letter of comfort to the ZESCO's auditors affirming the Government's commitments to continue providing support to the company for a period of at least 12 months from the date on which the financial statements of ZESCO, for the year ended 31 December 2023, are approved. At the date of approval of the IDC group financial statements the ZESCO financial statements have not been approved by the board. In conducting the going concern assessment, the directors took into consideration the following:

The subsidiary's current liabilities as at 31 December 2022 of K40.9 billion (2021: K38.9 billion) exceeded the current assets of K11.3 billion (2021: K9.9 billion) by K29.6 billion (2021:K29).

The increase in current liabilities by 5% to K40.9 billion from K38.9 billion in 2021 was mainly due to depreciation of the Kwacha against the US dollar, as over 85% of liabilities in terms of trade payables owed to Independent Power Producers are invoiced in US dollar, while the subsidiary's reporting currency is the local currency Kwacha, which appreciated by the end of 2022.

Current liabilities as at 31 March 2024 of K48.17 billion exceeded the current assets of K25.08 billion by K23.09 billion.

Operating performance

The subsidiary recorded a decline in generation towards the end of 2023 and is expected to continue in the financial year 2024 owing to low water levels at Kariba Dam. The subsidiary is aware of the risk brought about by climate change and is actively exploring opportunities to invest in alternative renewable generation sources such as solar. Notwithstanding, to mitigate reduced available power, the subsidiary implements various measures when need arises including load management, power imports and demand side management which is educating customers on efficient use of power to reduce the effects thereof.

Measures to address net current liability position

The initiatives that the Directors are implementing to actualize its strategic objectives include;

a) ***Debt Restructuring***

The long-term debt stands at about K30 billion (US$1.1 billion), borrowed for capital infrastructure investment. Outlined below is the debt position per category and associated strategy:

- *Loans guaranteed by the Government of the Republic of Zambia*

This debt is subject to debt restructuring as part of the comprehensive debt treatment under the G20 Common Framework. The total debt outstanding under this category stood at US$ 618 million as at 31 March 2024.

14 GOING CONCERN ASSUMPTION (continued)

i) ZESCO Limited (continued)

a) *Debt Restructuring (continued)*

- *On lent loans*

  These are loans procured by the Government of the Republic of Zambia and on lent to ZESCO Limited. As part of the debt restructuring, the subsidiary has reached an advanced stage in engagement with the Government of Zambia through the Ministry of Finance and National Planning to convert the Government guaranteed and on-lent concessional loans to equity amounting to US$372 million. Once the loans have been converted, it is expected to reduce the levels of gearing and improve the equity.

- Commercial loans

  The payment on commercial loans are current and these are secured by ZESCO receivables through dedicated Debt Service Reserve Accounts. The Group is targeting early redemption on some loans and the Group is in the process of re-negotiating the terms of the existing expensive long-term debt under the commercial loans category. The process of engagement with various lenders is still on going. The strategy includes engagement of individual lenders with a view to restructure the existing debt by reviewing the repayment terms and interest rates and possible deferment of the repayment of loans as they fall due. The total debt as at 31 March 2024 is US$ 207 million.

b) *Power Purchase Arrears*

The subsidiary has agreed on payment plans with some of the suppliers which include payment of the current invoices and additional amounts towards the liquidation of the arrears.

The subsidiary concluded tariff re-negotiations with Itezhi-Tezhi Power Company (ITPC) as at May 2023, for amendment to Power Purchase Agreement (PPA) of 2015. The effective conclusion of discussions resulted in the reduction of the amount from USD 784 million to USD 330 million leading to a saving of USD 454 million.

c) *Revenue Enhancement.*

Migration to cost reflective tariffs for domestic customers through tariff application to Energy Regulation Board. The Energy Regulation Board approved the Multiyear tariffs in April 2023 effective May 2023.

ii) Zambia Telecommunications Company Limited

The subsidiary made a loss of K606 million (2022 :K545 million) for the year ended 31 December 2023. The subsidiary's current liabilities exceeded its current assets by K3.2 billion (2022 : K3 billion) and as at that date, the subsidiary had shareholder deficit of K1.9 billion (2022: K1.6 billion).

Debt Restructuring

Management is working on restructuring the foreign currency denominated debt to mitigate foreign exchange exposure arising from the depreciation of the local currency and improve its financial position. To date, the subsidiary has managed to negotiate a conditional debt discount of US$15 million out of US$30 million owed to ZTE. In addition, the business managed to get a debt settlement discount of US$62,000 from NEC. Other interventions being pursued include:

- A claim for reimbursement of costs amounting to US$47.2 million incurred by the subsidiary over the last three years to maintain GRZ rural social site was approved by the Ministry of Finance on 10 th April 2024.
- The subsidiary has engaged the Treasury for Debt-to-Equity Conversion of Government Guaranteed Debt amounting to US$22 million.
- Debt for asset swaps – Specific assets have been transferred to Infratel leading into a reduction of debt. The assets transferred include Zamtel House, Chelstone Exchange and Kafue Exchange worth K162 million.

14 GOING CONCERN ASSUMPTION (continued)

Zambia Telecommunications Company Limited (continued)

Debt Restructuring (continued)

- The subsidiary has restructured payment plans with Huawei to free up working capital. In this regard, the subsidiary has a debt dismantling agreement with Huawei under which the Ministry of Technology and Science has committed to pay US$7.1 million to Huawei on behalf of the subsidiary. To date, the Treasury has released US$4 million towards dismantling of debt owed to Huawei leaving the balance of US$3.1 million to be settled in the future.

Directors overall assessment on Going Concern

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business. However, in the event that the Group and its subsidiaries do not receive the financial support from the Government and does not meet the turnaround strategies and the assumptions of these strategies, a material uncertainty exists which may cast doubt about the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

15 GROUP AUDITORS AND REMUNERATION

The Auditors, KPMG, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the next annual general meeting. The Auditor remuneration for the year was K0.9 million (2018:K1.29 million) as regards audit services.

Group Secretary

The Companies Act, 2017 of Zambia requires the Directors to prepare annual financial statements for each financial year that give a true and fair view of the state of affairs of the Group as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group. They are also responsible for safeguarding the assets of the Group. The Directors are further required to ensure the Group adheres to the corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, 2017 of Zambia.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of annual financial statements, and for such internal controls as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the consolidated annual financial statements set out on pages 13 to 89 give a true and fair view of the state of the financial affairs of the Group and of its financial performance in accordance with IFRS Accounting Standards as issued by the IASB and the requirements of the Companies Act, 2017 of Zambia. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia.

As set out in Note 2.1 '(b)' of the accompanying financial statements the Group made a loss of K6.40 billion (2018: a profit of K4.32 billion) for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceed its current assets by K22.55 billion (2018: K16.53 billion). The Group has implemented a number of measures aimed at optimising revenue and expenditure as disclosed in the Director's report, and these are expected to significantly improve the balance sheet structure.

The Shareholder is undertaking an extensive business review, and this is expected to influence key decisions that will support sustainability of the business. Once the exercise is completed, the Group will be repositioned to deliver positive financial performance and maximize value for the shareholder.

Based on the above developments and available information including the Group's strategic plans the Directors are of the opinion that the Group will continue as a going concern for at least twelve months from the date of these financial statements and have therefore prepared the financial statements on a going concern basis.

Signed on behalf of the Board of directors

Mr. Edson M Hamakowa
Director

Mr.Cornwell Muleya
Director

4/10 2024

KPMG

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Independent auditor's report

To the shareholders of Industrial Development Corporation Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Industrial Development Corporation Limited ("the Group") set out on pages 13 to 88, which comprise the consolidated statement of financial position at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Industrial Development Corporation Limited at 31 December 2019, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the Companies Act of Zambia.

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 consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated 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 2.1 (b) to the consolidated financial statements, which indicates that the Group incurred a net loss of K6.40 billion during the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by K 22.55 billion. As stated in Note 2.1 (b), these events or conditions, along with other matters as set forth in Note 2.1(b), indicate 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.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. Except for the matter described in the material uncertainty related to going concern section, we have determined that there are no other key audit matters to communicate in our report.

KPMG

Other information

The Directors are responsible for the other information. The other information comprises the Director's Report as required by the Companies Act of Zambia and the Statement of Directors' responsibilities. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the Companies Act of Zambia, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 the directors.

KPMG

Conclude on the appropriateness of the directors' 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Report on other legal and regulatory requirements

Companies Act of Zambia

In accordance with Section 259 (3) (a) of the Companies Act of Zambia (the Act), we consider and report that:

- there is no relationship, interest or debt we have with the Company; and
- there were no serious breaches of corporate governance principles or practices by the directors. This statement is made on the basis of the corporate governance provisions of the Act, Part VII – Corporate Governance of the Companies Act of Zambia.

KPMG Chartered Accountants — 16 October **2024**

Maaya Chipwayambokoma
Partner signing on behalf of the firm

AUD/F000861

Figures in thousands of Zambian Kwacha

Consolidated statement of profit or loss and other comprehensive income

	Notes	2019 K	2018 K
Revenue from contracts with customers	5 (ii)	13,024,504	12,098,439
Premiums, claims and reinsurance commissions	5 (ii)	434,301	470,046
		13,458,805	12,568,485
Cost of materials	7.1	(6,523,086)	(3,623,055)
Gross profit		6,935,719	8,945,430
Other income	6	2,863,495	1,407,429
Premiums ceded to reinsurers	7.3	(227,337)	(270,113)
Changes in fair value of investment property and inventories	38	79,664	3,154,710
Administrative expenses	7.2	(14,994,877)	(13,346,815)
Operating loss		(5,343,336)	(109,359)
Finance income	8	270,082	460,176
Finance costs	8	(1,618,102)	(1,565,702)
Finance costs – net		(1,348,020)	(1,105,526)
Share of (loss) / profit from joint venture	17 (a)	(658,381)	439,918
Income from equity accounted investment	17 (b)	604,247	1,180,164
(Loss) / profit before income tax		(6,745,490)	405,197
Income tax credit	9	347,414	3,915,868
(Loss) / profit for the year		(6,398,076)	4,321,065
Other comprehensive income:			
Gains on property revaluation	10 (b)	984,894	635,921
Income tax on revaluation		(344,713)	(222,572)
Total items that will not be reclassified to profit or loss		640,181	413,349
Items that may be reclassified to profit or loss:			
Currency translation adjustment - associates	17 (b)	1,835,578	1,131,869
Currency translation adjustment - joint venture	17 (a)	14,220	-
Change in defined benefit obligation	31 (ii)	601,540	-
Share of comprehensive income of associates	17 (b)	(168,086)	169,832
Transfer to policy liabilities	34	(3,984)	(8,999)
Remeasurements on net defined benefit liability/asset	31 (ii)	7,062	(18,009)
Total items that may be reclassified to profit or loss		2,286,330	1,274,693
Other comprehensive income for the year net of taxation		2,926,511	1,688,042
Total comprehensive income:		(3,471,565)	6,009,107
Total comprehensive income for the period is attributable to:			
Non-controlling interest		611,486	763,628
Owner of the parent		(4,083,051)	5,245,479
		(3,471,565)	6,009,107
Basic and diluted earnings per share		(347.16)	432.11

The notes on pages 17 to 88 are an integral part of these annual financial statements.

Figures in thousands of Zambian Kwacha

Consolidated statement of financial position

Assets	Notes	2019 K	2018 K
Non-current assets			
Property, plant and equipment	10	**74,557,573**	64,826,654
Right of use assets	11 (a)	**293,298**	1,210
Investment property	12	**4,789,659**	4,644,017
Intangible assets	13	**224,102**	103,524
Other assets	14	**95,690**	51,125
Reinsurance receivables	15	**113,913**	90,648
Insurance receivable	16	**78,897**	83,039
Investments in joint ventures	17 (a)	**466,257**	1,098,613
Investments in associates	17 (b)	**12,698,657**	10,671,217
Loans due from related parties	18	**417,909**	407,530
Financial assets at fair value through profit or loss	19	**-**	5,250
Financial assets at amortised cost	20 (a)	**151,037**	132,697
Financial assets at FVOCI	20 (b)	**59,278**	50,058
Biological assets - plantation in formation	21	**598,790**	545,873
Deferred tax asset	28	**13,521,313**	10,485,203
		108,066,373	93,196,658
Current assets			
Insurance receivable	16	**95,299**	98,823
Inventories	22	**1,715,229**	2,029,214
Trade and other receivables	23	**5,058,884**	5,100,354
Financial assets at amortised cost	20 (a (iii))	**337,625**	898,488
Assets held for sale	24	**1,143,687**	11,854
Cash and cash equivalents	25	**3,135,279**	3,226,739
Amounts due from related parties	40	**3,353,109**	3,162,806
		14,839,112	14,528,278
Total assets		**122,905,485**	107,724,936

The notes on pages 17 to 88 are an integral part of these annual financial statements.

Figures in thousands of Zambian Kwacha

Consolidated statement of financial position (continued)

	Notes	2019 K	2018 K
Equity and liabilities			
Equity attributable to owners			
Share capital	26	**10,000**	10,000
Capital and other reserves	27	**13,182,511**	10,565,511
Translation reserve	27	**6,310,966**	4,461,168
Revaluation reserve	27	**16,100,594**	15,888,685
Accumulated losses		**(2,034,535)**	3,879,615
		33,569,536	34,804,979
Non-controlling interest		**5,108,009**	4,496,523
		38,677,545	39,301,502
Liabilities			
Non- current liabilities			
Deferred tax liability	28	**12,988,561**	10,781,188
Capital grants	29	**3,835,678**	3,463,009
Borrowings	30	**26,659,711**	20,018,865
Retirement benefit obligation	31	**2,487,296**	2,357,021
Lease liabilities	11 (b)	**91,259**	850
Deferred income	32	**209,974**	160,143
Provisions	33	**98,794**	180,020
Life assurance funds	34	**316,323**	312,339
Outstanding claims	35	**70,326**	14,132
Unearned premiums	36	**56,136**	71,302
Other long-term payables	37	**21,665**	8,054
		46,835,723	37,366,923
Current liabilities			
Liabilities associated with assets held for sale	24 (b)	**1,191,270**	-
Capital grants	29	**316,881**	192,846
Borrowings	30	**3,050,736**	5,387,177
Retirement benefit obligation	31	**954,866**	264,885
Lease liabilities	11 (b)	**256,554**	240
Provisions	33	**277,804**	186,629
Trade and other payables	37	**24,441,123**	20,714,803
Amounts due to related parties	40	**4,667,159**	2,436,166
Current tax payable	9	**2,157,228**	1,784,826
Bank overdraft	25	**78,596**	88,939
		37,392,217	31,056,511
Total equity and liabilities		**122,905,485**	107,724,936

The notes on pages 17 to 88 are an integral part of these annual financial statements.

