# Industrial Development Corporation Limited

## Separate Financial Statements

## For the year ended 31 December 2019

Contents

| | |
|---|---|
| Directors' report | 1-5 |
| Statement of Directors' responsibilities | 6 |
| Independent auditor's report | 7 - 10 |
| Annual financial statements: | |
| Statement of profit or loss and other comprehensive income | 11 |
| Statement of financial position | 12 |
| Statement of changes in equity | 13 |
| Statement of cash flows | 14 |
| Notes to the annual financial statements | 15- 66 |

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").

## 1 PRINCIPAL ACTIVITIES

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 Company remained unchanged at **ZMW20 million** (2018: ZMW 20 milllion) ordinary shares at a par value of **ZMW1.00** (2018: ZMW1.00) each.The issued and fully paid-up share capital remained at **ZMW10 million** (2018: ZMW10 million) ordinary shares at a par value of **ZMW1.00** (2018: ZMW1.00) each.

The Company shareholding is represented as follows:

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

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

## 3 SHAREHOLDING IN INVESTEE COMPANIES ( continued)

| | |
|---|---|
| Industrial markets | Kawambwa Tea Industries (100%)<br>Nitrogen Chemicals of Zambia (100%)<br>Zambia China Mulungushi Textiles Zambia (33%)<br>Zamcapital Enterprises Limited (100%)<br>Agro - Luswishi Limited (100%)<br>Pelidic Zambia Limited (100%) |
| Telecommunications and media | ZAMTEL (100%)<br>Times Printpak (Z) Limited (100%)<br>Zambia Printing Company Limited (100%)<br>Zambia Daily Mail Limited (100%)<br>Infratel Zambia Limited (100%) |
| Tourism , real estate and others | Mulungushi Village Complex Limited (100%)<br>Mulungushi International Conference Centre (100%)<br>NIEC Business School Trust (100%)<br>Mupepetwe Development Company (100%)<br>Medical Services Limited (100%)<br>Zambia International Trade Fair (100%)<br>Mukuba Hotel Limited ( 100%)<br>Lusaka Trust Hospital ( 50%)<br>Lusaka South Multi Facility Economic Zone Limited ( 100%) |
| Transport and logistics | Zambia Railways Limited (100%)<br>Engineering Services Corporation (100%)<br>Mpulungu Harbour Corporation Limited (100%)<br>Zamcargo Logistics Limited (100%) |

## 4 SIGNIFICANT EVENTS DURING THE YEAR

In September 2019, the Company provided Infratel Zambia Limited with a loan amounting to ZMW622.25 million in form of assets which include Zambia National Data Centre and ZAMTEL towers. The tenure of the loan is 15 years with a moratorium of five years at an interest rate of 10.25% per annum.

## 5 RESULTS AND DIVIDEND

The loss for the year of **ZMW36.83million** (2018 : Profit of ZMW7.36 million) has been charged to retained earnings. The Directors did not recommend the payment of a dividend (2018: nil).

## 6 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 |

## 6 DIRECTORS AND REMUNERATION (continued)

| Name of Director | Sector | Position |
|---|---|---|
| Honourable Chipoka Mulenga | Minister of Commerce , Trade & Industry (Appointed 12.08.21) | Non - Executive Director |
| Honourable Reuben Phiri | Minister of Agriculture (Appointed 09.08.22) | Non - Executive Director |
| Mr. Felix Nkulukusa | Secretary to the Treasury (Appointed 09.08.22) | Non - Executive Director |
| Mr. Edson M Hamakowa | Farmer and freelance Consultant (Appointed 09.03.22) | Non - Executive Director |
| 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 Director |
| 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 Director |
| 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 Director |
| 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 Director |
| Mrs . Silvia Banda | Chief Executive - Sylva University (Resigned 12.08.21) | Non - Executive Director |
| Mr . Ben Shoko | Consultant - Banking (Resigned 12.08.21) | Non - Executive Director |
| Mr . Leonard Chiti | Director- Jesuit Centre for Theological Reflection (Resigned 12.08.21) | Non - Executive Director |

## 6 DIRECTORS AND REMUNERATION (continued)

During the year, the total Directors remuneration as disclosed in note 24(vii) was **ZMW2.82 million** (2018: ZMW2.83 million), comprised of **ZMW1.22 million** (2018 : ZMW1.44 million) for services rendered by Executive Directors , and **ZMW1.6 million** (2018: ZMW1.39 million ) for services rendered by Non - Executive Directors.

## 7 INTERESTS REGISTER INFORMATION

During the year, the Company officers (Directors, Company Secretary or Executive Officers of the Company) did not declare any interest in the Company's 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.

## 8 AVERAGE NUMBER OF EMPLOYEES AND REMUNERATION

The total remuneration for employees during the year amounted to **ZMW52.13 million** (2019: ZMW43.62 million) and the average number of employees were less than **100** (2018: less than 100)

## 9 HEALTH , SAFETY AND ENVIRONMENT ISSUES

The Company has policies and procedures to safeguard the occupational health, safety, and welfare of its employees.

## 10 GIFTS AND DONATIONS

During the year, the Company made donations amounting to **ZMW0.26 million** to charitable organisations and events (2018: ZMW0.29 million).

## 11 RESEARCH AND DEVELOPMENT

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

## 12 PROPERTY , PLANT AND EQUIPMENT

During the year, the Company purchased property, plant and equipment amounting to **ZMW2.01** million (2018: ZMW35.93 million). In the opinion of the Directors, the carrying value of property, plant and equipment is not more than their recoverable value.

## 13 SOCIAL RESPONSIBILITY

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

## 14 LEGAL MATTERS

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

## 15 GOING CONCERN

The Company made a loss of ZMW36.83 million for the year ended 31 December 2019 and, as of that date, the Company's current liabilities exceeded its current assets by ZMW208.31 million. As at that date, the Company had shareholder's equity of ZMW23.67 billion. The Company has implemented a number of measures aimed at optimising revenue and expenditure, and these are expected to significantly improve the balance sheet structure. Some of the key measures implemented include the following :

- Introduction of other revenue streams from subsidiaries e.g management fees.
- Refinancing existing loans with lower rates so as to reduce the finance costs and repayments.
- Re-assess investments made over the years to identify non-profitable ventures for possible disinvestments.
- Diversification of the revenue base through property investment to generate rental income.