The annual financial statements on pages 12 to 88 were approved and authorised for issue by the Board of Directors on .....4.../..10.../..2024.........2024 and signed on its behalf by:

Mr. Edson M Hamakowa
Director

Mr.Cornwell Muleya
Director

Figures in thousands of Zambian Kwacha

Consolidated statement of changes in equity

	Share capital	Capital reserves	Translation reserve	Revaluation reserve	Accumulated losses	Non-controlling interest	Total
	K	K	K	K	K	K	K
Year ended 31 December 2018							
At start of year	10,000	9,278,504	3,851,500	15,914,776	(1,018,910)	3,732,896	31,768,766
Profit for the year	-	-	-	-	4,079,639	241,426	4,321,065
Other comprehensive income:	-	-	609,668	-	142,824	522,201	1,274,693
Revaluation surplus	-	-	-	635,921	-	-	635,921
Gains on property revaluation	-	-	-	(222,572)	-	-	(222,572)
Amortization on revaluation reserve	-	-	-	(676,062)	676,062	-	-
Deferred tax on revaluation	-	-	-	236,622	-	-	236,622
Total comprehensive income for the year	-	-	609,668	(26,091)	4,898,525	763,627	6,245,729
Transactions with owners in their capacity as owners:							
Transactions with owners	-	1,287,007	-	-	-	-	1,287,007
	-	1,287,007	-	-	-	-	1,287,007
At end of year	**10,000**	**10,565,511**	**4,461,168**	**15,888,685**	**3,879,615**	**4,496,523**	**39,301,502**
Year ended 31 December 2019							
At start of year	10,000	10,565,511	4,461,168	15,888,685	3,879,615	4,496,523	39,301,502
Loss for the year	-	-	-	-	(6,346,035)	(52,041)	(6,398,076)
Other comprehensive income	-	-	-	-	(226,995)	663,527	436,532
Currency translation adjustment - associates (Note 17 (b))	-	-	1,835,578	-	-	-	1,835,578
Currency translation adjustment - joint venture (Note 17 (a))	-	-	14,220	-	-	-	14,220
Amortization on revaluation reserve	-	-	-	(658,880)	658,880	-	-
Deferred tax on amortisation on revaluation reserve	-	-	-	230,608	-	-	230,608
Gains on property revaluation (Note 10)	-	-	-	984,894	-	-	984,894
Deferred tax on property revaluation	-	-	-	(344,713)	-	-	(344,713)
Total comprehensive income for the year	-	-	1,849,798	211,909	(5,914,150)	611,486	(3,240,957)
Transactions with owners in their capacity as owners:							
Capital contribution (debt restructured) (Note 30)	-	2,617,000	-	-	-	-	2,617,000
	-	2,617,000	-	-	-	-	2,617,000
At end of year	**10,000**	**13,182,511**	**6,310,966**	**16,100,594**	**(2,034,535)**	**5,108,009**	**38,677,545**

The notes on pages 18 to 89 are an integral part of these annual financial statements.

*See note 27 for the reserves definition.

Figures in thousands of Zambian Kwacha

Consolidated statement of cashflows

	Notes	2019 K	2018 K
Cash generated from operating activities			
Cash generated from operations	39 (a)	9,036,264	10,559,596
Income tax paid	9	(129,759)	(118,437)
Net cash inflow from operating activities		8,906,505	10,441,159
Cash flows from investing activities			
Purchase of property, plant and equipment	10 (a)	(12,187,865)	(15,217,071)
Proceeds from disposal of property, plant and equipment		1,263	2,593
Purchase of investment property	12	(34,730)	-
Loans due from related parties	18	(113,903)	(4,812)
Acquisition of subsidiary	13	(32,814)	-
Movement in financial assets	19	5,250	330,540
Investment in Associates	17 (a)	-	(155,572)
Proceeds from disposal of investment		-	51,050
Repayment of loans by related parties	18	103,524	112,686
Purchase of intangible assets	13	(13,913)	(42,174)
Interest received	8	270,082	406,162
Net cash outflow from investing activities		(12,003,106)	(14,516,598)
Cash flows from financing activities			
Proceeds from borrowings	30	8,117,829	8,136,606
Interest paid	8	(1,595,204)	(1,511,688)
Loan repayments	30	(3,873,268)	(2,330,626)
Finance lease payments	11 (b)	(59,976)	-
Capital grants	29	426,352	465,029
Net cash inflow from financing activities		3,015,733	4,759,321
Net (decrease)/increase in cash and cash equivalents		(80,868)	683,882
Movement in cash and cash equivalents			
Net (decrease) / increase		(80,868)	683,882
At start of year		3,137,800	2,453,855
Foreign exchange differences on cash and cash equivalents		(249)	63
At end of year	25	3,056,683	3,137,800

The notes on pages 18 to 89 are an integral part of these annual financial statements.

Notes to the consolidated annual financial statements

1 General information

Industrial Development Corporation Limited (the "Company") and its subsidiaries (together "the Group"). The Company is an investment holding company for the State-Owned Enterprises (SOE) and is wholly owned by the Government of the Republic of Zambia through the Minister of Finance pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia. The Company'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 Company plays its role through co-investing alongside private sector investors. Simultaneously, the Company 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. Profits generated by the company 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 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Industrial Development Corporation Limited (IDC) and its subsidiaries.

2.1 Basis of preparing the financial statements

(a) Compliance with IFRS Accounting Standards

The annual financial statements are prepared in accordance with IFRS Accounting Standards and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to entities reporting under IFRS Accounting Standards. The consolidated annual financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standard Board (IASB).

Historical cost convention

The consolidated annual financial statements have been prepared on historical cost basis, except where otherwise stated in the accounting policies below. The consolidated annual financial statements are presented in Zambia Kwacha (K). Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

In accordance with the Companies Act, 2017 of Zambia, the consolidated annual financial statements for the year ended 31 December 2019 have been approved for issue by the Directors.

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

The consolidated annual financial statements are presented in the Group's functional currency, Zambian Kwacha unless where otherwise stated.

(b) Going concern assumption

As at 31 December, 2019, the Group's current liabilities exceeded its current assets by K22.55 billion (2018 :K16.53 billion). As at the reporting date, the total borrowings amounted to K29.71 billion (2018: K25.41 billion) on which some of the loan covenants were breached. The net current liability deficit position is largely driven by the trade payables of ZESCO and Zamtel.

As at 31 March, 2024, the Group's current liabilities exceeded its current assets by K16.1 billion and the total borrowings amounted to K57.69 billion. The increase is as a result of a draw down on the loans and impact of depreciation of Kwacha against the United States Dollar.

Notes to the consolidated annual financial statements

2 **Summary of significant accounting policies (continued)**

2.1 **Basis of preparing the financial statements (continued)**

(b) **Going concern assumption (continued)**

For the Group, management has implemented several strategies aimed at optimising revenue and expenditure, and these are expected to significantly improve the financial position. Some of the key strategies implemented by the directors include the following:

- Debt structuring and refinancing of existing loans with lower rates to reduce the finance costs and repayments.
- Reassessment of investments made over the years to identify non-profitable ventures for possible disinvestments.

The shareholder is undertaking an extensive business review, and is expected to influence key decisions that will support sustainability of the business. Once the exercise is complete, the Group will be repositioned to deliver positive financial performance and maximise value for the shareholders.

i) **ZESCO Limited**

ZESCO, which is a significant subsidiary within the IDC Group, the Government of the Republic of Zambia provided a letter of comfort to the ZESCO's auditors affirming the Government's commitments to continue providing support to the company for a period of at least 12 months from the date on which the financial statements of ZESCO, for the year ended 31 December 2023, are approved. At the date of approval of the IDC group financial statements the ZESCO financial statements have not been approved by the board. In conducting the going concern assessment, the directors took into consideration the following:

The subsidiary's current liabilities as at 31 December 2022 of K40.9 billion (2021: K38.9 billion) exceeded the current assets of K11.3billion (2021: K9.9 billion) by K29.6 billion (2021:K29).

The increase in current liabilities by 5% to K40.9 billion from K38.9 billion in 2021 was mainly due to depreciation of the kwacha against the US dollar, as over 85% of liabilities in terms of trade payables owed to Independent Power Producers are invoiced in US dollar,while the subsidiary's reporting currency is the local currency kwacha, which appreciated by the end of 2022.

Current liabilities as at 31 March 2024 of K48.17 billion exceeded the current assets of K25.08 billion by K23.09 billion.

Operating performance

The subsidiary recorded a decline in generation towards the end of 2023 and is expected to continue in the financial year 2024 owing to low water levels at Kariba Dam. The subsidiary is aware of the risk brought about by climate change and is actively exploring opportunities to invest in alternative renewable generation sources such as solar. Notwithstanding, to mitigate reduced available power, the subsidiary implements various measures when need arises including load management, power imports and demand side management which is educating customers on efficient use of power to reduce the effects thereof.

Measures to address net current liability position

The initiatives that the Directors are implementing to actualize its strategic objectives include;

a) ***Debt Restructuring***

The long-term debt stands at about K30 billion (US$1.1 billion), borrowed for capital infrastructure investment. Outlined below is the debt position per category and associated strategy:

- *Loans guaranteed by the Government of the Republic of Zambia*

  This debt is subject to debt restructuring as part of the comprehensive debt treatment under the G20 Common Framework. The total debt outstanding under this category stood at US$ 618 million as at 31 March 2024.

- *On lent loans*

  These are loans procured by the Government of the Republic of Zambia and on lent to ZESCO Limited. As part of the debt restructuring, the subsidiary has reached an advanced stage in engagement with the Government of Zambia through the Ministry of Finance and National Planning to convert the Government guaranteed and on-lent concessional loans to equity amounting to US$372 million. Once the loans have been converted, it is expected to reduce the levels of gearing and improve the equity.

Notes to the consolidated annual financial statements

2 **Summary of significant accounting policies (continued)**

2.1 **Basis of preparing the financial statements (continued)**

(b) **Going concern assumption (continued)**

i) **ZESCO Limited (continued)**

a) **Debt Restructuring (continued)**

- Commercial loans

The payment on commercial loans are current and these are secured by the subsidiary's receivables through dedicated Debt Service Reserve Accounts. The subsidiary is targeting early redemption on some loans and is in the process of re-negotiating the terms of the existing expensive long-term debt under the commercial loans category. The process of engagement with various lenders is still on going. The strategy includes engagement of individual lenders with a view to restructure the existing debt by reviewing the repayment terms and interest rates and possible deferment of the repayment of loans as they fall due. The total debt as at 31 March 2024 is US$ 207 million.

b) ***Power Purchase Arrears***

The subsidiary has agreed on payment plans with some of the suppliers which include payment of the current invoices and additional amounts towards the liquidation of the arrears.

The subsidiary concluded tariff re-negotiations with Itezhi-Tezhi Power Company (ITPC) as at May 2023, for amendment to Power Purchase Agreement (PPA) of 2015. The effective conclusion of discussions resulted in the reduction of the amount from USD 784 million to USD 330 million leading to a saving of USD 454 million.

c) ***Revenue Enhancement.***

Migration to cost reflective tariffs for Domestic customers through tariff application to Energy Regulation Board. The Energy Regulation Board approved the Multiyear tariffs in April 2023 effective May 2023.

ii) **Zambia Telecommunications Company Limited**

The subsidiary made a loss of K606 million (2022 :K545 million) for the year ended 31 December 2023. The subsidiary's current liabilities exceeded its current assets by K3.2 billion (2022 : K3 billion) and as at that date, the subsidiary had shareholder deficit of K1.9 billion (2022: K1.6 billion).

Debt Restructuring

Management is working on restructuring the foreign currency denominated debt to mitigate foreign exchange exposure arising from the depreciation of the local currency and improve the financial position. To date, the subsidiary has managed to negotiate a conditional debt discount of US$15 million out of US$30 million owed to ZTE. In addition, the Business managed to get a debt settlement discount of US$62,000 from NEC. Other interventions being pursued include:

- A claim for reimbursement of costs amounting to US$47.2 million incurred by the subsidiary over the last three years to maintain GRZ rural social site was approved by the Ministry of Finance on 10 th April 2024.
- The subsidiary has engaged the Treasury for Debt-to-Equity Conversion of Government Guaranteed Debt amounting to US$22 million.
- Debt for asset swaps – Specific assets have been transferred to Infratel leading into a reduction of debt. The assets transferred include Zamtel House, Chelstone Exchange and Kafue Exchange worth K162 million.
- The subsidiary has restructured payment plans with Huawei to free up working capital. In this regard, the subsidiary has a debt dismantling agreement with Huawei under which the Ministry of Technology and Science has committed to pay US$7.1 million to Huawei on behalf of the subsidiary. To date, the Treasury has released US$4 million towards dismantling of debt owed to Huawei leaving the balance of US$3.1 million to be settled in the future.

Directors overall assessment on Going Concern

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business. However, in the event that the Group and its subsidiaries do not receive the financial support from the Government and does not meet the turnaround strategies and assumptions of these strategies, a material uncertainty exists which may cast doubt about the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notes to the consolidated annual financial statements

2 **Summary of significant accounting policies (continued)**

2.2 **Changes in accounting policy and disclosures**

(i) **New and amended standards adopted by the Group**

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards.

- IFRS 16 Leases
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Interpretation 23 Uncertainty over Income Tax Treatments

The impact of adopting IFRS 16 is disclosed below. The other amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

IFRS 16 Leases – Impact on adoption

With effect from 1 January 2019, IFRS 16: Leases ("IFRS 16") replaced IAS 17: Leases ("IAS 17") as well as the related interpretations. The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on the statement of financial position. The most significant change pertaining to the accounting treatment for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases, as was required by IAS 17, and introduces a single lessee accounting model, where a right of use asset ("ROU") together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Adoption and transition

The Company has adopted IFRS 16 from 1 January 2019, but has not restated comparatives for the 31 December 2018 reporting period, as permitted under the specific transitional provisions in IFRS 16. The Company has elected the simplified approach in applying IFRS 16.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019.

IFRS 16 introduced a single, on-statement of financial position accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. After the adoption of IFRS 16, the Group recognised a depreciation expense on the right-of-use assets and an interest expense accruing on the lease liabilities and no longer recognised an operating lease expense for these leases. Cash generated from operations increased as lease costs are no longer included in this category. Interest paid increased, as it includes the interest portion of the lease liability payments and the capital portion of lease liability repayments is included in cash used in financing activities. Lessor accounting remains similar to previous accounting policies.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This did not result in any measurement adjustments.

i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics

Notes to the consolidated annual financial statements

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

IFRS 16 Leases – Impact on adoption (continued)

Adoption and transition (continued)

i) Practical expedients applied (continued)

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an arrangement contains a lease.

ii) Measurement of lease liabilities

	2019
	K
Operating lease commitments disclosed as at 31 December 2018	1,985
Discounted using the lessee's incremental borrowing rate of at the date of initial application	
Add: finance lease liabilities recognised as at 31 December 2018	193,885
Lease liability recognised as at 1 January 2019	**193,885**
Of which are:	
Current lease liability	45,353
Non-current lease liability	148,532
Lease liability recognised as at 1 January 2019	**193,885**

iii) Measurement of rights-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

iv) Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019

Impact of assets, liabilities and equity	As at 31 December 2018	IFRS 16 Adjustments	As at 1 January 2019
	K	K	K
Assets			
Right-of-use-assets	-	193,885	193,885
Net impact on total assets	-	193,885	193,885
Liabilities			
Current lease liability	-	45,353	45,353
Non-current lease liability	-	148,532	148,532
Net impact on total liabilities	-	**193,885**	**193,885**
Retained earnings	-	-	-

Notes to the consolidated annual financial statements

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases.

ii) **New standards and interpretations that are not yet effective and have not been early adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. The Director have done an assessment that these standards are not expected to have a material impact on the annual financial statements.

Number	Effective date	Executive summary
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.	Annual periods beginning on or after 1 January 2020	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: - use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; - clarify the explanation of the definition of material; and - incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."
Amendments to IFRS 9, Financial Instruments, IAS 39,Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosure – Interest rate benchmark reform.	Annual periods beginning on or after 1 January 2020 (early adoption is permitted) (Published September 2019)	These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

Notes to the consolidated annual financial statements

2 Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting (continued)

iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Industrial Development Corporation Limited.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.4 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The Board of Industrial Development Corporation Limited has appointed a strategic steering committee which assesses the financial performance and position of the Group and makes strategic decisions. The steering committee, which has been identified as being the CODM, consists of the Chief Executive Officer and the Chief Financial Officer.

2.6 Foreign currency translation

i) Functional and presentation currency

Items included in the annual financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The annual financial statements are presented in Zambia Kwacha, which is the Group's functional currency.