For the year ended 31 December 2023 Financial performance of the Company exceeded budget. A total of K856.6 million income was generated compared to K763.4 million budgeted, profit after taxation amounted to K572.3 million compared to budget of K324.3 million. Net current assets position of K352.7 million and budgeted net asset position of K18.84 billion. Further, the company has placed a total of K320 million in fixed deposits.

As at 31 July 2024, the current assets exceeded the current liabilities by K859.6 million following a capital injection and refinancing of the borrowings. The Company meets its day to day working capital requirements through dividends received from its subsidiaries and associates.

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 Company will be repositioned to deliver positive financial performance and maximize value for the shareholders.

Based on the above developments and available information including the Company's strategic plans the Directors are of the opinion that the Company 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.

## 16 COMPANY AUDITOR 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 **ZMW0.67 million** (2018: ZMW0.71 million ) as regards audit services rendered to the Company.

**Signed on behalf of the Board of Directors**

Mr. Edson M Hamakowa
Director

4/10/2024

Mr Cornwell Muleya
Director

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 Company as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company. The Directors are further required to ensure the Company adheres to the corporate governance principles or practices contained in Part VII's Sections 82 to 122 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 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 annual financial statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the annual financial statements set out on pages 10 to 65 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with IFRS Accounting Standards 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 Part VII's Sections 82 to 122 of the Companies Act, 2017 of Zambia.

As set out in Note 2.1 '(i)' of the accompanying financial statements the Company made a loss of ZMW36.83million for the year ended 31 December 2019 and, as of that date the Company's current liabilities exceeded its current assets by ZMW208.31 million. As at that date, the Company had shareholder's equity of ZMW23.67billion. The Company has implemented a number of measures aimed at optimising revenue and expenditure, and these are expected to significantly improve the balance sheet structure some of the key measures implemented include the following

- Introduction of other revenue streams from subsidiaries e.g management fees.
- Refinancing existing loans with lower rates so as to reduce the finance costs and repayments .
- Re - assess investments made over the years to identify non - profitable ventures for possible disinvestments.
- Diversification of the revenue base through property investment to generate rental income.

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 Company will be repositioned to deliver positive financial performance and maximize value for the shareholder.

Based on the above developments and available information including the Company's strategic plans the Directors are of the opinion that the Company 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.

Mr. Edson M'Hamakowa
**Director**

Mr Cornwell Muleya
Director

4/10/2024

KPMG Chartered Accountants
6th floor Sunshare Towers,
Cnr Lubansenshi / Katima Mulilo Roads,
Olympia Park,
P O Box 31282
Lusaka, Zambia

Telephone +260 211 372 900
Website www.kpmg.com

# Independent auditor's report

## To the shareholders of Industrial Development Corporation Limited

## Report on the audit of the separate financial statements

### Opinion

We have audited the separate financial statements of Industrial Development Corporation Limited ("the Company") set out on pages 11 to 66, which comprise the statement of financial position at 31 December 2019, and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the separate financial position of Industrial Development Corporation Limited at 31 December 2019, and of its separate financial performance and separate cash flows for the year then ended in accordance with IFRS Standards as issued by International Accounting Standards Board (IFRS 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 separate Financial Statements section of our report. We are independent of the Company 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 separate 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.

### *Key audit matter*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



KPMG Chartered Accountants a Zambian partnership, and member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited a private English Company limited by guarantee. All rights reserved

Partners: A list of the partners is available at the above mentioned address

| *Valuation of investments in subsidiaries and associates*<br><br>*Refer to notes 2.3 Investments in projects, associates and subsidiaries 3 critical accounting estimates and judgements, note 13 investments in subsidiaries and note 14 investments in associates* | |
|---|---|
| *Key audit matter* | *How the matter was addressed in our audit* |
| The Company recognizes its investment in subsidiaries and associates at Fair Value through Other Comprehensive Income (FVTOCI). Investments in subsidiaries and investments in associates amounted to K 22.49 billion and K 850.97 million respectively. These balances are significant to the financial statements.<br><br>Management utilized a valuation expert to determine the fair value of its investments.<br><br>Management exercises significant judgement and applies assumptions when determining key valuation inputs utilized to value its level 2 and 3 investments.<br><br>Investments in subsidiaries and associates are measured at fair value and are classified as either level 1,2 or 3 in accordance with IFRS 13, Fair value measurement (IFRS 13) based on the inputs used in the valuation.<br><br>The key inputs and assumptions involving significant estimation and judgement and having the most significant impact on the fair value of the investments is the:<br><br>• Valuation technique used<br>• Weighted average cost of capital<br>• Liquidity discount<br>• Control premium for investments in subsidiaries<br>• Minority discount for investments in associates<br>• Earnings before Interest Tax Depreciation Amortization (EBITDA) (projected cash flows)<br>• Comparable companies where market multiples valuation technique was used.<br><br>This was an area of focus and is considered a key audit matter due to the size of the investment and the significant complexity, estimation and judgement applied by management in the valuation of investments. | With the assistance of our internal valuation specialists:<br><br>• We assessed the competence, independence and experience of management's expert by inspecting their qualifications and experience obtained in carrying out valuations of a similar nature.<br>• We challenged the valuation technique employed by management's appointed expert, including verifying reasonableness of the weighted average cost of capital, liquidity discounts, control premiums and minority discounts used by comparing them to external data.<br>• We challenged the Earnings before Interest Tax Depreciation Amortization (EBITDA) projections used in the computation by comparing the values used to actual results.<br>• We assessed comparability of companies used where the multiples valuation technique was utilized by verifying that industry risk profiles were similar.<br>• We recalculated the fair value of investments in subsidiaries and associated and compared it to management's valuation expert's calculation.<br>• We assessed the adequacy of the disclosures in the financial statements related to the valuation of investments in accordance with IFRS 13, Fair value measurement. |

**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 Director's responsibilities in respect of the preparation of the separate financial statements. The other information does not include the financial statements and our auditor's report thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 separate financial statements**

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with IFRS Standards as issued by International Accounting Standards Board (IFRS 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the separate financial statements**

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate 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.