Notes to the consolidated annual financial statements

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such 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.

All foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

iii) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and;
- all resulting exchange differences are recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.7 Revenue recognition

Sale of goods

Revenue is recognised in the period in which the Group has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligations that could affect the customers' acceptance of the products. Delivery does not occur until the products have been accepted by the customers.

Services rendered

Revenue is recognised over time as the services are provided and costs are expensed as incurred. Amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as accounts receivable if only the passage of time is required before payment of these amounts will be due or as contract assets if payment is conditional on future performance.

The stage of completion for determining the amount of revenue to recognise is assessed based on surveys of work performed and the Group has an enforceable right to payment for the work completed to date.

When services under a single arrangement are rendered in different reporting periods, the consideration is allocated on a relative fair value basis between the services.

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.

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.

Notes to the consolidated annual financial statements

2 Summary of significant accounting policies (continued)

2.7 Revenue recognition (continued)

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.

Revenue represents the net invoice value of services provided to third parties after deducting discounts, volume rebates, outgoing sales taxes and duties, and is recognised when control is transferred to the customers.

Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income. Interest income is recognised using the effective interest method.

Network services and digital and fintech

The Group provides mobile telecommunication services, including network services and digital. Network services (comprising voice, data and SMS) are considered to represent a single performance obligation as all are provided over the Group network and transmitted as data representing a digital signal on the network. The transmission of voice, data and SMS all consume network bandwidth and therefore, irrespective of the nature of the communication, the subscriber ultimately receives access to the network and the right to consume network bandwidth. Network services are, therefore viewed as a single performance obligation represented by capacity on the Group.

Mobile money services

Revenue from transacting on the mobile platform is recognised at a point in time when the performance obligation is satisfied. The Group recognizes revenue when the customer has successfully transacted on the mobile payment platform, at which point the Group has fulfilled its contractual obligation.

It is the Group's policy to recognise revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable.

Fees comprise of withdraw charges, money transfer charges, commissions and bulk payment charges. These are recognised on the date the transactions are performed.

2.8 **Property, plant and equipment**

All items of property, plant and equipment are initially recognised at cost and subsequently shown at fair value, based on valuations by external independent valuers, less accumulated depreciation. Valuations are performed with sufficient regularity to ensure that the fair value does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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

Depreciation is calculated on the straight - line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

Land	unexpired lease term
Buildings	50 years
Equipment and furniture	15 - 20 years
Motor vehicles	3 - 5 years
IT equipment	4 - 5 years

Capital work in progress, which represents additions to property, plant and equipment that have not yet been brought into use, is not depreciated. Additions are transferred into the above depreciable asset classes once they are brought into use. Capital work in progress is measured at cost less impairments.

Notes to the consolidated annual financial statements

2 **Summary of significant accounting policies (continued)**

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

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

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other Comprehensive Income (OCI) and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in other comprehensive income and reduces the revaluation surplus within equity.

2.9 **Investment property**

Investment property is property held to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, use for the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the profit or loss.

Any gain or loss on the disposal of investment property (calculated as the difference between the net proceeds and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount that is included in the revaluation reserve is transferred to retained earnings.

2.10 **Assets held for sale**

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset is recognised at the date of derecognition.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

2.11 **Leases**

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

1) *The Group as lessor*

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.

Notes to the consolidated annual financial statements

2 Summary of significant accounting policies (continued)

2.11 Leases (continued)

2) *The Group as a lessee*

i) *Right of use assets*

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use under the contract). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date (which do not form part of the lease liability value at the commencement date).

Right of use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term as follows:

Buildings	5 -10 years	Lease term
Office equipm	5 years	Lease term

The right-of-use assets are tested for impairment in accordance with IAS 36 "Impairment of Assets

ii) *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of all remaining lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments where the contracts specify fixed or minimum uplifts) and variable lease payments that depend on an index or a rate.

The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs. Due to the nature of the leased assets the interest rate implicit in the lease is usually not readily determinable, the Group therefore uses the incremental borrowing rate in calculating the present value of lease payments at the lease commencement date.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, less any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercise.

2.12 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred;
- Liabilities incurred to the former owners of the acquired business;
- Equity interests issued by the Group;
- Fair value of any asset or liability resulting from a contingent consideration arrangement, and;
- Fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- Consideration transferred,
- Amount of any non-controlling interest in the acquired entity, and
- Acquisition-date fair value of any previous equity interest in the acquired entity

Notes to the consolidated annual financial statements

2 Summary of significant accounting policies (continued)

2.12 Business combinations (continued)

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.13 Biological assets - Plantation in formation

Plantations in formation are stated at cost or valuation. Cost includes direct costs, overhead expenses and that proportion of depreciation which relates to non-harvesting assets. The accumulated cost or valuation of plantations in formation is stated after deducting those costs which relate to areas clear-felled and to the volume of thinning in the year.

Depreciation is calculated on the straight line basis to write down the cost of the asset, to its residual value over its estimated average use life as follows:

Pine	25
Eucalyptus	15

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.

2.14 Inventories

Inventories are measured at the lower of cost and net realizable value, net realizable 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.

2.15 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, considering the risks and uncertainties surrounding the obligation. 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

Notes to the consolidated annual financial statements

2 Summary of significant accounting policies (continued)

2.15 Provisions (continued)

When some or all 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 because of services rendered by employees up to the reporting date.

Environmental rehabilitation and restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, is accounted for in accordance with:

(a) Changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:

i) A decrease in the liability is (subject to (b)) be recognised in other comprehensive income and increase the revaluation surplus within equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss;

ii) An increase in the liability is recognised in profit or loss, except that it shall be recognised in other comprehensive income and reduce the revaluation surplus within equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) In the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in profit or loss.

(c) A change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be recognised in profit or loss or in other comprehensive income under If a revaluation is necessary, all assets of that class are revalued.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability shall be recognised in profit or loss as they occur. This applies under both the cost model and the revaluation model.

2.16 Financial instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Classification and measurement

Financial assets

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The group reclassifies debt investments when and only when its business model for managing those assets changes. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group measures its debt instruments at amortised cost as assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income.

using the effective interest rate method. The Group's financial assets are trade and other receivables, cash and cash equivalents, other financial assets at amortised cost, financial assets at fair value through other comprehensive income (FVOCI), reinsurance receivable, insurance receivable and financial assets at fair value through profit or loss (FVPL).

Notes to the consolidated annual financial statements

2 Summary of significant accounting policies (continued)

2.16 Financial instruments (continued)

Classification and measurement (continued)

Financial assets (continued)

i) Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

ii) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

iii) Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it if it is classified as held for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

iv) Held-to-maturity financial assets

These assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method.

v) Loans due from related parties

Loans due from related parties are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

vi) Available-for-sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Financial liabilities

Financial liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

i) *Borrowings*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Notes to the consolidated annual financial statements

2 Summary of significant accounting policies (continued)

2.16 Financial instruments (continued)

Classification and measurement (continued)

Financial liabilities (continued)

i) *Borrowings (continued)*

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

ii) *Trade and other payables*

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

iii) 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.

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 amortization 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

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.

Life assurance funds

The Groups 's liabilities for unmatured policies under long term insurance contracts are calculated at the reporting date by an Independent Statutory Actuary in accordance with the requirements of the Zambian Insurance Act of 1997 based on the principles set out in the professional guidance. The valuation method used is 'Gross Premium Valuation, method (GPV) recommended by the Actuarial professional standards and in line with section 38 of the Zambian Insurance Act 1997. The transfer to or from the policyholder liabilities under insurance contracts reflected in the statement of profit or loss and other comprehensive income represents the increase or decrease in actuarial liabilities.

Notes to the consolidated annual financial statements

2 **Summary of significant accounting policies (continued)**

2.16 **Financial instruments (continued)**

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Refer to Note 4(b) for further details.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Substantial modification

A substantial modification of the terms of an existing debt instrument or part of it is accounted for as an extinguishment of the original debt instrument and the recognition of a new debt instrument. Gains or losses arising from the modification of the terms of a debt instrument are recognised immediately in profit or loss where the modification does not result in the derecognition of the existing instrument.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. As at the reporting period, there were no assets and liabilities off-set relating to financial instruments. The legally enforceable right is not contingent on future events and is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.17 **Other current assets**

Other current assets include prepayments which are amounts paid in advance during the accounting period for an underlying asset that will be consumed in a future period. When the asset is used or consumed, the prepayments are amortised, and costs are recognised in operating expenses. Prepayments are stated at their nominal values in the financial statements.

2.18 **Share capital**

Ordinary shares are classified as share capital in equity. Any premium received over and above the par value of the shares is classified as share premium in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

2.19 **Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible redeemable accumulative preferred stock.

2.20 **Employee benefits**

i) Pension obligations

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 based on 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.

Notes to the consolidated annual financial statements

2 Summary of significant accounting policies (continued)

2.20 Employee benefits (continued)

i) Pension obligations (continued)

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.

ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

iii) Post-retirement benefits

The expected costs of providing post-retirement benefits under defined benefits arrangements relating to employees' service during the period are charged to profit or loss. Any actuarial assumptions are recognized immediately in other comprehensive income. In all cases, the pension costs are assessed in accordance with the advice of independent qualified actuaries but require the exercise of significant judgments in relation to assumptions for future salary and pension increases, long term price inflation and investment returns. While management believes the assumptions used are appropriate, a change in assumptions would impact the earnings of the Group.

2.21 Capital grants

Capital grants are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight- line basis over the expected lives of the related assets.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

2.22 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Notes to the consolidated annual financial statements

2 **Summary of significant accounting policies (continued)**

2.22 **Income tax (continued)**

ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3 **Critical accounting estimates and judgements**

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.

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:

3.1 **Fair value of financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at each reporting date.

Listed equities are valued based on their listed value (fair value) on 31 December 2019.

Unlisted equities are valued based on various valuation methods, including free cash flow, price earnings (PE) and net asset value basis (NAV) bases.

Judgements and assumptions in the valuations and impairments include determining the:

- Free cash flows of investees
- Replacement values
- Discount or premium applied to the IDC's stake in investees
- Sector/subsector betas
- Debt weighting - this is the target interest bearing debt level
- Realisable value of assets
- Probabilities of failure in using the NAV-model

3.2 **Income taxes**

Significant judgement is required in determining the worldwide provision for 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 audit issues 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 the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the consolidated annual financial statements

3 Critical accounting estimates and judgements (continued)

3.3 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.

3.4 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.

3.5 Post-employment obligations

Significant judgement and actuarial assumptions are required to determine the fair value of the postemployment obligations. More detail on these actuarial assumptions is provided in the notes to the financial statements.

3.6 Environmental rehabilitation liability

In determining the environmental rehabilitation liability, an inflation rate of 6.02% (FY2017: 5.78%) was assumed to increase the rehabilitation liability for the next 20 years, and a rate of 9.2% (FY2017: 8.39%) to discount that amount to present value. The discount rate assumed of 9.2% is a risk-free rate, specifically the rate at which government bond was quoted at year end.

3.7 Impairment of assets

The Group follows the guidance of IAS 36, Impairment of assets to determine when an asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates the impairment indicators that could exist at year end, such as significant decreases in the selling prices of finished goods, significant decreases in sales volumes and changes in the international export regulatory environment.

3.8 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.

3.9 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 there 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.

3.10 Provisions

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.

Further, a provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cashflows at a pre -tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

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.

a) *Market risk*

(i) *Foreign exchange risk exposure*

Foreign exchange risk arises when recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group is exposed to foreign currency risk primarily with respect to the Zambian Kwacha. To manage foreign exchange risk, the Group holds bank balances in the relevant foreign currencies and continuously monitors markets and purchases any foreign currency required at the spot rate.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Zambian Kwacha is detailed in the table below.

	Exposure				Total
	USD	EUR	ZAR	Other	
As at 31 December 2019	K	K	K	K	K
Financial assets					
Trade and other receivables	2,307,264	-	-	4,885	2,312,149
Assets held for sale	131,888	-	-	-	131,888
Cash and cash equivalents	2,254,361	-	-	686	2,255,047
	4,693,513	-	-	5,571	4,699,084
Financial liabilities					
Provisions	202,371	-	-	-	202,371
Liabilities directly associated with assets classified as held for sale	171,772	-	-	-	171,772
Borrowings	29,158,955	816,117	70,420	277,133	30,322,625
Trade and other payables	2,528,655	-	-	19,245	2,547,900
	32,061,753	816,117	70,420	296,378	33,244,668
Net exposure	(27,368,240)	(816,117)	(70,420)	(290,807)	(28,545,584)
As at 31 December 2018					
Financial assets					
Trade and other receivables	5,193,359	-	-	-	5,193,359
Held to maturity financial assets	191,636	-	-	-	191,636
Cash and cash equivalents	2,348,367	-	-	-	2,348,367
	7,733,362	-	-	-	7,733,362
Financial liabilities					
Provisions	144,436	-	-	-	144,436
Borrowings	14,653,519	5,663	75,343	95,588	14,830,113
Trade and other payables	14,798,211	9,642	-	-	14,807,853
	29,596,166	15,305	75,343	95,588	29,782,402
Net exposure	(21,862,804)	(15,305)	(75,343)	(95,588)	(22,049,040)

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

4 Financial risk management (continued)

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities.

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, corporate bonds and deposits with banks, loans due from related parties, as well as trade and other receivables. The Group has no significant concentrations of credit risk.

Impairment of financial assets

As at 31 December 2019	Energy & Resources	Financial Services	Industrial Market	Telecommunication & Media	Tourism, Real estate & Others	Transport & logistics	Total
Loss rate per sector	**59.22%**	**26.99%**	**59.27%**	**46.05%**	**12.77%**	**90.77%**	
	K	K	K	K	K	K	K
Gross	14,734,214	1,026,057	1,443,012	1,035,786	91,879	269,288	18,600,236
Impairment	(7,805,956)	(89,533)	(490,357)	(490,764)	(20,616)	(239,367)	(9,136,593)
	6,928,258	936,524	952,655	545,022	71,263	29,921	9,463,643
As at 31 December 2018							
Loss rate per sector	**65.87%**	**7.93%**	**19.81%**	**74.72%**	**30.31%**	**16.80%**	
Gross	9,243,442	730,381	1,255,650	552,196	49,627	329,036	12,160,332
Impairment	(6,088,587)	(57,893)	(248,734)	(412,583)	(15,040)	(55,279)	(6,878,116)
	3,154,855	672,488	1,006,916	139,613	34,587	273,757	5,282,216

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2019	2018
	K	K
At start of year	2,323,406	5,080,851
Impairment charge recognised in profit or loss	6,500,158	1,287,324
Recoveries	(224,304)	(4,044,769)
	8,599,260	2,323,406

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

4 Financial risk management (continued)

b) Credit risk (continued)

An amount K8.60 billion (2018: K2.32 billion) has been impaired as no repayments have been made on the balances in the year and there is objective evidence of impairment. The Group believes that the unimpaired amounts that are past due by more than 90 days are still collectible, based on historical payment behaviour and extensive analysis of customer credit risk.

Impairment losses on trade receivables are presented as net impairment losses on financial assets in profit of loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Cash and cash equivalents and Loans due from related parties

While these balances are also subject to the impairment requirements of IFRS 9, the identified impairment of loans due from related parties of K0.42 million, was immaterial.

Other financial assets at amortised cost

Other financial assets at amortised cost relate to receivables from related parties, staff debtors, and sundry debtors. All of the Group's other financial assets at amortised cost are considered to have a low risk of default and the counter parties have a strong capacity to meet their contractual cash flow obligations in the near term.

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

Management monitors rolling forecasts of the group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group, in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates.