KPMG

**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

**KPMG Chartered Accountants**

16 October **2024**

**Maaya Chipwayambokoma**
Partner signing on behalf of the firm

**AUD/F000861**

Figures in thousands of Zambian Kwacha

## Statement of profit or loss and other comprehensive income

| | Notes | 2019 | 2018 |
|---|---|---|---|
| Revenue | 5 | **148,253** | 154,109 |
| Other income | 6 | **10,605** | 42,244 |
| Administrative expenses | 7 | **(101,370)** | (76,081) |
| **Operating profit** | | **57,488** | 120,272 |
| Finance income | 8 | **18,782** | 8,594 |
| Finance costs | 8 | **(85,781)** | (103,649) |
| **(Loss) / profit before taxation** | | **(9,511)** | 25,217 |
| Income tax expense | 9 | **(27,314)** | (17,859) |
| **(Loss) / profit for the year** | | **(36,825)** | 7,358 |
| **Other comprehensive income** | | | |
| Total items that will not be reclassified to P&L : | | | |
| Gain on revaluation of property | 10 | **13,504** | - |
| Deferred tax | 9 | **(4,726)** | - |
| | | **8,778** | - |
| Fair value gains / (losses) on investment in subsidiaries | 13 | **11,833,028** | (6,654,246) |
| Fair value losses on investment in associates | 14 | **(135,870)** | (696,421) |
| | | **11,705,936** | (7,350,667) |
| Total comprehensive income / (loss) for the year | | **11,669,111** | (7,343,309) |

The notes on pages 15 to 66 are an integral part of these annual financial statements.

Figures in thousands of Zambian Kwacha

## Statement of financial position

| | Notes | 2019 | 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant, and equipment | 10 | **50,859** | 38,708 |
| Investment property | 11 | **19,750** | - |
| Investments in projects | 12 | **61,995** | 10,649 |
| Deferred tax asset | 9 | **532** | 5,258 |
| Loans receivable from related parties | 24 (iii) | **674,379** | 111,945 |
| Investments in associates | 14 | **850,971** | 991,341 |
| Investments in subsidiaries | 13 | **22,493,999** | 10,602,156 |
| | | **24,152,485** | 11,760,057 |
| **Current assets** | | | |
| Trade and other receivables | 15 | **50,304** | 74,635 |
| Cash and cash equivalents | 16 | **9,257** | 39,169 |
| Asset held for sale | 17 | **4,500** | - |
| | | **64,061** | 113,804 |
| **Total assets** | | **24,216,546** | 11,873,861 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 18 | **10,000** | 10,000 |
| Capital and other reserves | 19 | **23,623,661** | 11,295,475 |
| Retained earnings | | **31,364** | 68,189 |
| **Total equity** | | **23,665,025** | 11,373,664 |
| **Non- current liabilities** | | | |
| Borrowings | 20 | **273,233** | 111,357 |
| Capital grants | 21 | **5,920** | 5,920 |
| | | **279,153** | 117,277 |
| **Current liabilities** | | | |
| Trade and other payables | 22 | **70,479** | 84,909 |
| Current tax payable | 9 | **52,025** | 49,992 |
| Borrowings | 20 | **149,864** | 248,019 |
| | | **272,368** | 382,920 |
| **Total liabilities** | | **551,521** | 500,197 |
| **Total equity and liabilities** | | **24,216,546** | 11,873,861 |

The notes on pages 15 to 66 are an integral part of these annual financial statements.

The annual financial statements on pages 11 to 66 were approved and authorised for issue by the board of directors on ..... and were signed on its behalf by:

Mr. Edson M Hamakowa
Director

Mr Cornwell Muleya
Director

Figures in thousands of Zambian Kwacha

## Statement of changes in equity

| | Share capital | Capital reserve | Fair value reserve | Revaluation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | 10,000 | 12,511,260 | 4,964,764 | - | 60,831 | 17,546,855 |
| Profit for the year | - | - | - | - | 7,358 | 7,358 |
| Fair value loss on investments in subsidiaries (Note 13) | - | - | (6,654,246) | - | - | (6,654,246) |
| Fair value loss on investments in associates (Note 14) | - | - | (696,421) | - | - | (696,421) |
| Total comprehensive income | - | - | (7,350,667) | - | 7,358 | (7,343,309) |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Conversion of Government loans to equity* | - | 1,170,118 | - | - | - | 1,170,118 |
| | - | 1,170,118 | - | - | - | 1,170,118 |
| **Balance at 31 December 2018** | **10,000** | **13,681,378** | **(2,385,903)** | **-** | **68,189** | **11,373,664** |
| **Balance as at 1 January 2019** | 10,000 | 13,681,378 | (2,385,903) | - | 68,189 | 11,373,664 |
| Loss for the year | - | - | - | - | (36,825) | (36,825) |
| Other comprehensive income: | | | | | | |
| Gain on revaluation of property (Note 10) | - | - | - | 13,504 | - | 13,504 |
| Deferred tax charge (Note 9) | - | - | - | (4,726) | - | (4,726) |
| Fair value gain on investments in subsidiaries (Note 13) | - | - | 11,833,028 | - | - | 11,833,028 |
| Fair value loss on investments in associates (Note 14) | - | - | (135,870) | - | - | (135,870) |
| Total comprehensive income | - | - | 11,697,158 | 8,778 | (36,825) | 11,669,111 |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Shareholder loan - asset rationalization* | - | 622,250 | - | - | - | 622,250 |
| | - | 622,250 | - | - | - | 622,250 |
| **Balance at 31 December 2019** | **10,000** | **14,303,628** | **9,311,255** | **8,778** | **31,364** | **23,665,025** |

*See note 19 for further details on the reserves

The notes on pages 15 to 66 are an integral part of these annual financial statements.

Figures in thousands of Zambian Kwacha

## Statement of cash flows

| | Notes | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated / (used in) from operations | 23 (a) | **74,244** | (26,381) |
| - Interest income | | **279** | 8,594 |
| - Interest paid | 23 (b) | **(38,912)** | (642) |
| -Tax paid | 9 | **(25,281)** | (13,550) |
| **Net cash (outflow) from operating activities** | | **10,330** | (31,979) |
| **Cash flows from investing activities** | | | |
| Payments for acquisition of investments in subsidiaries | 13 | **(58,815)** | (82,689) |
| Payments for acquisition of investments in associates | 14 | **-** | (29,262) |
| Payments for investments in projects | 12 | **(51,346)** | (1,342) |
| Payments for property, plant and equipment | 10 | **(2,010)** | (35,933) |
| Payments for investment property | 11 | **(11,877)** | - |
| Loans due from related parties | 24 (iii) | **(15,191)** | (106,211) |
| Proceeds from disposal of investments | | **-** | 51,050 |
| Proceeds from sale of property, plant and equipment | | **-** | 860 |
| Repayment of loans by related parties | 24 (iii) | **78,732** | - |
| **Net cash (outflow) from investing activities** | | **(60,507)** | (203,527) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | 23 (b) | **312,000** | 279,543 |
| Repayment of borrowings | 23 (b) | **(285,415)** | (37,047) |
| **Net cash inflow from financing activities** | | **26,585** | 242,496 |
| **Net (decrease) / increase in cash and cash equivalents** | | **(23,592)** | 6,990 |
| Cash and cash equivalents at start of period | | **31,562** | 24,572 |
| **Cash and cash equivalents at end of period** | 16 | **7,970** | 31,562 |

The notes on pages 15 to 66 are an integral part of these annual financial statements.