In addition, the Group's liquidity management policy involves projecting cash flows, monitoring financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

i) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2019 K	2018 K
Expiring within one year (bank loan & overdrafts)	3,129,332	5,476,116

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

ii) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

4 Financial risk management (continued)

c) Liquidity risk

	Less than 1 year K	Between 2 and 5 years K	Over 5 years K	Total K
At 31 December 2019:				
Borrowings	3,050,736	8,349,312	20,079,559	31,479,607
Outstanding claims	-	-	70,326	70,326
Trade and other payables (excluding statutory liabilities)	24,460,331	-	-	24,460,331
Amounts due to related parties	4,822,090	-	-	4,822,090
Bank overdraft	78,596	-	-	78,596
Lease liabilities	48,341	105,149	2,603	156,093
	32,460,094	8,454,461	20,152,488	61,067,043
At 31 December 2018:				
Borrowings	8,012,007	6,059,566	14,581,535	28,653,108
Trade and other payables (excluding statutory liabilities)	20,845,714	-	-	20,845,714
Amounts due to related parties	2,478,758	-	-	2,478,758
Bank overdraft	88,939	-	-	88,939
Lease liabilities	240	850	-	1,090
	31,425,658	6,060,416	14,581,535	52,067,609

d) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio which is calculated as Net debt divided by Total 'equity' (as shown in the statement of financial position).

During 2019, the Group's strategy, which was unchanged from 2018, was to maintain a gearing ratio of less than 50%. The gearing ratio is not part of the contractual debt covenants imposed by the lenders. Therefore, there is no adverse financing implications on the Group in the event that the ratio deteriorates. The gearing ratio at 31 December 2019 (2018) was as follows:

	2019 K	2018 K
Net debt (Note 39 (b))	(26,653,764)	(22,268,242)
Total equity	38,677,545	39,301,502
	69%	57%

Compliance with debt covenants

As at the end of the reporting period, the Group did not comply with all the financial debt covenants. Refer to Note 31 for details.

e) Financial instruments by category

	2019	2018
Financial assets at amortised cost	151,037	132,697
Financial assets at fair value through profit or loss	-	5,250
Financial assets at FVOCI	59,278	50,058
Reinsurance receivables	113,913	90,648
Insurance receivable	174,196	181,862
Trade and other receivables(less prepayments)	4,659,737	3,779,754
Amounts due from related parties	3,353,109	3,162,806
Loans due from related parties	417,909	407,530
Cash and cash equivalent	3,135,279	3,226,739
	7,795,016	7,006,493
Financial liabilities at amortised cost		
Borrowings	29,710,447	25,406,042
Trade and other payables (less statutory liabilities)	24,460,331	20,720,708
Lease liabilities	347,813	1,090
Amounts due to related parties	4,667,159	2,436,166
	54,170,778	46,126,750

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements

5 Segment reporting

The Group's Chief Operating Decision Makers (CODMs), (consisting of the Chief Executive Officer and the Chief Financial Officer), examine the Group's performance from a product perspective and has identified two aggregated reportable segments of its business as shown in the table below. The business activities are grouped in these segments based on the nature of their products and services.

- Energy and resources
- Financial services
- Industries
- Telecommunication and media
- Tourism, real estate and other
- Transport and logistics

The individual segments have been aggregated into Energy and resources, Financial services, Industries, Telecommunication and media, Tourism, real estate and other and Transport and logistics as they have similar average gross margins and similar expected growth rates.

The CODMs primarily use a measure of gross profit to assess the performance of the operating segments. Interest income, finance costs and assets are not allocated to segments, as these activities are driven by the central treasury function which manages the cash position of the Group while assets are shared between the segments. There is no single customer of the Group making up 10% of revenue.

i) ***Segment revenue***

2019	Energy and resources	Financial services	Industries Markets	Telecommunication and media	Tourism,real estate and others	Transport and logistics	Total
	K	K	K	K	K	K	K
Revenue	11,194,369	47,094	538,581	694,502	191,448	358,510	13,024,504
Premium,claims and reinsurance commissions	-	434,301	-	-	-	-	434,301
Other income	1,763,389	135,993	7,571	891,372	11,370	53,799	2,863,494
Cost of material	(5,879,827)	125,007	(318,606)	(158,259)	(41,713)	(249,689)	(6,523,087)
Premiums ceded to reinsurers	-	(227,337)	-	-	-	-	(227,337)
Employee benefit expense	(2,509,384)	(249,926)	(296,392)	(256,152)	(80,630)	(216,110)	(3,608,594)
Depreciation and amortisation	(2,040,648)	(13,885)	(33,220)	(424,247)	(137,966)	(95,551)	(2,745,517)
Fair value adjustments	7,891	23,615	-	-	48,158	-	79,664
Other expenses	(7,517,789)	(259,687)	(290,590)	(481,935)	-	(90,763)	(8,640,764)
Operating loss	(4,981,999)	15,175	(392,656)	265,281	(9,333)	(239,804)	(5,343,336)

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

5 Segment reporting (continued)

i) *Segment revenue (continued)*

2018	Energy and resources	Financial services	Industries Markets	Telecommunication and media	Tourism,real estate and others	Transport and logistics	Total
	K	K	K	K	K	K	K
Revenue	10,318,585	44,536	454,143	776,880	210,772	293,523	12,098,439
Premium,claims and reinsurance commissions	-	470,046	-	-	-	-	470,046
Other income	656,096	73,577	248,435	374,253	6,900	48,168	1,407,429
Cost of material	(2,659,188)	(458)	(380,128)	(565,560)	(17,721)	-	(3,623,055)
Premiums ceded to reinsurers	-	(270,113)	-	-	-	-	(270,113)
Employee benefit expense	(2,587,304)	(159,596)	(521,914)	(253,991)	(108,536)	(219,888)	(3,851,229)
Depreciation and amortisation	(2,230,610)	(7,134)	(4,389)	(159,489)	(28,315)	(21,246)	(2,451,183)
Fair value adjustments	3,132,525	-	-	-	12,305	9,880	3,154,710
Other expenses	(6,033,805)	(102,670)	(349,881)	(266,762)	(120,452)	(170,833)	(7,044,403)
Operating loss	596,299	48,188	(553,734)	(94,669)	(45,047)	(60,396)	(109,359)

ii) *Disaggregated revenue streams*

	2019	2018
	K	K
Energy and resources	11,194,369	10,318,585
Financial services	481,395	514,582
Industries Markets	538,581	454,143
Telecommunication and media	694,502	776,880
Tourism,real estate and others	191,448	210,772
Transport and logistics	358,510	293,523
	13,458,805	12,568,485

iii) *Segment assets and liabilities*

The Group's assets and liabilities are not allocated to each segment. However, the CODMs review information regarding the operating assets and liabilities of the main reporting entities within the Group as shown in the table below.

As at 31 December 2019	Energy and resources	Financial services	Industries Markets	Telecommunication and media	Tourism,real estate and others	Transport and logistics	Total
	K	K	K	K	K	K	K
Total assets	110,628,491	559,697	2,515,601	5,421,682	1,645,142	2,134,872	122,905,485
Total liabilities	73,114,385	173,853	3,276,107	5,976,848	836,717	850,030	84,227,940
As at 31 December 2018							
Total assets	84,009,163	758,884	5,156,294	3,071,932	13,252,771	1,475,892	107,724,936
Total liabilities	46,274,061	879,112	3,090,847	5,528,947	12,115,460	535,007	68,423,434

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements

6 Other income / (expenses)

	2019 K	2018 K
Treasury income	79,267	10,210
Rental income	42,309	92,320
Bad debts recovered	11,925	5,400
Storage charges and other	2,475	132,050
Profit from asset disposal	983,469	219,317
Amortisation income	-	30,520
Sundry Income*	1,515,329	53,161
Commission income	29,660	410,757
Pension funds - management fees	17,614	48,900
Other (expenses) / income	(12,903)	265,217
Courier services	10,139	128,760
Government grants	184,211	10,817
	2,863,495	1,407,429

* Sundry income relates refunds obtained from Sinosure Insurance Company for Kafue Gorge Project.

7 Expenses by nature

	2019 K	2018 K
7.1 *Cost of materials*		
Local purchases	4,564,918	2,230,261
Direct labour costs	656,889	584,760
Maintenance costs	381,362	344,380
Power imports	178,180	10,050
Generation water usage costs	124,437	112,632
Local wheeling charges	110,396	94,418
Other miscellaneous expenses	506,904	246,554
	6,523,086	3,623,055
7.2 *Administrative expenses*		
Depreciation (Note 10)	2,638,154	2,442,821
Amortisation (Note 13)	15,652	8,043
Depreciation charge on right of use assets (11 a)	91,713	319
Employee benefits (Note 7.4)	3,608,594	3,851,229
Other expenses	8,640,764	7,044,403
	14,994,877	13,346,815
7.3 *Other costs*		
Premiums ceded to reinsurers	227,337	270,113

7.4 Employee benefits

	2019 K	2018 K
Salaries and other staff costs	3,452,877	2,688,740
Retirement benefits costs:		
NAPSA and defined contributions scheme	155,717	1,162,489
	3,608,594	3,851,229

8 Finance income / (costs)

	2019 K	2018 K
Finance income		
Interest income on investments and placements	270,082	460,176
	270,082	460,176
Finance cost		
Interest expense on lease liabilities (Note 11 (b))	(22,898)	-
Interest expense on loans	(1,595,204)	(1,565,702)
	(1,618,102)	(1,565,702)
Net finance costs	(1,348,020)	(1,105,526)

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

9 Income tax expense

	2019 K	2018 K
Current income tax expense	434,965	206,352
Deferred income tax credit (Note 28)	(782,379)	(4,122,220)
	(347,414)	(3,915,868)

i) *Numerical reconciliation of income tax expense to prima facie tax payable*

The tax on the Group' profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2019 K	2018 K
(Loss) / profit before income tax	(6,745,490)	405,197
Adjust for:		
Share of loss of associate	604,247	(1,180,164)
Share of loss of joint venture	(658,381)	(439,918)
	(6,799,624)	(1,214,885)
Tax calculated at the statutory income tax rates of 35%/10% (2018 - 35%)	(2,234,418)	(396,458)
Tax effect of:		
Expenses not deductible for tax purposes	(360,498)	-
Effect of a lower tax rate - ZDA incentive	(41,769)	(510,159)
Tax rate adjustment	56,872	(43,078)
Over / (under) provision current year - deferred tax	2,420,409	-
Impact of change in tax rate	506,818	(2,365,621)
		(600,552)
Income tax expense	347,414	(3,915,868)

ii) **Movement in current income tax on the statement of financial position**

	2019 K	2018 K
At start of year	1,784,826	1,738,154
Current income tax charge	434,942	206,352
On acquisition of subsidiary	(209)	(44,847)
Under provision in prior year	67,428	3,604
Payments during the year	(129,759)	(118,437)
At end of year	2,157,228	1,784,826

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements

10 Property, plant and equipment

	Land & buildings	Equipment and furniture	Motor vehicles	IT equipment	Capital work in progress	Total
	K	K	K	K	K	K
At 1 January 2018						
Cost	14,096,491	32,157,520	275,891	83,669	8,038,731	54,652,302
Accumulated depreciation	(259,271)	(2,809,180)	(194,671)	(19,920)	-	(3,283,042)
Net book value	13,837,220	29,348,340	81,220	63,749	8,038,731	51,369,260
Year ended 31 December 2018						
Opening net book value	13,837,220	29,348,340	81,220	63,749	8,038,731	51,369,260
Additions	101,971	1,350,528	165,797	13,226	13,585,549	15,217,071
Transfer from plantation in formation	-	131,940	-	-	-	131,940
Transfer from CWIP	8,430	416,186	2,871	-	(427,487)	-
Disposals	(668)	(338)	(12,922)	(38)	-	(13,966)
Depreciation charge	(386,812)	(1,794,412)	(260,085)	(1,512)	-	(2,442,821)
Depreciation writeback	417	338	11,048	44	-	11,847
Reclassification	(3,043,729)	(1,105,424)	4,149,153	-	-	-
Revaluation surplus	360,239	66,319	(3,205)	-	(195)	423,158
Adjustments	-	-	-	-	(76,493)	(76,493)
impairments	-	-	-	-	(6,105)	(6,105)
Elimination on revaluation	20,488	166,529	25,746	-	-	212,763
Closing net book amount	10,897,556	28,580,006	4,159,623	75,469	21,114,000	64,826,654
At 31 December 2018						
Cost	11,522,734	33,016,731	4,577,585	96,857	21,114,000	70,327,907
Accumulated depreciation	(625,178)	(4,436,725)	(417,962)	(21,388)	-	(5,501,253)
Net book value	10,897,556	28,580,006	4,159,623	75,469	21,114,000	64,826,654

The register showing the details of property as required by Section 30 of the Companies Act, 2017 of Zambia is available during the business hours at the registered offices of the Group Companies.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

10 Property, plant and equipment (continued)

	Land & buildings	Equipment and furniture	Motor vehicles	IT equipment	Capital work in progress	Total
	K	K	K	K	K	K
Year ended 31 December 2019						
Opening net book value	10,897,556	28,580,006	4,159,623	75,469	21,114,000	64,826,654
Additions	58,308	1,480,276	99,191	2,526	10,547,564	12,187,865
Depreciation capitalised	-	-	-	-	609	609
Acquisition of subsidiary	2,783	17,255	2,785	477,897	719,208	1,219,928
Transfer from investment property (Note 12)	19,220	-	-	-	-	19,220
Disposals*	(50,695)	(1,896,159)	(23,358)	(1,450)	-	(1,971,662)
REA transfers in	-	47,409	-	-	-	47,409
Transfers to investment property (Note 12)	(142,912)	-	-	-	-	(142,912)
Transfers from plantation	-	-	-	-	49,702	49,702
Transfer from CWIP	205,338	974,777	104,490	778	(1,285,383)	-
Revaluation surplus**	966,203	377,784	(200)	3,760	(579,005)	768,542
Reclassified to assets held for sale	(54,232)	(14,915)	(1,288)	-	(1,886)	(72,321)
Transfer to intangibles	-	(7,190)	-	-	(5,209)	(12,399)
Other	2,955	420	-	-	-	3,375
Reclassification cost	990	(953)	(37)	-	-	-
Depreciation other	(51)	230	738	-	-	917
Depreciation charge	(393,398)	(1,999,270)	(202,198)	(43,287)	-	(2,638,153)
Depreciation writeback	-	1,228	6,340	6,909	-	14,477
Depreciation on acquisition	(86)	(1,530)	(788)	(404,292)	(86)	(406,782)
Depreciation on disposals	32,631	282,778	2,561	-	(611)	317,359
Depreciation reclassified to assets held for sale	14,102	6,717	5,556	-	-	26,375
Depreciation elimination on revaluation	143,255	173,723	2,392	-	-	319,370
Closing net book value	11,701,967	28,022,586	4,155,807	118,310	30,558,903	74,557,573
At 31 December 2019						
Cost	12,530,692	33,995,435	4,759,168	580,368	30,559,600	82,425,263
Accumulated depreciation	(828,725)	(5,972,849)	(603,361)	(462,058)	(697)	(7,867,690)
Net book value	11,701,967	28,022,586	4,155,807	118,310	30,558,903	74,557,573

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

10 Property, plant and equipment (continued)

a) * Included in the disposal is a net book value of K1.61 million worth of towers transferred to the Ministry of Finance whose non - cash flow consideration of K2.59 million was netted off against the borrowings.

b) ** Revaluation surplus includes a net of K103.02 million impairment loss from Kariba North Bank Extension which has been recognised in the statement of profit and loss.

c) The following subsidiaries revalued their assets during the year: ZESCO Limited, Mulungushi International Conference Centre, Mulungushi Village, ZCCM-IH, ZAMTEL, and Zambia Railways. The Group has disclosed the valuation techniques for ZESCO, Mulungushi International Conference Centre and Zambia Railways, given their significance

Mulungushi International Conference Centre and Zambia Railways were revalued by Government Valuation Department, Sandridge Associates and MAK Associates. The method used was depreciated replacement cost basis, for which comparable market prices were obtained and compared with the carrying values stated in the subsidiary fixed asset register.

i) **ZESCO**

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 2019 were performed by Messrs Multiconsult United Kingdom and Upmarket Property Consultants respectively, independent valuers not related to the Group.

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

Notes to the consolidated annual financial statements (continued)

10 Property, plant and equipment (continued)

i) ZESCO

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
Transmission and distribution systems	Depreciated Current Replacement Value (DCRV)	The DCRV 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
Civil engineering works and generation plants (Hydro stations, diesel stations and HV stations)	Depreciated Current Replacement Value (DCRV)	The Depreciated Current Replacement Cost (DRCV) 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. The current replacement value (CRV) of electrical and mechanical equipment was established using ZESCO data for recent projects. For the civil work structures, a bill of quantities was prepared covering the major work items for each hydro scheme section (e.g. embankments, power intakes, canals, fore bays, power tunnels, pressure shafts, powerhouses etc.). The DCRV has been calculated in the Asset Register on a linear basis, a minimum value of 10% CRV was allocated if the asset is still in service. A scrap value has also been allocated where it is ZESCO's current practice to sell scrap materials.	Market prices, exchange rates, discounted rate

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 civil engineering works and buildings, generation plants and transmission and distribution systems, 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.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

11 Leases

a) Right of use assets

The Group leases various offices (classified as buildings) tower spaces and office equipment. Lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

	Tower space	Office equipment	Motor vehicles	Buildings	Total
Year ended 31 December 2018	K	K	K	K	K
Opening net book value	-	-	1,529	-	1,529
Additions	-	-	-	-	-
Depreciation charge	-	-	(319)	-	(319)
Net book value	-	-	1,210	-	1,210
Year ended 31 December 2019					
Opening net book value	-	-	1,210	-	1,210
Additions	163,482	40,600	-	179,719	383,801
Depreciation charge	(45,916)	(31,156)	(382)	(14,259)	(91,713)
Net book value	117,566	9,444	828	165,460	293,298
As at 31 December 2019					
Cost	163,482	40,600	1,529	179,719	385,330
Accumulated depreciation	(45,916)	(31,156)	(701)	(14,259)	(92,032)
Net book value	117,566	9,444	828	165,460	293,298

b) Lease liabilities

	2019	2018
	K	K
Current	256,554	240
Non-current	91,259	850
	347,813	1,090

ii) Movement in lease liabilities in the statement of financial position is as illustrated below:

	2019	2018
At start of year	1,090	958
Additions	383,801	132
Interest charged	22,898	-
Principal and interest payments	(59,976)	-
At end of year	347,813	1,090

ii) *Amounts recognised in the statement of profit or loss*

	2019	2018
Depreciation charge	91,713	319
Interest expense on lease liabilities	22,898	-
	114,611	319

During the year, there were no expenses relating to short term assets and variable lease payments recognised in profit or loss (2018: Nil).

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

11 Leases (continued)

b) Lease liabilities (continued)

iii) *Maturity analysis of contractual lease payments outstanding*	2019 K	2018 K
Within 1 year	48,341	-
Between 1 and 2 years	105,149	-
Later than 5 years	2,603	-
Minimum lease payment	156,093	-
Finance charge	(10,170)	-
Net present value	145,923	-

12 Investment property

	2019 K	2018 K
At the start of the year	4,644,017	1,863,261
Additions	34,730	-
Reclassification from leasehold land and buildings (Note 10)	142,912	-
Transfer to land and buildings (Note 10)	(19,220)	-
Classified to assets held for sale	(92,444)	-
Change in fair value	79,664	2,780,756
At the end of the year	4,789,659	4,644,017

Investment properties, principally office buildings, are held for long-term rental yields and are not occupied by the group. They are carried at fair value. Changes in fair values are presented in profit or loss. The investment properties are leased to tenants under operating leases with rentals payable monthly. Although the group is exposed to changes in the residual value at the end of the current leases, the group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Measurement of fair value

(i) Fair value hierarchy

The fair value of investment properties determined on or between 8 January and 31 December 2019 by external, independent property valuers, and the Government valuation department, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the entities' Investment property Portfolio.

(ii) Valuation technique and key assumptions are noted below.

The method used in valuing investment property under development is the capital value basis. The valuer uses the amount payable for similar areas. The fair value of Investment property under development has been classified as level 3 based on the inputs to the valuation technique used. The key assumptions are as follows:

- Prevailing market conditions and likely future trends;
- Factors affecting values for similar properties in the same or similar locations;
- Development potential for each site; and
- Current and expected demand for commercial properties.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

13 Intangible assets

	Goodwill	Other intangible	Total
	K	K	K
As at 31 December 2017			
Cost	-	146,829	146,829
Accumulated amortisation	-	(77,436)	(77,436)
Closing net book value	-	69,393	69,393
Year ended 31 December 2018			
Opening net book value	-	69,393	69,393
Additions	-	42,174	42,174
Amortisation charge	-	(8,043)	(8,043)
Closing net book value	-	103,524	103,524
As at 31 December 2018			
Cost	-	189,003	189,003
Accumulated amortisation	-	(85,479)	(85,479)
Closing net book value	-	103,524	103,524
Year ended 31 December 2019			
Opening net book value	-	103,524	103,524
Additions	119,818	13,913	133,731
Transfer to PPE (Note 10)	-	12,399	12,399
Transfer to asset held for sale (Note 24 (d))	-	(14,455)	(14,455)
Impairment - cost	-	(16,160)	(16,160)
Impairment depreciation	-	15,599	15,599
Asset reclassification to asset held for sale (Note 24 (d))	-	5,116	5,116
Amortisation charge	-	(15,652)	(15,652)
Closing net book value	119,818	104,284	224,102
As at 31 December 2019			
Cost	119,818	184,700	304,518
Accumulated amortisation	-	(80,416)	(80,416)
Closing net book value	119,818	104,284	224,102

i) Goodwill

On 30th June 2019, the Group increased its stake in Kariba Minerals Limited (Kariba) to 100% from the 50% previously owned to command a controlling interest in the company. K32.81 million was paid as consideration for the transfer.

The identifiable assets amounted to K22.90 million and identifiable liabilities amounted to K109.90 million which were considered to approximate their fair value.

Goodwill arising from the acquisition has been recognised as

	2019	2018
	K	K
Consideration	32,814	-
Total identifiable net liabilities	(87,004)	-
Goodwill	119,818	-

Goodwill is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Kariba Minerals, workforce and expected cost synergies.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

14 Other assets

	2019	2018
	K	K
Non-current assets		
ZCCM-IH & Scaling solar project/other short-term assets	80,385	31,287
ERB Strategic Reserve Fund (ZESCO)	-	18,370
Unconsolidated entities*	15,305	1,468
	95,690	51,125

Other long-term assets relate to:

(a) the amounts due to ZCCM -IH receivables from KCM for price participation;

(b) 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 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.

(c) Unconsolidated entities*

	2019	2018
	K	K
ZCMT – Zambia China Mulungushi Textiles	424	1,458
ZAFFICO Tea Company - ZAFFICO	10	10
Agro-Luswishi	14,871	-
	15,305	1,468

* The above subsidiaries are not consolidated in the group financial statements. Zambia China Mulungushi Textiles and ZAFFICO Tea Company are dormant. Agro - Luswishi is a project.

15 Reinsurance receivables

Insurance receivables, these are amounts receivable from the underwriting of the insurance contracts. The year end balance is made up as follows:

	2019	2018
	K	K
Gross reinsurance receivables	117,005	93,740
Provision for bad and doubtful debts	(3,092)	(3,092)
	113,913	90,648

The Directors are of the view that the amounts included in the financial statements are recoverable.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

16 Insurance receivable

	2019	2018
	K	K
Gross insurance receivable	333,849	369,508
Debt written off	(10,121)	(13,324)
Allowance for bad debts	(149,532)	(174,322)
	174,196	181,862
Less than 1 year	95,299	98,823
Between 1 and 5 years	78,897	83,039
Net insurance receivable	174,196	181,862

The Group is owed a significant amount by various Government Ministries. In line with its normal practice, every three years, the Group and Government through the Ministry of Finance carry out a reconciliation exercise to agree on the total debt owed to the Group. The last verification was done for the period 2014 - 2016. Due to the time taken to recover these Government debts, management has reclassified this Government debt as non- current in the statement of financial position.

17 Interest in other entities

a. *Joint ventures*

The following shows the breakdown of Group's investments in joint ventures as at 31 December:

Name of joint ventures	2019	2018
	K	K
Itezhi Tezhi Power Corporation	308,810	971,761
Emerged Railways Properties Private	157,447	126,852
	466,257	1,098,613
Profit and loss		
Itezhi Tezhi Power Corporation Limited	(662,951)	440,063
Emerged Railways Properties Private	4,570	(145)
	(658,381)	439,918

The entities have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also the entity's principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. see accounting policy note 2.3 (ii) for details.

Name of joint ventures	**Place of incorporation**	**Ownership interest** 2019	2018
Itezhi Tezhi Power Corporation	Zambia	50%	50%
Emerged Railways Properties Private	Zimbabwe	50%	50%

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

17 Interest in other entities

a. *Joint ventures (continued)*

i) *Summarised financial information for the associates*

The information disclosed below reflects the amounts presented in the annual financial statements of the relevant joint ventures and not the Group's share of those amounts.

	Itezhi Tezhi Power Corporation Limited		Emerged Railways Properties Private Limited	
	2019	2018	2019	2018
	K	K	K	K
Statement of profit or loss:				
Revenue	1,253,618	1,044,896	67,460	35,457
(Loss) / profit for the year	(1,325,901)	880,127	9,139	(290)
Total comprehensive income	(1,325,901)	880,127	9,139	(290)
Statement of financial position:				
Non-current assets	1,746,000	2,601,797	288,943	239,114
Current assets	1,750,898	1,657,898	33,676	37,444
Total assets	3,496,898	4,259,695	322,619	276,558
Capital and reserves	617,620	1,943,521	314,893	253,703
Non-current liabilities	851,704	1,883,791	-	-
Current liabilities	2,027,574	432,383	7,726	22,855
Total equity and liabilities	3,496,898	4,259,695	322,619	276,558

ii) *Reconciliation of carrying amounts:*

At start of year	971,760	531,697	126,852	133,023
Prior year adjustment	-	-	11,806	(6,026)
Currency translation	-	-	14,220	-
Share of (loss)/profit for the year	(662,951)	440,063	4,570	(145)
At end of year	308,809	971,760	157,448	126,852

b. *Investment in associates*

Reconciliation of carrying amounts

	2019	2018
	K	K
Balance at 1 January	10,671,217	8,373,249
Share of profit of equity accounted associates	604,247	1,180,164
Share of OCI	(168,086)	169,832
Dividend received	(244,299)	(273,562)
Additions	-	155,572
Disposal	-	(30,746)
Transfer to subsidiaries	-	(35,161)
Currency translation adjustment	1,835,578	1,131,869
	12,698,657	10,671,217

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

17 Interest in other entities

b. Investment in associates

31 December 2019	Country of incorporation	% interest held	Total assets	Total Liabilities	Net asset value	Share of net assets	Revenues	Profit/(loss)	Share of profit/(loss)	Share of profit/(loss) not recognised
			K	K	K	K	K	K	K	K
Konkola Copper Mines Plc	Zambia	20.6%	27,323,181	30,399,707	(3,076,526)	-	5,571,966	(1,264,576)	-	(260,503)
Kansanshi Mining Plc	Zambia	20.0%	60,328,880	11,361,353	48,967,527	9,793,505	16,610,566	1,830,378	243,540	-
Copperbelt Energy Corporation Plc	Zambia	24.1%	8,935,446	4,001,438	4,934,008	1,189,096	5,309,509	159,257	(50,182)	-
CNMC Luanshya Copper Mine Plc	Zambia	20.0%	5,359,797	5,588,981	(229,184)	-	2,992,914	274,912	-	-
Maamba Collieries Limited	Zambia	35.0%	11,747,378	9,313,241	2,434,137	851,948	2,801,627	792,932	277,526	-
Lubambe Copper Mines Limited	Zambia	20.0%	3,866,570	13,441,711	(9,575,141)	-	977,115	(871,678)	-	(174,336)
CEC Africa	Mauritius	20.0%	8,702,765	13,204,503	(4,501,738)	-	2,758,075	(2,180,998)	-	(436,200)
Rembrandt Properties Limited	Zambia	49.0%	47,810	5,936	41,874	20,518	-	-	-	-
Elsewedy Electric Limited	Zambia	40.0%	381,143	191,826	189,317	75,727	92,670	(2,998)	(1,199)	-
Zambia Electrometer Limited	Zambia	40.0%	18,384	100,446	(82,062)	-	-	-	-	-
Indo Bank Zambia PLC	Zambia	40.0%	5,796,270	4,804,522	991,748	396,699	833,150	178,412	71,364	-
ZANACO PLC	Zambia	25.0%	11,895,966	10,955,087	940,879	235,220	1,401,122	214,654	53,663	-
Kagem Limited	Zambia	25.0%	1,165,190	789,159	376,031	94,008	1,142,359	81,160	20,290	-
Bangweulu Power	Zambia	20.0%	990,682	934,020	56,662	11,332	57,532	(40,183)	(8,037)	-
Ngonye	Zambia	20.0%	731,951	578,929	153,022	30,604	36,678	(13,589)	(2,718)	-
			147,291,413	105,670,859	41,620,554	12,698,657	40,585,283	(842,317)	604,247	(871,039)

The Group's share of accumulated unrecognized losses from associates who are in net liability position was K871.04 million (2018: K917.31 million) at year end.
Where the equity accounted value is zero, no further losses are recognised by IDC as there is no obligation to settle any liabilities.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

17 Interest in other entities (continued)

b. Investment in associates (continu

31 December 2018	Country of incorporation	% interest held	Total assets	Total Liabilities	Net asset value	Share of net assets	Revenues	Profit/(loss)	Share of profit/(loss)	Share of profit/(loss) not recognised
			K	K	K	K	K	K	K	K
Konkola Copper Mines Plc	Zambia	20.6%	23,887,788	25,736,363	(1,848,575)	-	1,642,776	(1,251,633)	-	(257,836)
Kansanshi Mining Plc	Zambia	20.0%	51,192,965	10,400,980	40,791,985	8,158,397	17,402,590	3,561,727	712,345	-
Copperbelt Energy Corporation Plc	Zambia	24.1%	7,667,601	3,209,031	4,458,570	1,074,515	4,128,289	591,966	142,663	-
CNMC Luanshya Copper Mine Plc	Zambia	20.0%	4,573,931	5,201,305	(627,374)	-	2,847,046	359,648	-	71,930
Maamba Collieries Limited	Zambia	35.0%	9,974,710	7,947,041	2,027,669	709,684	2,395,832	653,007	228,552	-
Lubambe Copper Mines Limited	Zambia	20.0%	3,078,741	10,422,562	(7,343,821)	-	653,901	(534,284)	-	(106,857)
CEC Africa	Mauritius	20.0%	6,900,004	12,980,751	(6,080,747)	-	2,297,355	(3,113,418)	-	(622,684)
Elsewedy Electric Limited	Zambia	40.0%	273,948	139,915	134,033	53,613	107,355	39,010	15,604	-
Zambia Electrometer Limited	Zambia	40.0%	28,123	110,159	(82,036)	-	45,193	16,608	-	6,643
Indo Bank Zambia PLC	Zambia	40.0%	4,441,154	3,568,051	873,103	349,241	547,641	139,760	55,904	-
ZANACO PLC	Zambia	25.0%	10,614,067	9,793,159	820,908	205,227	879,590	183,733	45,933	-
Kagem Limited	Zambia	25.0%	986,468	730,998	255,469	63,867	768,495	(113,633)	(28,408)	-
Bangweulu Power	Zambia	20.0%	1,010,627	893,872	116,755	23,351	-	22,368	4,473	-
Ngonye	Zambia	20.0%	342,836	176,225	166,611	33,322	-	15,492	3,098	-
Kariba Minerals Limited	Zambia	50.0%	17,287	94,903	(77,616)	-	19,306	(17,009)	-	(8,505)
			124,990,250	91,405,315	33,584,934	10,671,217	33,735,369	553,342	1,180,164	(917,309)

The Group's share of accumulated unrecognized losses from associates who are in net liability position was K917.31 million (2018: K538.87 million) at year end. Where the equity accounted value is zero, no further losses are recognised by IDC as there is no obligation to settle any liabilities.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

18 Loans due from related parties

		2019 K	2018 K
At 1 January		407,530	515,404
Payments		113,903	4,812
Receipts		(103,524)	(112,686)
At 31 December		417,909	407,530

Breakdown analysis of the loans due from related parties

		2019	2018
Bangweulu Power Company Limited	Associate	27,056	21,911
Zambia China Mulungushi Textiles Limited*	Subsidiary	4,036	5,140
Pelidic Zambia Limited*	Project	1,352	1,102
Maamba Collieries	Associate	385,465	379,377
		417,909	407,530

On 17 June 2015, ZCCM-IH entered into an intercompany loan agreement with Maamba Collieries 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.