Notes to the annual financial statements

## 1 General information

The Company is an investment holding Company for the State-Owned Enterprises (SOEs) 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.

The Company is domiciled in Zambia and the address of its registered office is:

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

## 2 Summary of significant accounting policies

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

### 2.1 Basis of preparation

The financial statements of Industrial Development Corporation Zambia Limited have been prepared in accordance with IFRS Accounting Standards as issued by the IASB and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to entities reporting under IFRS and the Zambia Companies Act.

In accordance with the requirements of the Companies Act of Zambia, the financial statements for the year ended 31 December 2019 have been approved for issue by the Directors. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Zambian Kwacha (ZMW). The functional currency and presentation currency of the Company is the Zambian Kwacha rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Company'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

Notes to the annual financial statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### (i) Going concern

The Company made a loss of **ZMW36.83** million for the year ended 31 December 2019 and, as of that date, the Company's current liabilities exceeded its current assets by **ZMW208.31** million. As at that date, the Company had shareholder's equity of **ZMW23.67** billion. The Company has implemented a number of measures aimed at optimising revenue and expenditure, and these are expected to significantly improve the balance sheet structure. Some of the key measures implemented include the following :

- Introduction of other revenue streams from subsidiaries e.g management fees.
- Refinancing existing loans with lower rates so as to reduce the finance costs and repayments.
- Re-assess investments made over the years to identify non-profitable ventures for possible disinvestments.
- Diversification of the revenue base through property investment to generate rental income.

For the year ended 31 December 2023 financial performance of the Company exceeded budget. A total of **K856.6** million income was generated compared to **K763.4** million budgeted, profit after taxation amounted to **K572.3** million compared to budget of **K324.3** million. Net current assets position of **K352.7** million and budgeted net asset position of **K18.84** billion. Further, the company has place a total of K320 million in fixed deposits.

As at 31 July 2024, the current assets exceeded the current liabilities by K886.2 million following a capital injection and refinancing of the borrowings. The Company meets its day to day working capital requirements through dividends received from its subsidiaries and associates.

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 Company will be repositioned to deliver positive financial performance and maximize value for the shareholders.

Based on the above developments and available information including the Company's strategic plans the Directors are of the opinion that the Company 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.

### 2.2 Changes in accounting policy and disclosures

i) **New standards, amendments, interpretations adopted by the Company**

A number of new or amended standards became applicable for the current reporting period and the Company 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 Company was not impacted by IFRS 16. 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.

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 company. 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 Directors have done an assessment that these standards are not expected to have a material impact on the annual financial statements.

Notes to the annual financial statements ( continued)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

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

| 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<br><br>1 January 2020. | These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRS Accounting Standards:<br><br>- use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;<br>- clarify the explanation of the definition of material; and<br>- incorporate some of the guidance in IAS 1 about immaterial information.<br>The amended definition is:<br>"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<br><br>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 annual financial statements (continued)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

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

| Number | Effective date | Executive Summary |
|---|---|---|
| Revised Conceptual Framework for Financial Reporting | Annual periods beginning on or after 1 January 2021 | The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:<br>- increasing the prominence of stewardship in the objective of financial reporting<br>-reinstating prudence as a component of neutrality<br>- defining a reporting entity, which may be a legal entity, or a portion of an entity<br>- revising the definitions of an asset and a liability<br>- removing the probability threshold for recognition and adding guidance on derecognition<br>- adding guidance on different measurement basis, and<br>- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.<br>No changes will be made to any of the current accounting standards.However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework. |

2.3 Investment in projects , associates and subsidiaries

*i) Investment in projects*

Investments in projects are classified as fair value through profit or loss. They are initially recognised at cost. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognised in profit or loss. There is no subsequent reclassification of fair value gains and losses to profit or loss following the recognition of the investment.

*ii) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company . They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Company and these are accounted for at cost less accumulated impairment.

Notes to the annual financial statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.3 Investment in projects , associates and subsidiaries (continued)

*iii) Associates*

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at fair value .

### 2.4 Foreign currency translation

*(a) Functional and presentation currency*

Items included in the annual financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The functional currency and presentation currency of the Company is the Zambian Kwacha (ZMW).

*(b) 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.

### 2.5 Revenue

**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 the shareholder's right to receive payment has been established.

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

Leases for which the Company is a lessor are classified as either finance leases or operating leases.A lease is classified as a finance lease if it transfers substantially all of the risks and rewards incidental to ownership of an underlying asset. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

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 .

### 2.6 Financial instruments

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

Notes to the annual financial statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.6 Financial instruments (continued)

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

*Financial assets*

It is the Company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss (FVTPL) and at fair value through other comprehensive income.

All the Company's financial assets as at reporting period satisfy the conditions for classification at amortised cost under IFRS 9.

The Company's financial assets include trade receivables, other receivables , loan receivable from related parties , amount due from related parties and cash and cash equivalents.

*i) Trade receivables*

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

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

*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 balance sheet.

Notes to the annual financial statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.6 Financial instruments (continued)

*Impairment of financial assets*

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15 Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions .

The Company applies the simplified approach to determine impairment of receivables. The simplified approach requires expected lifetime losses to be recognized from initial recognition of the receivables. This involves determining the expected loss rates which is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

*Financial liabilities*

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

A financial liability is classified as held for trading if:

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

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

•such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise ; or

•the financial liability forms part of a financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the 's documented risk management or investment strategy, and information is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

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

## 2 Summary of significant accounting policies (continued)

### 2.6 Financial instruments (continued)

*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.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

*ii) Trade and other payables*

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.

Derecognition

*Financial assets*

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the annual financial statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.6 Financial instruments (continued)

*Financial liabilities (continued)*

The Company derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

*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 Company or the counterparty.

### 2.7 Property,plant and equipment

Buildings are initially recognised at cost and subsequently shown at fair value, based on valuations by external independent valuers, less accumulated depreciation. Valuations are performed every two years on buildings 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.

All other property, plant and equipment are initially stated at historical cost and subsequently measured at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred .

Increases in the carrying amount arising on revaluation of buildings are credited to other comprehensive income and shown as revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve, all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Notes to the annual financial statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.7 Property,plant and equipment (continued)

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Buildings | 2% |
| Equipment and furniture | 20% |
| Motor vehicles | 25% |
| IT equipment | 33% |

The assets' residual values and useful lives 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). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### 2.8 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.

Assets are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for salen in the statement of financial position.

### 2.9 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.

Notes to the annual financial statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.10 Employee benefits

Employee benefits are all forms of consideration given in exchange for services rendered by employees or for the termination of employment. The classification, recognition and measurement of employee benefits is as follows;

*(i) Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. The Company's short term employee benefits comprise remuneration in the form of salaries, wages, incentive bonuses, employee entitlement to leave pay and medical aid. The undiscounted amount of all short-term employee benefits expected to be paid in exchange for service rendered are recognised as an expense or as part of the cost of an asset during the period in which the employee renders the related service. The Company recognises the expected cost of incentive bonuses only when the Company has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

*(ii) Post-employment benefits*

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits).

*(ii) Post-employment benefits (continued)*

Post-employment benefits comprise retirement benefits that are provided for employees through an independently administered defined contribution fund and by the National Pension Security Authority (NAPSA), which is also a defined contribution fund from the Company's perspective. Payments to the defined contribution fund and to the NAPSA scheme are recognised as an expense when they fall due, which is when the employee renders the service. The Company has no liability for post-employment retirement benefit funds once the current contributions have been paid at the time the employees render service. During the year, the Company contributed to the Company defined contribution fund and to the NAPSA scheme.

### 2.11 Income tax expense

*(i) Current income tax*

The tax credit for the period comprises current and deferred income tax. 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.

The current income tax charge is calculated on the basis of the tax enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*(ii) Deferred income tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual financial statements. However, deferred income tax is 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.

Notes to the annual financial statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.11 Income tax expense (continued)

*(ii) Deferred income tax*

Deferred income tax is determined using tax rates (and laws) that have been enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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 annual financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also exercises judgement in applying the Company's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included together with information about the basis of calculation for each affected line item in the annual financial statements.

The estimates and assumptions that have significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

*i)* 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 Company 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 basis (NAV) bases.

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

- Free cash flows of investees
- Discount or premium applied to the IDC's stake in investee.
- Sector / subsector betas
- Debt weighting - this is the target interest bearing debt level.

Refer to Note **13 '(a)'** and Note **14 '(a)'** for more details .

## Notes to the annual financial statements (continued)

### 4 Financial risk management

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance.

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's risk management framework and governance structures are intended to provide comprehensive controls and ongoing management of its major risks. The Board of Directors exercises oversight through delegation from the Board to various sub-committees, notably the Audit and Risk Committee , which are organised in line with risk management policies.

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 Company is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the United States Dollar (US$) . To manage foreign exchange risk, the Company holds fixed deposits with various banks which act as a natural hedge for foreign currency obligations. Hedging techniques such as currency swap are also used to manage currency risk.

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

| | Exposure US$ |
|---|---|
| **As at 31 December 2019** | |
| Financial asset: | |
| Cash and cash equivalents | **6,900** |
| Loans receivable from related parties | **34,072** |
| | **40,972** |
| Financial liabilities : | |
| Borrowings | **(32,760)** |
| Net exposure | **8,212** |
| **As at 31 December 2018** | |
| Financial asset: | |
| Cash and cash equivalents | 37,860 |
| Loans receivable from related parties | 100,731 |
| | 138,591 |
| Financial liabilities : | |
| Borrowings | (270,247) |
| Net exposure | (131,656) |

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

4 **Financial risk management (continued)**

a) ***Market risk (continued)***

(i) *Foreign exchange risk exposure (continued)*

The following significant rates have been applied during the year:

| | Average rate | | Reporting date | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| **ZMW to 1 USD** | **13.65** | 11.89 | **13.77** | 11.93 |

*Sensitivity*
A strengthening (weakening) of the Kwacha by 10 percent, as indicated below against the USD would have increased /(decreased) equity and profit or loss by the amounts shown below. This computation is based on the foreign exchange rate variance that the company considered reasonably possible at the reporting date. The computation assumes all the other variables remain constant.

| | Strengtheing Profit/ loss | Equity | Weakening Profit/ loss | Equity |
|---|---|---|---|---|
| **As at 31 December 2019** | | | | |
| **USD** | **821** | **821** | **(821)** | **(821)** |
| As at 31 December 2018 | | | | |
| USD | 13,165 | 13,165 | (13,165) | (13,165) |

(ii) Cash flow and fair value Interest rate risk
The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk.

The exposure of the Company's borrowings to interest rate changes at the end of the reporting period are as follows:

| | **2019** | **% of total loans** | **2018** | **% of total loans** |
|---|---|---|---|---|
| Variable rate borrowings | **355,997** | **100%** | 111,357 | 100% |

The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings. None of the borrowings are referenced to a benchmark interest rate subject to interbank offered rates (IBOR) reform.

As at 31 December 2019, with all other variables held constant, a 2 % (2018: 2%) decrease/increase in the base interest rate would have resulted in change in post-tax profit for the year and shareholders' equity as follows:

| | **2019** | **2018** |
|---|---|---|
| | **K** | **K** |
| Impact on profit and equity | **(7,120)** | (2,227) |

b) ***Credit risk***

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables.

Notes to the annual financial statements (continued)

4 Financial risk management (continued)

b) *Credit risk (continued)*

i) Risk management

For banks and financial institutions, the Company only engages reputable well-established financial institutions. The Company's risk control unit assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the board. The compliance with credit limits by the customers is regularly monitored by line management.

ii) Impairment of financial assets

*The Company has three types of financial assets that are subject to the expected credit loss model:*

- Trade receivables
- Cash and cash equivalents and Loans due from related parties

*Trade receivables*

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Company's historical credit loss experience does not show significantly different loss patterns for the various customer segments. Therefore, the grouping of trade receivables is not disaggregated into further risk profiles other than days past due. As at the year end , the outstanding balance was insignificant and hence the impairment was assessed as immaterial.

The amount that best represents the Company's maximum exposure to credit risk is the carrying value of its financial assets as presented in the financial position.

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 90 days past due

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

*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 shareholder loan of ZMW14.65 million, was immaterial.

c) ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash coupled with the availability of funding from an adequate amount of committed credit facilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

4 Financial risk management (continued)

c) *Liquidity risk (continued)*

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows. This maintains the level of its cash flow and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities through cash flow forecasts.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows and include estimated interest payments and exclude the impact of netting agreements.