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, as they were all assessed as recoverable.

* Zambia China Mulungushi Textiles and Pelidic Zambia Limited are unconsolidated entities. Pelidic Zambia Limited is a project and Zambia China Mulungushi Textiles Limited is dormant.

19 Financial assets at fair value through profit or loss

(a) Reconciliation of carrying amounts

	2019 K	2018 K
At 1 January	5,250	335,790
Changes in fair value	(5,250)	(330,540)
At 31 December	-	5,250

		% Holding	At 1 January	Valuation movement	Valuation 31 December
2019					
NFC Africa Mines Plc	Zambia	15.0%	5,250	(5,250)	-
2018					
Chibuluma Mines Plc	Zambia	15.0%	170	(170)	-
NFC Africa Mines Plc	Zambia	15.0%	335,620	(330,370)	5,250
			335,790	(330,540)	5,250

(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 IMARA Corporate Finance, an external independent valuer, having appropriate recognised professional qualifications and recent experience of the financial investments being valued.The independent valuers provide the fair value of these investments annually.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

19 Financial assets at fair value through profit or loss (continued)

(b) Measurement of fair value

Fair value hierarchy (continued)

The fair value measurement for the Company's investments of K0.58 million (2018: K0.58 million) has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

Levels 2 and 3 fair value

	Level 2	Level 3	Total
2019			
Balance at 1 January 2019	-	5,250	5,250
Net change in fair value	-	(5,250)	(5,250)
Balance at 31 December 2019	-	-	-
2018			
Balance at 1 January 2018	-	335,790	335,790
Net change in fair value	-	(330,540)	(330,540)
Balance at 31 December 2018	-	5,250	5,250

Level 3 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. Financial Assets at FV through Profit and loss.

Investee name	Valuation technique	Significant unobservable inputs and assumptions	Inter-relationship between Key unobservable inputs and fair value measurement
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	Target capital structure Debt to total capitalisation (2018:3%). Equity to total capitalisation (2018:97%) • Cost of debt Cost of debt (2018:2.23%) Tax rate (2018:30%). After tax cost of debt (2018: 1.56%). • Cost of equity Risk free rate (2018:8.0%) Market risk premium (2018: 6.1%) Levered beta (2018: 1.05). The assumptions considered are as follows: • Revenue expected to decrease from USD66.8million in FY18P 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.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

20 Financial assets at amortised cost (continued)

Investment in shares listed on LUSE (continued)

	Number of shares	Market share price Kwacha	Market value 2019	Market value 2018
CEC Africa Investments Limited	6,893,478	0.18	1,241	1,379
Commerce Bank Plc	381,140	1.00	381	381
Development Bank of Zambia	7,000	0.14	1	1
First Quantum Minerals Limited	1,063,830	3.70	3,936	3,936
Lafarge Cement Zambia Plc	307,604	1.90	600	1,498
National Breweries	39,253	9.21	512	685
Pamodzi Hotels Plc	37,400	0.62	23	23
Zambia Privatization Trust Fund	124	500.00	62	62
Zanaco Bank Plc	-	-	3,125	-
Zambia Sugar Plc	204,108	2.70	551	551
Zambian Breweries Plc	2,307	8.00	18	17
ZEP-Re Insurance	580,849	84.06	48,828	41,969
			59,278	50,502
Less: Impairment			-	(444)
Investments in shares listed on LUSE			59,278	50,058

Listed equity investments comprise investments in shares listed on the Lusaka Securities 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.

21 Biological assets - plantation in formation

The Group's biological assets comprise of pine and eucalyptus.

	2019 K	2018 K
At 1 January	585,382	439,698
Transfer from plantation in formation (Note 10)	(49,702)	(131,940)
Capitalized operating expenses	231,839	265,485
	767,519	573,243
Eliminated in respect of thinning	(121,248)	(34,944)
Volume gain	16,748	47,533
At 31 December	663,019	585,832
Cost	582,786	511,326
Valuation	16,004	34,547
	598,790	545,873
Impairment loss		
At start of year	(39,959)	(22,133)
Charge for the year	(24,270)	(17,826)
At end of year	(64,229)	(39,959)
Net book value	598,790	545,873

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

21 Biological assets - plantation in formation (continued)

Capitalization of expenses

Capitalization of expenses includes expenses directly related to plantation management activities and 25% of administrative costs.

IAS 41 – Agriculture requires an entity to use fair value approach in measuring its biological assets. The Directors are of the opinion that fair value cannot be measured reliably hence have opted for a reliability exception allowed by the standard.In this case plantations in formation should be measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line basis to write down the cost of the asset to its residual value over its estimated useful life as follows:

Pine	25 years
Eucalyptus	15 years

22 Inventories

	2019 K	2018 K
Fuel	45,408	49,712
Goods in transit	149,502	147,350
Materials	1,199,019	1,412,995
Other inventories	420,477	444,730
Provisions	(99,177)	(25,573)
	1,715,229	2,029,214

Movements on the provision for impairment of inventories are as follows:

At start of year	25,573	15,401
Charge	73,604	10,172
At end of year	99,177	25,573

23 Trade and other receivables

Trade receivables	10,245,658	4,230,655
Prepayments	399,147	1,320,600
Other receivables	3,013,339	1,872,505
	13,658,144	7,423,760
Loss allowance (Note 4(b))	(8,599,260)	(2,323,406)
	5,058,884	5,100,354

Due to the short-term nature of current receivables, their carrying amount are considered to be same as their fair value.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

24 Assets held for sale

	2019	2018
Non-current assets held for sale	K	K
Property,plant and equipment	6,091	1,591
Investment in subsidiaries (b)	1,127,383	50
Investment property	10,213	10,213
	1,143,687	11,854

(a) Investment in subsidiaries - asset held for sale

At 1 January	-	-
Investrust Bank Plc	1,083,437	-
Mushe Milling Company Limited	43,896	-
At 31 December	1,127,333	-

(b) Investment in subsidiaries - liabilities associated with assets held for sale

In April 2019, the Board of ZCCM Investments Holdings PLC granted management approval to commit to a plan to sell the investments in Investrust Bank Plc and Mushe Milling Company Limited to its holding company, the Industrial Development Corporation (IDC) through the Group Restructuring and Rationalization initiative. The objective of the Group Restructuring is to rationalize the overall group portfolio that will result in a higher efficiency in managing assets.

	2019	2018
	K	K
At 1 January		
Investrust Bank Plc	1,179,300	-
Mushe Milling Company Limited	11,970	-
At 31 December	1,191,270	-

(c) Financial performance and cash flow information

The financial performance and cash flow information presented for Investrust Bank Plc and Mushe Milling Limited are for the year ended 31 December 2019.

	Mushe Milling Company Limited	Investrust Bank Plc	Consolidated
Financial performance	K	K	K
Revenue / interest income	36,695	117,228	153,923
Cost of sales / interest expense	(34,802)	(70,222)	(105,024)
Gross profit / interest income	1,893	47,006	48,899
Other income	193	42,830	43,023
Operating expenses	(14,717)	(185,663)	(200,380)
(Loss) before tax	(12,631)	(95,827)	(108,458)
Income tax (charge)	(3)	-	(3)
(Loss) for the period	(12,634)	(95,827)	(108,461)
(Loss) attributable to non-controlling interest	(12,634)	(28,748)	(41,382)
Cashflow information			
Net cash outflow from operating activities	(11,729)	(352,465)	(364,194)
Net cash inflow / (outflow) from investing activities	15	(1,544)	(1,529)
Net cash inflow / (outflow) from financial activities	20,969	274,301	295,270
Net cash movement	9,255	(79,708)	(70,453)

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

24 Assets held for sale (continued)

(d) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to Invest-trust Bank Plc and Mushe Milling Company Limited as at 31 December 2019.

	Mushe Milling Company Limited	Investrust Bank Plc	Consolidated
	K	K	K
Assets classified as held for sale			
Property, plant and equipment	8,399	48,621	57,020
Intangible property	-	9,339	9,339
Investment property	-	494,601	494,601
Loans and advances to customers	-	297,673	297,673
Equity investments	-	584	584
Trade and other receivables	29,578	26,781	56,359
Inventories	816	49,897	50,713
Other assets	3,009	44,253	47,262
Cash held with the Bank of Zambia	-	75,000	75,000
Cash and cash equivalents	2,094	36,688	38,782
Total assets of the disposal group held for sale	**43,896**	**1,083,437**	**1,127,333**
Liabilities directly associated with assets classified as held for sale			
Borrowings	(9,138)	-	(9,138)
Deposits from customers	-	(863,772)	(863,772)
Trade and other payables	(2,832)	(315,528)	(318,360)
	(11,970)	(1,179,300)	(1,191,270)
Total liabilities directly associated with assets classified as held for sale	**(11,970)**	**(1,179,300)**	**(1,191,270)**
Net assets / (liabilities) held for sale	**31,926**	**(95,863)**	**(63,937)**

25 Cash and cash equivalents

	2019	2018
	K	K
Cash and cash equivalents	3,135,279	3,216,389
Fixed deposits	-	10,238
Petty cash	-	112
	3,135,279	3,226,739

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2019	2018
	K	K
Balances as above	3,135,279	3,226,739
Bank overdrafts	(78,596)	(88,939)
Balances per statement of cash flows	3,056,683	3,137,800

As at the reporting period, there were no deposits at call nor any restricted cash.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

26 Share capital

	2019 K	2018 K
Ordinary shares - paid up	10,000	10,000
Authorized share capital	20,000	20,000

The authorised share capital of the Company remained unchanged at 20 million ordinary shares at a par value of K0.01 each. The issued and fully paid-up share capital remained at 10 million ordinary shares at a par value of K0.01 each. Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

These represents the shares in state-owned companies incorporated under the Companies Act and the Banking and Financial Services Act which were transferred to IDC on 24 August 2015 by the Government of the Republic of Zambia at an amount of K12,511 million. The amount was recognised as capital reserve as there was no cash consideration.

27 Capital and other reserves

31 December 2019	Capital reserve	Revaluation reserve	Translation reserve	Total
At the start of the year	10,565,511	15,888,685	4,461,168	30,915,364
Transactions with owners	2,617,000	-	-	2,617,000
Gains on property revaluation	-	984,894	-	984,894
Deferred tax on property revaluation	-	(344,713)	-	(344,713)
Amortization on revaluation reserve	-	(658,880)	-	(658,880)
Deferred tax on revaluation	-	230,608	-	230,608
Currency translation	-	-	1,849,798	1,849,798
At the end of the year	13,182,511	16,100,594	6,310,966	35,594,071
31 December 2018				
At the start of the year	9,278,504	15,914,776	3,851,500	29,044,780
Transactions with owners	1,287,007	-	-	1,287,007
Gains on property revaluation	-	635,921	-	635,921
Deferred tax on property revaluation	-	(222,572)	-	(222,572)
Amortization on revaluation reserve	-	(676,062)	-	(676,062)
Deferred tax on revaluation	-	236,622	-	236,622
Currency translation	-	-	609,668	609,668
At the end of the year	10,565,511	15,888,685	4,461,168	30,915,364

Notes to the consolidated annual financial statements (continued)

27 Capital and other reserves (continued)

i) *Capital reserve*

The capital reserves represents the net assets value of State-Owned Enterprise (SOE) transferred by the Government of the Republic of Zambia through the Minister of Finance pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia to Industrial Development Corporation Limited (IDC) and subsequent capital raised form non-operating activities. The additions during the years relate to the Government conversion of on - lent loans to equity. During the year the Government restructured the on - lent loan to Zamtel, amounting to K2.62 billion (2018: Government restructured the on - lent loan to Zesco, amounting to K1.28 billion).

ii) *Translation reserve*

The foreign currency translation reserve contains the accumulated foreign exchange differences from the translation of the financial statements of the Group's foreign operations that are not considered integral to the operations of the parent company, arising when the Group's entities are consolidated.

iii) *Revaluation reserve*

Revaluation reserve arose from the revaluation of property and represented the excess of the revalued amount over the carrying value of the property at the date of revaluation. Deferred tax arising in respect of the revaluation of property has been charged directly against revaluation reserves in accordance with International Accounting Standard (IAS) 12, Income Taxes.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

28 Deferred income tax

The balances have been measured using the substantively enacted rate of 35% for 2019 (2018; 35%). The movement on the deferred income tax account is as follows:

	2019	2018
	K	K
At start of year	295,985	4,779,181
Charge / (credit) recongised in other comprehensive income	114,105	(14,087)
Under/(over) provision	(160,463)	(346,889)
Charge / (credit) to income statement	(782,379)	(4,122,220)
Balance at year end	(532,752)	295,985

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

	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Under / (over) provision	Net	Deferred tax assets	Deferred tax liabilities
Year ended 31 December 2019	K	K	K	K	K	K	K
Net unutilised tax losses	(8,256,027)	(1,283,308)	-	(3,515)	(9,542,850)	(9,542,850)	-
Accelerates capital allowances	2,776,373	1,889,779	-	(2,063)	4,664,089	-	4,664,089
Revaluation surplus and excess depreciation*	7,992,644	-	114,105	-	8,106,749	-	8,106,749
Provision and other	(2,063,248)	(1,770,417)	-	(144,798)	(3,978,463)	(3,978,463)	-
Change in financial assets at fair value through profit	(160,570)	280,909	-	(10,087)	110,252	-	110,252
Unrealised exchange losses	(5,358)	12,867	-	-	7,509	-	7,509
Unrealised exchange gains	12,171	87,791	-	-	99,962	-	99,962
Total	295,985	(782,379)	114,105	(160,463)	(532,752)	(13,521,313)	12,988,561
Year ended 31 December 2018							
Net unutilised tax losses	(4,205,414)	(4,010,339)	-	(40,274)	(8,256,027)	(8,256,027)	-
Accelerates capital allowances	3,379,945	(603,450)	-	(122)	2,776,373	-	2,776,373
Revaluation surplus and excess depreciation*	8,307,445	(74,206)	(14,087)	(226,508)	7,992,644	-	7,992,644
Provision and other	(2,544,120)	560,857	-	(79,985)	(2,063,248)	(2,063,248)	-
Change in financial assets at fair value through profit	(160,570)	-	-	-	(160,570)	(160,570)	-
Unrealised exchange losses	(5,380)	22	-	-	(5,358)	(5,358)	-
Unrealised exchange gains	7,275	4,896	-	-	12,171	-	12,171
Total	4,779,181	(4,122,220)	(14,087)	(346,889)	295,985	(10,485,203)	10,781,188

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

28 Deferred income tax (continued)

*The amount includes deferred tax on revaluation surplus of (K344.71) million (2018 : (K222.57) million) and deferred tax on amortisation on revaluation reserve K230.61 million (2018: K236.62 million).