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows |
|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | 9,257 | - | - | - | 9,257 |
| Loan from related parties | - | 12,217 | 48,583 | 690,663 | 751,463 |
| Trade and Other receivables (excluding prepayments) | 50,304 | - | - | - | 50,304 |
| | **59,561** | **12,217** | **48,583** | **690,663** | **811,024** |
| Liabilities | | | | | |
| Borrowings | 84,601 | 412,575 | 17,300 | - | 514,476 |
| Trade and Other payables (excluding statutory and contract | 68,510 | - | - | - | 68,510 |
| | **153,111** | **412,575** | **17,300** | **-** | **582,986** |
| Net amount | **(93,550)** | **12,217** | **31,283** | **(12,667)** | **228,038** |

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

4 Financial risk management (continued)

c) *Liquidity risk (continued)*

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows |
|---|---|---|---|---|---|
| **At 31 December 2018** | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | 39,169 | - | - | - | 39,169 |
| Loan from related parties | - | 90,463 | 30,938 | 6,148 | 127,549 |
| Trade and Other receivables (excluding prepayments) | 74,635 | - | - | - | 74,635 |
| | 113,804 | 90,463 | 30,938 | 6,148 | 241,353 |
| Liabilities | | | | | |
| Borrowings | - | 261,071 | 133,391 | - | 527,853 |
| Trade and Other payables (excluding statutory and contract | 84,909 | - | - | - | 84,909 |
| | 84,909 | 261,071 | 133,391 | - | 612,762 |
| Net amount | 28,895 | (170,608) | (102,453) | 6,148 | (371,409) |

d) *Capital Management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

The capital structure consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note 20, cash and cash equivalents disclosed in note 16 , and equity as disclosed in the statement of financial position.

During 2019, the Company's strategy, which was unchanged from prior year, was to maintain a gearing ratio of less than 50%. The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

| | **2019** | 2018 |
|---|---|---|
| Net debt (Note 23 (b) ) | **(413,840)** | (320,207) |
| Total equity | **23,665,025** | 11,373,664 |
| Gearing ratio | **1.75%** | 2.82% |

Figures in thousands of Zambian Kwacha

## Notes to the annual financial statements (continued)

| | | 2019 | 2018 |
|---|---|---|---|
| 4 | **Financial risk management (continued)** | | |
| d) | **Financial instruments by category** | | |
| | **Financial assets** | | |
| | Trade and other receivables (excluding prepayments) | **50,304** | 74,635 |
| | Loans from related parties | **674,379** | 111,945 |
| | Cash and cash equivalents | **7,970** | 31,562 |
| | | **732,653** | 218,142 |
| | **Financial liabilities** | | |
| | Borrowings | **423,097** | 359,376 |
| | Trade and other payables (excluding statutory liabilities) | **68,510** | 84,909 |
| | | **491,607** | 444,285 |
| 5 | **Revenue** | | |
| | Dividends | **148,253** | 154,109 |
| | **Dividends Breakdown:** | | |
| | Indo Zambia | **24,000** | - |
| | Indeni Petroleum Limited | **30,788** | 27,734 |
| | Mulungushi Village Company | **27** | 333 |
| | Nanga Farms | **-** | 2,661 |
| | ZCCM - IH | **59,125** | 81,422 |
| | ZANACO | **9,200** | 1,429 |
| | ZAFFICO | **25,113** | 40,188 |
| | ZEPRE SHARES | **-** | 242 |
| | Zambia Railways Limited | **-** | 100 |
| | | **148,253** | 154,109 |
| 6 | **Other income** | | |
| | Rentals | **1,124** | - |
| | Profit from the disposal of assets | **-** | 205 |
| | Sundry income | **39** | 847 |
| | Foreign exchange differences other than on borrowings and cash | **1,569** | 41,192 |
| | Valuation gain on investment property (Note 11) | **7,873** | - |
| | | **10,605** | 42,244 |

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

| | 2019 | 2018 |
|---|---|---|
| **7 Administrative expenses** | | |
| Advertising and publications | 501 | 653 |
| Audit fees | 669 | 713 |
| Bank charges | 132 | 527 |
| Board fees | 1,556 | 1,391 |
| Business and entertainment | 55 | 38 |
| Cleaning expenses | 303 | 176 |
| Communication expense | 35 | 47 |
| Consultancy | 11,230 | 4,858 |
| Depreciation (Note 10) | 3,363 | 3,725 |
| Donations | 261 | 290 |
| Employee costs (Note 7.1) | 52,125 | 43,620 |
| Electricity and water | 80 | 66 |
| Fuel and lubricants | 1,119 | 966 |
| ICT expenses | 1,368 | 369 |
| Insurance | 848 | 644 |
| Impairment of shareholder loan (Note 24 (iii) ) | 14,647 | - |
| Legal costs | 605 | 452 |
| Licences and fees | 593 | 275 |
| Loss on disposal of investments | - | 1,149 |
| Motor vehicles expense | 554 | 178 |
| National events | 1,305 | 4,211 |
| Office expenses | 163 | 282 |
| Other expenses | 181 | 1,189 |
| Pacra expenses | 20 | 14 |
| Printing and stationery | 520 | 490 |
| Procurement/evaluation | 64 | 361 |
| Professional membership | 117 | 37 |
| Project costs | 433 | 1,040 |
| Repairs and maintenance | 510 | 221 |
| Security expenses | 445 | 282 |
| Seminars and workshops | 2,335 | 1,722 |
| Telephones and postage | 339 | 235 |
| Training expense | 114 | 1,506 |
| Travel expenses | 3,398 | 2,804 |
| Withholding tax | 1,382 | 1,550 |
| | 101,370 | 76,081 |
| **7.1 Employee costs** | | |
| Salaries and wages | 49,905 | 42,309 |
| NAPSA | 574 | 612 |
| Defined contribution scheme | 1,646 | 699 |
| | 52,125 | 43,620 |