Subject to agreement with the Zambia Revenue Authority, the Group had estimated tax losses of K51.28 billion (2018: K27.32 billion) which are available for carry forward for a period of 10 years from the year in which they arose and for set off against future taxable profits. The cumulative tax losses comprise:

Year of Tax Loss	Expiry years of tax loss carry forward	Total Balance of 31 December 2018	Total Balance of 31 December 2019	Utilised	Expired
	K	K	K	K	K
2013	2023	140,459	140,459	-	-
2014	2024	277,648	277,648	-	-
2015	2025	1,849,669	1,849,669	-	-
2016	2026	3,084,293	3,084,293	-	-
2017	2027	9,249,287	9,249,287	-	-
2018	2028	9,584,100	9,584,100	-	-
2019	2029	3,133,334	3,133,334	-	-
2020	2030	-	23,963,590	-	-
Total		**27,318,790**	**51,282,380**	-	-

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

29 Capital grants

	2019 K	2018 K
At start of year	3,655,855	3,609,778
Grant received during the year	426,352	465,029
Amortization	(183,752)	(356,285)
Fair value adjustment arising on concessioned loans	254,104	(62,667)
At end of year	4,152,559	3,655,855

Maturity analysis		
Non-current liability	3,835,678	3,463,009
Current liability	316,881	192,846
	4,152,559	3,655,855

The capital grants are related to the funds provided by the Government and Partners in funding various projects within the Group. The capital grants are amortised over the useful life of the assets.

Analysis of mark to market of balances included in capital grants

	2019 K	2018 K
At 1 January	881,209	943,876
Mark to market adjustment on Grants received during the year	147,312	-
Amortisation of mark to market adjustment arising on concessioned loans	(61,503)	(71,320)
Foreign exchange loss	168,495	8,653
At 31 December	1,135,513	881,209

30 Borrowings

	2019	2018
At start of the year	25,406,042	14,978,360
Received during the year	8,117,829	8,136,606
Payments during the year	(3,873,268)	(2,330,626)
Exchange loss	5,522,696	4,559,035
Consideration given for tower transfer*	(2,591,748)	-
Fair value adjustment arising on concessioned loans	(254,104)	62,667
Conversion to equity *	(2,617,000)	-
At end of year	29,710,447	25,406,042
Amounts due within one year	3,050,736	5,387,177
Amounts due after one year	26,659,711	20,018,865
	29,710,447	25,406,042

* During the year the on - lent loans obtained from Exim Bank of China by the Government of Zambia on behalf of Zamtel for the purchase of equipment (GMS & UMTS) and tower network expansion project was converted into equity awaiting allotment K2.62 billion and 2.59 billion was extinguished as consideration for the towers which were transferred to Infratel by the Ministry of Finance and National Planning. The resolution to convert the equity loan to shares was approved by the Ministry of Finance and National Planning.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

30 Borrowings (continued)

		2019	2018
		K	K
30.1	ZTE Corporation – Rural	163,373	139,017
30.2	ZTE Corporation – GSMIII	35,910	30,557
30.3	Huawei – National Fiber	115,126	100,216
30.4	Export-Import Bank of China (Eximbank)	-	1,303,231
30.5	Industrial Commercial Bank of China & Export Import Bank	12,324,823	6,509,369
30.6	China Machinery Engineering Corporation Limited	208,784	176,397
30.7	Industrial Commercial Bank of China	3,217,555	3,058,246
30.8	China Exim Bank	2,268,740	2,126,802
30.9	Nordea Stanbic Bank	1,566,105	1,455,484
30.10	India Exim Bank	382,032	484,156
30.11	China Exim Bank	517,795	537,797
30.12	Standard Chartered Bank	1,033,950	1,164,749
30.13	Zambia National Commercial Bank Plc	31,161	43,915
30.14	Standard Bank of South Africa	149,177	277,326
30.15	Stanbic Bank	-	8,209
30.16	Bank of China	-	310,000
30.17	African Development Bank	271,160	217,077
30.18	Industrial Commercial Bank of China Facility-Chipata-Lundazi	410,441	176,969
30.19	Industrial Commercial Bank of China Facility Loan - Musonda Falls	403,825	357,362
30.20	Industrial Commercial Bank of China Facility -Mpika Transmission	391,410	137,139
30.21	GRZ/Agency Francaise De Development	360,260	296,846
30.22	Stanbic Bank	-	8,209
30.23	Mpande Limestone Limited - Bridging Finance	91,251	91,913
30.24	Barclays Bank Zambia Plc	-	4,546
30.25	GRZ/International Development Agency	530,393	-
30.26	DBSA - Kafue George Hydro Power Station	1,317,009	1,147,992
30.27	DBSA - Kariba North Bank Extension Power Corporation Limited	713,110	698,291
30.28	European Investment Bank 1	437,248	294,590
30.29	Standard Chartered Bank	-	176,969
30.30	CNMC Industrial Zone Development	41,885	44,235
30.31	European Investment Bank 2	32,857	36,322
30.32	GRZ/World Bank Facility 2	37,351	23,397
30.33	GRZ/International Development Association- Kafue Muzuma	489,984	267,523
30.34	GRZ/World Bank	54,696	52,661
30.35	GRZ/Japan International Cooperation Agency	191,539	87,322
30.36	Nigeria Trust Fund	57,476	46,937
30.37	European Investment Bank	168,764	138,786
30.38	The Export – Import Bank of China	-	139,391
30.39	Atlasmara (Z) Limited	47,083	87,515
30.40	Mpande Limestone (Z) Limited	-	11,733
30.41	Industrial and Commercial Bank of China	-	549,078
30.42	Zambia National Commercial Bank – Short term facility	-	52,299
30.43	Zanaco $20 Million Short Term Facility	70,060	-
30.44	China Exim Bank-Ii Kabwe-Pensulo	107,905	-
30.45	Agency Francaise de Development	47,591	40,920
30.46	EIB - LTDRP Loan Facility	294,083	183,945
30.47	Stanbic Bank Limited	6,695	3,191
30.48	India Exim Bank Loan 2	200,590	-
30.49	ZTE Short Term Loan	259,231	-
30.50	Geria International Investments Llc	96,495	-
30.51	Zambia National Commercial Bank	-	2,372
30.52	GRZ loan	-	1,702,227
30.53	Indo Zambia Bank	355,997	-
30.54	Other loan facilities	209,527	602,820
		29,710,447	25,406,048

Notes to the consolidated annual financial statements (continued)

30 Borrowings (continued)

30.1 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. The balance as at the reporting date was K163.37 million.

30.2 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 periodfrom the May 2010. Vendor financing liabilities are secured by a third-party guarantee by the Government of the Republic of Zambia.The balance as at the reporting date was K35.91 million.

30.3 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. The balance as at the reporting date was K115.13 million.

30.4 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. The balance as at the reporting date was nil.

30.5 Industrial Commercial Bank of China and Export Import Bank of China

On 13 November 2018, a facility agreement of up to USD 1.53 billion was signed between Kafue Gorge Lower Power Development Corporation Limited, Industrial and Commercial Bank of China Limited and The Export-Import Bank of China. Drawdowns had only begun after the financial close was achieved in June 2019. As at 31 December 2019 the total outstanding was K12.32 billion.

30.6 China Machinery Engineering Corp. Limited

This is a US$15 million facility (Bridging finance) obtained from China Machinery Engineering Corporation (CMEC) by ZESCO Limited on the 31 May 2019. The facility was obtained for the construction of Lusiwasi Upper Hydropower Station. The tenure of the facility is 18 months from the date when the agreement came into effect to the date when the funds are available from the financial institutions. Funds and Interest shall be repaid at once after ZESCO Limited obtains financing or in Twelve equal instalments whichever comes earlier. The interest is charged at 6% fixed per annum. The balance at the reporting date was K208.78 million.

30.7 Industrial Commercial Bank of China

This is a US$285 million loan facility obtained by Zesco 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 K3.22 billion.

Notes to the consolidated annual financial statements (continued)

30 Borrowings (continued)

30.8 China Exim Bank

This is a US$315.6 million loan facility obtained by Zesco 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 K2.27 billion.

30.9 Nordea Stanbic Bank

This is a US$133million loan facility obtained by ZESCO from Nordea bank on 14 August 2014. The loan was obtained to finance the connection of Northwestern 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 K1.57 billion.

30.10 India Exim Bank

This is a US$63.39 million facility obtained by ZESCO 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 K382.03 million.

30.11 China Exim Bank

This is a US$45 million facility obtained by ZESCO 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 K517.80 million.

30.12 Standard Chartered Bank

This is a US$40 million loan facility obtained by ZESCO from Standard Chartered Bank by ZESCO Limited on the 15 September 2015. The Loan facility was obtained towards the financing of the purchase of assets associated with ZESCO's generation, transmission, and distribution assets. The borrower shall repay each loan in full on the termination date (the date falling six months after the date of this agreement). The loan is in United States Dollars and at the reporting date the balance was K1.03 billion.

30.13 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 monthly equal instalments of US$1.14 million. The loan is denominated in United States Dollar and as at reporting date the loan balance was K31.16 million. The facility is secured by Group's collections and guarantee from the Government of the Republic of Zambia.

30.14 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 year grace period. The facility is in United States Dollar and the amount as at the reporting date was K149.18 million.

30.15 Stanbic Bank

This is a US$30 million Letter of Credit facility obtained from Stanbic Bank (Z) Limited meant to finance importation, mobilization, and installation of equipment by Elsewedy of Egypt. The Letter of Credit agreement was finalized on the 1 August 2013 for a period of 70 months, with a grace period of 15 months. The repayment will be US$545,455 in equal installments of 55 months. The Letter of Credit was secured against the Group's receivables. The facility is in United States Dollar and the balance at reporting date was nil.

Notes to the consolidated annual financial statements (continued)

30 Borrowings (continued)

30.16 Bank of China

This is a US$43.9 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 6 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 nil.

30.17 African Development Bank

This is a US$30 million loan facility obtained from the African Development Bank (AFDB) 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 K271.16 million.

30.18 Industrial and Commercial Bank of China - Chipata-Lundazi- Chama 132 kv Transmission Line

This is a USD$ 36.84 million facility obtained from Industrial and Commercial Bank of China by Zesco Limited on 10th August 2017. The loan facility was obtained to finance the connection of Lundazi and Chama to the National Grid. This 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 Dollars and the balance at the reporting date was K440.44 million.

30.19 Industrial and Commercial Bank of China Loan - Musonda Falls

This is a USD35.25 loan facility obtained from Industrial and Commercial Bank of China by Zesco Limited on 26th 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 Dollars and the balance at the reporting date was K403.83.

30.20 Industrial and Commercial Bank of China Loan - Mpika Transmission

This is a USD29.6 million facility obtained from Industrial ad Commercial Bank of China by Zesco Limited on 13th 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 Dollars and the balance at the reporting date was K391.41 million.

30.21 GRZ/Agence Francaise De Development

This is a US$34.4 million loan facility obtained from the Agence Francaise De Development (AFD)on 18th December 2012 by the Government of the Republic of Zambia and on-lent to ZESCO to finance the construction of Itezhi Tezhi hydro 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 grace period. The loan is denominated in United States Dollar. The total draw downs in the year under review were K54.9 million and the balance at the reporting date was K360.26 million.

30.22 Stanbic Bank Limited

This is a US$30 million Letter of Credit facility obtained from Stanbic Bank (Z) Limited meant to finance importation, mobilization and installation of equipment by Elsewedy of Egypt. The Letter of Credit agreement was finalized on the 1st of August 2013 for a period of 70 months, with a grace period of 15 (Fifteen) months. The repayment will be US$545,455 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 nil.

30.23 Mpande Limestone Limited – Bridging Finance

The facility was obtained (Bridging Finance) for the power connection to Mpande Limestone (Z) Limited on 23 March 2019. It is to be paid in 45 months. The interest on this facility is at 4.5%. The balance at the reporting date was K91.25 million.

Notes to the consolidated annual financial statements (continued)

30 Borrowings (continued)

30.24 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 75 months and is repayable in $333,333 equal instalments 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 nil.

30.25 GRZ/International Development Agency

This is a US$105 million loan facility obtained from the International Development Association on 3 October 2013 by the Government of the Republic of Zambia and on lent to Zesco to finance the Lusaka transmission and Distribution rehabilitaion Project. Interest is charged at 1.5% semi- annum and the loan is denominated in United Sates Dollars and the balance at reporting date was KK530.39 million.

30.26 Development Bank of Southern Africa - Kafue Gorge Hydro Power Station

This is a ZAR210.4 million and US$104 million loan facility obtained from Development Bank of South Africa Bank. The ZAR210.4 million loan was obtained to finance the Power Rehabilitation Projects. The duration of the loan is 20 yearsincluding a grace period of 5 years. The loan facility has a fixed interest rate of 15.25% per annum. The balance at the reporting date was K1.32 billion.

30.27 Development Bank of Southern Africa - Kariba North Bank Extention Power

On the other hand, the US104 million 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$12,549,336.The balance at the reporting date was K713.11 million.

30.28 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 loan facility is in Euros and the balance at the reporting date was K437.25 million.

30.29 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$178,571 in 84 months. The drawings will be made over 55 monthly instalments. The letter of credit is in United States Dollar and the balance at the reporting date was nil.

30.30 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 K41.89 million.

30.31 European Investment Bank 2

This is a EUR7.5 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 secured against Kansanshi receivables. The loan facility is in Euro and the balance at the reporting date was K32.86 million.

30.32 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 K37.35 million.

Notes to the consolidated annual financial statements (continued)

30 Borrowings (continued)

30.33 GRZ/International Development Association-Kafue Muzuma

This is a US$11 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 K489.98 million.

30.34 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 K54.70 million.

30.35 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 waslent to ZESCO to finance the Increased Accessto 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 K191.54 million.

30.36 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 K57.48 million.

30.37 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 balance at the reporting date was K168.76 million.

30.38 The Export-Import Bank of China

This is a US$114 million facility obtained from Export-Import Bank of China (EXIM Bank of China) by ZESCO Limited on the 15 December 2018. The facility was obtained for the construction of the Second Kabwe Stepdown-Pensulo 330KV Transmission Line project. The tenure of the facility is 15 years. Funds and Interest shall be repaid in 24 successive semi-annual instalments. The interest is charged at 3% margin plus LIBOR per annum. The balance at the reporting date was nil.

30.39 Atlas Mara (Z) Limited

This is a US$5 million facility (Short Term Facility) and US$8 million obtained from AtlasMatra Bank (Z) Limited and African Banking Corporation by ZESCO Limited. The US$5 million facility was obtained to enable the Borrower (ZESCO Limited) to meet supplier payments to Aggreko and Karpowership for emergency power that was imported in 2016. The tenure of the facility is one year. Principal and Interest shall be repaid monthly. The interest is charged at 9.5% fixed per annum.

The US$8 million Short Term Loan facility obtained from African Banking Corporation (Z) Limited on 8 October 2019 was to enable the Borrower (ZESCO) to procure Duplex Cable and other materials to reduce on the backlog of standard connections. Interest is charged at 9.5% and the loan (principal plus interest) will be repaid within 2 years. The loans is denominated in United States Dollar. The loans balance at the reporting date was K47.08 million.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

31 Retirement benefit obligations (continued)

(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 Company 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 organisations, 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 organisations 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.

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:

	2019	2018
	K	K
Expected return on plan assets	29.00%	17.00%
Expected rate of salary increase	9.50%	9.50%
Discount rate	17.00%	17.00%
Pension increase assumption	14.50%	9.50%
Long term price inflation	14.50%	9.50%
Average longevity at retirement age for current employees (future pensioners):		
Male	16	16
Female	18	18

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

Remeasurement on the defined liability

	2019	2018
	K	K
Actuarial gains and losses arising from changes in financial assumptions	7,062	(18,009)
Return on plan assets (excluding amounts in net interest)	7,062	(18,009)

* 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.

Gain from change in financial assumptions	35,363	-
Experience gains	566,177	-
	601,540	-

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

31 Retirement benefit obligations (continued)

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

	2019	2018
	K	K
Current service cost	1,933	1,402
Interest cost	6,641	6,272
Total period costs included in staff costs	8,574	7,674

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:	2019	2018
	K	K
Present value of funded obligations	36,717	38,201
Fair value of plan assets	-	(11,193)
Net liability arising from defined benefit obligation	36,717	27,008

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

	2019	2018
	K	K
Opening fair value of plan assets	27,008	13,061
Interest income	6,641	8,265
Contributions	10,718	8,163
Benefits paid	(2,521)	(3,022)
Actuarial (loss) gains	(7,062)	(861)
Current service costs	1,933	1,402
Closing fair value of plan assets	36,717	27,008

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.

32 Deferred income

	2019	2018
	K	K
At January	160,143	114,003
Additions	49,831	46,140
Deferred income	209,974	160,143

The deferred income relates to the capital grants provided by Canadian International Development Aid, United Nations Fund Population Agency, United Nations International Children Education Fund, United Nation Development Program, European Union, and the Government of Zambia. The funding is specific to the projects undertaken by Group through its subsidiaries.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

33 Provisions

	2019	2018
	K	K
Environmental Provision	119,253	144,436
Accrued legal costs	113,419	37,691
Other provisions	143,926	184,522
	376,598	366,649
Non-current portion	98,794	180,020
Current portion	277,804	186,629
	376,598	366,649

Environmental Provision

	2019	2018
At start of the year	144,436	118,081
Acquisition of subsidiary	1,758	-
Charge for the year	(55,540)	1,633
Foreign exchange losses	9,269	23,682
Unwinding of discounts	29,337	1,040
Payment	(10,007)	-
At end of the year	119,253	144,436

The year-end balance represents restoration, rehabilitation and environmental provisions for the Company and its subsidiaries Ndola Lime Company Limited and Kariba Minerals Limited. The Company's provision is as a result of inherited environmental obligations from the old ZCCM Limited. At privatisation of ZCCM Limited, the new investors, taking up the relevant mining licenses, were not willing to assume certain environmental liabilities.

The provisions have been assessed to cost K119 million as at 31 December 2019 as compared to K145 million as at 31 March 2019. This gives a decrease of 18% in the cost of the Group's environmental liabilities. The decline is largely on account of taking over of TD 10 and OB 54 for closure by Ministry of Mines and Mineral Development under a World Bank supported project (Zambia Mining and Environmental Remediation and Improvement Project (ZMERIP) and the licensing of TD 8 to a local investor who in turn assumes all responsibilities.

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 period ended 31 December 2019 and 31 March 2019. At the end of useful life of the 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 2019 was performed by Misenge Environmental and Technical Services Limited and reviewed by an independent expert Knight Piesold Consulting.

The provision recognised as a liability is the best estimate of the consideration required to settle the obligation at the reporting date, assuming a discount rate of 1.69 % (March 2019: 2.23%) and an inflation rate of 2.3% (March 2019: 1.5%) 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$9.52 million (approximately K132.83 million) (March 2019:US$13.04 million (approximately K158,96 million) and US$5.10 million (approximately K71.16 million) (March 2019: US$9.6 million) approximately K117.02 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.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

34 Life Assurance Funds

	2019	2018
	K	K
Opening balance	312,339	303,340
Transfer from policyholder liability	3,984	8,999
At the end of the year	316,323	312,339
Analysis of policyholder liability		
Individual life - new series	7,780	7,985
Individual life - olde series	29,860	26,073
Individual life - immediate annuities	149,805	128,050
Individual life - unit linked	67,771	65,892
Individual life - funeral	25,303	12,225
Company business (GLA, credit life and gratuity)	35,804	72,114
	316,323	312,339

The Life assurance fund relates to the liabilities and obligations arising under or related to the policies the insurer writes.

35 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.

	2019	2018
	K	K
At January	14,132	106,984
Additions during the year	297,536	-
Payments	(241,342)	(92,852)
Outstanding claims	70,326	14,132

36 Unearned premiums

	2019	2018
	K	K
Unearned premiums are calculated on a time basis using the 24th. method	54,136	71,302
Unearned premiums	56,136	71,302

37 Trade and other payables

	2019	2018
Current		
Trade payables	18,716,017	15,092,354
Statutory liabilities	2,457	2,149
Accrued expenses	3,878,917	3,540,371
Other payables	1,843,732	2,079,929
	24,441,123	20,714,803
Non- current		
Other long-term payables		
NAPSA Penalties	2,457	2,149
Other payables and accrued expenses	19,208	5,905
	21,665	8,054

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

38 Change in fair value of investment property and inventories

	2019	2018
	K	K
Investment property (Note 12)	79,664	2,780,756
Inventories	-	373,954
	79,664	3,154,710

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

39 Cash flow information

a) Cash generated from operations

	Notes	2019 K	2018 K
(Loss) / Profit before income tax		(6,745,490)	405,197
Adjustments for:			
Gain on sale of property, plant and equipment		(983,469)	(474)
Interest income	8	(270,082)	(460,176)
Interest expense on bank loans and overdrafts	8	1,595,204	1,565,702
Depreciation charge on right of use assets	11 (a)	91,713	-
Depreciation on property, plant and equipment	10	2,638,153	2,442,821
Elimination of depreciation on revaluation		(127,895)	-
Loss on revaluation of assets		24,877	-
Fair value gains on investment property	12	(79,664)	(2,780,756)
Impairment of intangible asset	13	561	-
Interest expense finance for lease liabilities	8	22,898	-
Adjustment upon adoption of IFRS 9		-	614,690
Other non-cash movement		141,480	46,465
Amortisation of intangible asset	13	15,652	8,043
Loss on disposal of investment		-	1,149
Exchange differences on borrowings	30	5,522,696	4,559,035
Foreign exchange gains on cash and cash equivalents		249	(63)
Amortisation of grants and contributions	29	(183,752)	(356,285)
Income from equity accounted investments	17 (b)	(604,247)	(1,180,164)
Share of loss /(profit) from joint venture	17 (a)	658,381	(439,918)
Changes in working capital			
- Trade and other receivables		41,470	(776,804)
- Inventories		313,985	(587,112)
- Trade and other payables		3,726,320	7,500,771
- Retirement benefits and obligations		820,256	(5,132)
- Movement in biological assets - plantation in formation		(231,839)	(265,485)
- Deferred income		49,831	46,140
- Provisions		68,572	155,500
- Amount due from related parties		(190,303)	(899,085)
- Amount due from related parties		2,230,993	1,150,154
- Other assets		489,714	(184,617)
Cash generated from operations		9,036,264	10,559,596

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

39 Cash flow information(continued)

b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented. Net debt is calculated as total borrowings less cash and cash equivalents

	2019 K	2018 K
Cash and cash equivalents	3,135,279	3,226,739
Bank loans (Note 30)	(29,710,447)	(25,406,042)
Bank overdrafts (Note 25)	(78,596)	(88,939)
Net debt	(26,653,764)	(22,268,242)

2018	Liabilities from financing activities (Bank Loans)	Net Cash / (net of bank overdrafts)	Total
As at start of year	(14,978,360)	2,453,855	(12,524,505)
Cashflows	(8,136,606)	683,945	(7,452,661)
Loan principal repayments	2,330,626	-	2,330,626
Exchange differences	(4,621,702)	-	(4,621,702)
At the end of year	(25,406,042)	3,137,800	(22,268,242)
2019			
As at start of year	(25,406,042)	3,137,800	(22,268,242)
Cashflows	(8,117,829)	(81,117)	(8,198,946)
Loan principal repayments	3,873,268	-	3,873,268
Consideration given for tower transfer	2,591,748	-	2,591,748
Conversion to equity	2,617,000	-	2,617,000
Exchange differences	(5,268,592)	-	(5,268,592)
At the end of year	(29,710,447)	3,056,683	(26,653,764)

40 Related party transactions

The Industrial Development Corporation Limited (IDC) is an investment holding company for the State Owned Enterprise (SOE) and is wholly owned by the Government of the Republic of Zambia through the Minister of Finance pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia. All Government agencies and institutions are related parties of Industrial Development Corporation Limited (IDC).

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

40 Related party transactions (continued)

i) Outstanding balances arising from sales/purchases of goods and services (continued)

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2019 K	2018 K
Receivables		
Government of the Republic of Zambia	2,724,136	2,657,600
Itezhi-tezhi Power Corporation	579,046	458,282
Ministry of Finance	23,133	23,133
Zambia State Insurance Pension Trust Fund (ZSIPTF)	16,415	-
Other	-	6,585
Rural Electrification Authority	7,704	14,531
Zambia Electrometer Limited	2,675	2,675
	3,353,109	3,162,806
Payables		
Itezhi -tezhi	4,283,184	2,375,786
Elsewedy Electronic Zambia Limited	123,000	50,380
Dividend due to shareholder	10,000	10,000
Kariba North Bank	163,847	-
Government (Ministry of Home Affairs and others)	87,128	-
	4,667,159	2,436,166

ii) Loans due from related parties

		2019	2018
Bangweulu Power Company Limited	Associate	27,056	21,911
Zambia China Mulungushi Textiles Limited	Associate	4,036	5,140
Pelidic Zambia Limited	Subsidiary	1,352	1,102
Maamba Collieries	Associate	385,465	379,377
		417,909	407,530

Maamba Collieries Limited

On 17 June 2015, ZCCM –IH entered into an intercompany loan agreement for a cash advance of K321.15 million (US$26.345 million) as part of its contribution towards the implementation of the Integrated Mining Project and the establishment of the 300MW 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 one year after the commercial operational date of 27 July 2018. This loan is subordinated to the financier's loans of Maamba project.

On 25 March 2019, ZCCM-IH advanced a short-term liquid support of $10 million to MCL payable within 60 days from the date of disbursement, and when Maamba receives payment for its power sales to ZESCO.

During the period under review, ZCCM Investments Holdings Plc instituted legal proceedings against MCL in the Lusaka High Court seeking the payment of the US$10 million plus damages and interest. MCL entered appearance and filed a defence in which MCL acknowledged owing the USD10 million. ZCCM-IH on the background of this acknowledgement made an application for Judgment on admission which was heard and the ruling is yet to be rendered by the court.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

40 Related party transactions (continued)

iii) Key management compensation

Key management includes Directors (Executive and Non-Executive) and members of senior management personnel

The compensation paid or payable to key management for employee services is shown below:

	2019	2018
	K	K
Salaries and short-term emoluments	15,227	10,565
Director's fees	1,224	1,548
	16,451	12,113

41 Commitments

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

Capital expenditure authorized but not yet contracted	7,836,027	4,546,550

42 Contingencies

The Group is party to various legal cases whose outcome is dependent on the conclusion of the Zambian judicial process. Management makes estimates for the outcomes of these cases based on professional advice. There are some cases where, based on professional advice received, the directors have not made any provision.

43 Events occurring after the reporting period

a) Investitures

In August 2020, IDC acquired 22.61% shares in Marcopolo Tiles at US$20.679 million while NAPSA and WCFCB acquired 16.39% and 10% respectively.

b) Divestitures

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.

Zaffico Plc

To support its growth expansion, Zaffico sought to raise capital through an initial public offering (IPO) and through this initiative, the IDC reduced its shareholding from 100% to 62.88%.

Zambia Gold

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.

Notes to the consolidated annual financial statements (continued)

43 Events occurring after the reporting period (continued)

c) Mopani Copper Mines Plc

On Friday 23 February 2024, ZCCM-IH held an extraordinary Meeting on where the shareholders approved a transaction amounting to US$1.1 billion investment by International Resources Holding RSC Limited ("IRH"), through its wholly owned subsidiary, Delta Mining Limited ("Delta"), for a 51% interest in Mopani Copper Mines plc ("Mopani"). This investment comprises of US$620 million in new equity capital and shareholder loans (the "Transaction"). The execution of the transaction will be in accordance with the agreed upon terms of the Transaction Agreements.

- Mopani shall issue, and Delta shall subscribe for 7,181,633 ordinary shares in Mopani, comprising 51% of the entire issued share capital of Mopani, at a total price of US$620 million being a price per share of US$86.33 of which US$85.33 per share is share premium.

- Mopani shall issue and the Government of the Republic of Zambia shall subscribe for 1 special ordinary share which, in accordance with the terms of the Shareholders' Agreement and Mopani's new Articles of Association, shall grant the bearer of such share certain special shareholder rights in respect of Mopani.

- Mopani shall repay US$19 million of the bridge facility agreement dated 20 January 2023, as amended, and restated from time to time, and presently between ZCCM-IH as lender and Mopani as borrower and this bridge loan agreement shall be amended and restated in accordance with the terms of the ZCCM-IH Amendment and Restatement Agreement into the ZCCM-IH Shareholder Loan Agreement.

- Delta shall pay Glencore US$400 million in accordance with the terms of the Glencore Payment Covenant resulting into full settlement of the debt that Mopani owes Glencore, and release of security over Mopani to be transferred to Delta in accordance with the Investor Loan Security Agreement.

Payment of US$150,000,000 Glencore Payment Covenant

After 31 December 2023 and following the finalisation of the Mopani Transaction, ZCCM-IH entered into an agreement with the Government of the Republic of Zambia (GRZ) for the settlement of US$150,000,000 plus interest to be paid by GRZ to Glencore on behalf of ZCCM IH. The US$150 million was a partial consideration for the write-down of the MCM's debt to Glencore. The loan agreement has zero interest with a repayment moratorium of five years and provides GRZ with an option to convert the loan into equity, subject to shareholders' and regulatory approvals.

d) Strategic plan 2024 - 2035

In its meeting in April 2024, Board of Directors of the Industrial Development Corporation approved the transformative Strategic plan for the period 2024-2035.The IDC's transformation framework is designed to: a) Establish the IDC as a Wealth Fund, capitalizing on a diverse funding mechanism to ensure long-term economic stability and intergenerational wealth equity: b)Revise and enhance operational structures and investment policies to become a preferred investment partner and active governance shareholder; c) Implement robust governance frameworks to enhance accountability and performance across its portfolio; and d) Drive substantial legislative reforms to support the operational and strategic realignment of the IDC.
Subsequently, the Strategic plan has been implemented by the IDC.

e) Investrust Bank Plc

On April 2, 2024, the Bank of Zambia ("BoZ") took possession of Investrust Bank Plc ("Investrust"). The possession of Investrust by BoZ was necessitated by its insolvency. On 24 April 2024, the Bank of Zambia cancelled the shareholding of ZCCM-IH in Investrust

f) Other material facts or circumstances

At the date of finalisation of the financial statements, there were material events that occurred after the statement of financial position date that require disclosure in the financial statements. These financial statements are being issued concurrently with those for the year ended 31 December 2020. For a more updated disclosure, refer to the financial statements for the year ended 31 December 2020.