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

## 8 Finance income and costs

| | 2019 | 2018 |
|---|---|---|
| ***Finance income :*** | | |
| Foreign exchange gains on loan receivable (Note 24 (iii)) | 6,958 | - |
| Interest on shareholder loans ( Note 24 ( iii) ) | 11,414 | 4,738 |
| Interest on call account | 101 | 189 |
| Interest on placed deposits | 104 | - |
| Interest on treasury activities | 74 | 3,649 |
| Interest on staff loans | 131 | 18 |
| | 18,782 | 8,594 |
| ***Finance costs :*** | | |
| Exchange losses on borrowings (Note 23 (b) ) | 9,445 | 61,330 |
| Exchange losses on loan receivable (Note 24 (iii) ) | - | 24,180 |
| Interest expense on borrowings (Note 23 (b)) | 72,923 | 18,139 |
| Loan facility fees | 3,413 | - |
| | 85,781 | 103,649 |
| Net finance cost | 66,999 | 95,055 |

## 9 Income tax expense

| | | |
|---|---|---|
| Current income tax charge | 27,314 | 23,117 |
| Deferred income tax expense/ credit | - | (5,258) |
| | 27,314 | 17,859 |

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

| | 2019 | 2018 |
|---|---|---|
| Profit before income tax | (9,511) | 25,217 |
| Tax calculated at the statutory income tax rate of 35% (2018:35%) | (3,329) | 8,826 |
| Tax effect of: | | |
| Expenses not deductable for tax purposes | 30,643 | 9,033 |
| | 27,314 | 17,859 |

**Current income tax movement in the statement of financial position**

| | | |
|---|---|---|
| At start of year | 49,992 | 40,425 |
| Current income tax expense | 27,314 | 23,117 |
| Payment | (25,281) | (13,550) |
| | 52,025 | 49,992 |

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

| | | 2019 | 2018 |
|---|---|---|---|
| 9 | **Income tax expense (continued)** | | |
| | **Deferred income tax** | | |
| | At start of period | **5,258** | - |
| | Charge for the period | - | 5,258 |
| | Deferred tax on revaluation through OCI | **(4,726)** | - |
| | At end of period | **532** | 5,258 |

| | At the start of the year | Profit or loss | Equity | At end of the year |
|---|---|---|---|---|
| **Year ended 31 December 2019** | | | | |
| **Deferred income tax liabilities** | | | | |
| Revaluation surplus | - | - | (4,726) | (4,726) |
| | - | - | **(4,726)** | **(4,726)** |
| **Deferred income tax assets** | | | | |
| Non deductible Interest | - | 5,258 | - | 5,258 |
| | - | 5,258 | - | 532 |
| **Net deferred tax asset** | - | **5,258** | **(4,726)** | **532** |
| **Year ended 31 December 2018** | | | | |
| **Deferred income tax assets** | | | | |
| Non deductible Interest | - | 5,258 | - | 5,258 |
| **Deferred tax asset** | - | 5,258 | - | 5,258 |

Figures in thousands of Zambian Kwacha

## Notes to the annual financial statements (continued)

### 10 Property , plant and equipment

| | Land and buildings | Equipment and furniture | Motor Vehicles | | Total |
|---|---|---|---|---|---|
| **As at 31 December 2017** | | | | | |
| Cost or fair value | - | 2,261 | 7,210 | 1,821 | 11,292 |
| Accumulated depreciation | - | (766) | (2,435) | (936) | (4,137) |
| Net book value | - | 1,495 | 4,775 | 885 | 7,155 |
| **Year ended 31 December 2018** | | | | | |
| Opening balance | - | 1,495 | 4,775 | 885 | 7,155 |
| Additions | 32,950 | 413 | 1,792 | 778 | 35,933 |
| Disposal | - | - | (850) | - | (850) |
| Depreciation charge | (494) | (608) | (2,004) | (619) | (3,725) |
| Disposal depreciation | - | - | 195 | - | 195 |
| Net book value | 32,456 | 1,300 | 3,908 | 1,044 | 38,708 |
| **As at 31 December 2018** | | | | | |
| Cost or fair value | 32,950 | 2,674 | 8,152 | 2,599 | 46,375 |
| Accumulated depreciation | (494) | (1,374) | (4,244) | (1,555) | (7,667) |
| Net book value | 32,456 | 1,300 | 3,908 | 1,044 | 38,708 |

## Notes to the annual financial statements (continued)

### 10 Property , plant and equipment (continued)

| | Land and buildings | Equipment and furniture | Motor Vehicles | IT Equipment | Total |
|---|---|---|---|---|---|
| **Year ended 31 December 2019** | | | | | |
| Opening balance | 32,456 | 1,300 | 3,908 | 1,044 | 38,708 |
| Additions | 580 | 788 | - | 642 | 2,010 |
| Revaluation | 13,010 | - | - | - | 13,010 |
| Depreciation charge | (24) | (753) | (1,885) | (701) | (3,363) |
| Reversal of depreciation | 494 | - | - | - | 494 |
| Net book value | **46,516** | **1,335** | **2,023** | **985** | **50,859** |
| **As at 31 December 2019** | | | | | |
| Cost or fair value | 47,010 | 3,462 | 8,152 | 3,241 | 61,865 |
| Accumulated depreciation | (494) | (2,127) | (6,129) | (2,256) | (11,006) |
| Net book value | **46,516** | **1,335** | **2,023** | **985** | **50,859** |

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

* As at 31 December 2019, the Company undertook a revaluation of the corporate offices, 61 Independence Avenue, prospect hill, Lusaka. The property valuations were performed by Sherwood Greene, an accredited and independent valuer using comparable method technique.The valuation model used is in accordance with 'RICS Definition of Value and General Principles to all Valuation '.

### 11 Investment property

| | 2019 | 2018 |
|---|---|---|
| Carrying amount at 1 January | - | - |
| Additions | **11,877** | - |
| Change in fair value (Note 6) | **7,873** | - |
| Carrying amount at 31 December | **19,750** | - |

## Notes to the annual financial statements (continued)

### 11 Investment property (continued)

The Company acquired investment property from ZSIC General Insurance comprising, stand No. 7940 & 7941 (Kambendekela House), and stand No. 6229 in Mongu (Teba House).The properties were independently valued by Fairworld Property Limited, a firm of Chartered Valuation Surveyors & Real Estate Agents at their market value as at December 31, 2019.

***The valuation assumptions used are summarized in the table below:***

| Valuation technique | Significant unobservable inputs | Inter- relationship between unobservable inputs and fair value measurement |
|---|---|---|
| This valuation method considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs sum as rent free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary) tenant credit quality. | • Expected market rental growth (3 - 5%. Weighted average 4%) .<br><br>• Void periods (average 6 months after the end of each lease).<br><br>• Occupancy rate (80-90%, weighted average 80%).<br><br>• Rent-free periods (1-month period on new leases)<br><br>• Risk-adjusted discount rates (10% - 10.5%. weighted average 10%) | The estimated fair value would increase (decrease) if :<br><br>• Expected market rental growth were higher (lower);<br><br>• Void periods were shorter (longer) ;<br><br>• The occupany rate were higher (lower) ;<br><br>• Rent -free periods were shorter ( longer) ;or<br><br>• The risk -adjusted discount rate were lower (higher). |

Figures in thousands of Zambian Kwacha

## Notes to the annual financial statements (continued)

### 12 Investment in projects

| | 2019 | 2018 |
|---|---|---|
| Movement in investment in projects | | |
| At January | 10,649 | 178,083 |
| Additions | 51,346 | 1,342 |
| Transfer to investment in subsidiaries (Note 13 (a)) | - | (168,776) |
| At 31st December | 61,995 | 10,649 |
| Fruit project | 17,676 | 888 |
| Katete mango project | 96 | |
| Kawambwa tea project | 10 | - |
| Kabwe textiles project | 1,909 | 991 |
| Luswishi project | 301 | - |
| Mununshi plantation project | 11,985 | - |
| Mwiniliunga pineapple project project | 116 | - |
| Marubeni project | 840 | - |
| Mupepetwe project | 350 | - |
| Scaling solar project | 7,950 | 8,770 |
| Zambia Airways project | 20,730 | - |
| Zambia chemicals project | 22 | - |
| Zambezi cashew nuts project | 10 | - |
| | 61,995 | 10,649 |

Figures in thousands of Zambian Kwacha

## 13 Investment in subsidiaries

### (a) Valuation of investment in subsidiaries

| Country of incorporation | Name of company | Percentage held | Opening balance 01-Jan-19 | Transfer | Addition | Movement | Closing balance 31-Dec-19 |
|---|---|---|---|---|---|---|---|
| Zambia | Agro – Luswishi | 100% | 15,315 | - | - | - | 15,315 |
| Zambia | Engineering Services Corporation | 100% | 1 | - | - | - | 1 |
| Zambia | Indeni Petroleum | 100% | 770,386 | - | | (42,396) | 727,990 |
| Zambia | Lusaka South Multi- Facility Economic | 100% | 5,106,888 | - | - | (2,385,895) | 2,720,993 |
| Zambia | Mulungushi Village | 100% | 228,257 | - | - | (86,181) | 142,076 |
| Zambia | Mulungushi International Conference | 100% | 35,792 | - | - | 1,023,102 | 1,058,894 |
| Zambia | Mpulungu Harbour Corporation | 100% | 23,987 | - | - | (14,087) | 9,900 |
| Zambia | Mukuba Hotel | 100% | - | - | - | - | - |
| Zambia | Medical Services Limited | 100% | 1 | - | - | (1) | - |
| Zambia | Mupepetwe Development Company | 100% | 1 | - | - | (1) | - |
| Zambia | NIEC Business Trust School | 100% | 2,293 | - | - | (2,293) | - |
| Zambia | Nitrogen Chemicals of Zambia | 100% | - | - | - | 177,644 | 177,644 |
| Zambia | Pelidic | 100% | 26 | - | - | (26) | - |
| Zambia | Superior Milling Ltd | 76% | - | - | - | - | - |
| Zambia | Times of Zambia Printpak Limited | 100% | - | - | - | - | - |
| Zambia | ZESCO | 100% | - | - | - | 12,539,232 | 12,539,232 |
| Zambia | Zambia Cargo and Logistics Limited | 100% | - | - | - | 4,100 | 4,100 |
| Zambia | ZCCM - IH Investments | 60% | 2,486,265 | - | - | 274,235 | 2,760,500 |
| Zambia | Zambia Railways Limited | 100% | 400,113 | - | - | 481,744 | 881,857 |
| Zambia | Zambia Forestry and Forest Industries | 100% | 1,496,148 | - | - | (823,140) | 673,008 |
| Zambia | Zambia International Trade Fair | 100% | 6,007 | - | - | 49,039 | 55,046 |
| Zambia | Zambia Industrial Commercial Bank | 100% | 30,675 | - | - | 55,236 | 85,911 |
| Zambia | ZAMCAPITAL ZEL | 100% | 1 | - | - | (1) | - |
| Zambia | Zampalm | 90% | - | - | 54,059 | 129,063 | 183,122 |
| Zambia | Infratel | 100% | - | - | 4,756 | - | 4,756 |
| Zambia | ZSIC Life Company Ltd | 100% | - | - | - | 3,000 | 3,000 |
| Zambia | ZSIC Group | 100% | - | - | - | - | - |
| Zambia | Zambia Telecommunications | 100% | - | - | - | 450,654 | 450,654 |
| | | | **10,602,156** | **-** | **58,815** | **11,833,028** | **22,493,999** |

Figures in thousands of Zambian Kwacha

## 13 Investment in subsidiaries (continued)

### (a) Valuation of investment in subsidiaries

| Country of incorporation | Name of company | Percentage held | Opening balance 01-Jan-18 | Transfer | Addition | Movement | Closing balance 31-Dec-18 |
|---|---|---|---|---|---|---|---|
| Zambia | Agro – Luswishi | 100% | - | - | 15,315 | - | 15,315 |
| Zambia | Engineering Services Corporation | 100% | 1 | - | - | - | 1 |
| Zambia | Indeni Petroleum | 100% | 375,350 | - | - | 395,036 | 770,386 |
| Zambia | Lusaka South Multi- Facility Economic | 100% | 1,925,861 | - | - | 3,181,027 | 5,106,888 |
| Zambia | Mulungushi Village | 100% | 182,169 | - | - | 46,088 | 228,257 |
| Zambia | Mulungushi International Conference | 100% | 44,031 | - | - | (8,239) | 35,792 |
| Zambia | Mpulungu Harbour Corporation | 100% | 22,079 | - | - | 1,908 | 23,987 |
| Zambia | Mukuba Hotel | 100% | 4,549 | - | 6,294 | (10,843) | - |
| Zambia | Medical Services Limited | 100% | 1 | - | - | - | 1 |
| Zambia | Mupepetwe Development Company | 100% | 1 | - | - | - | 1 |
| Zambia | NIEC Business Trust School | 100% | 2,293 | - | - | - | 2,293 |
| Zambia | Nitrogen Chemicals of Zambia | 100% | - | - | - | - | - |
| Zambia | Pelidic | 100% | - | - | - | 26 | 26 |
| Zambia | Superior Milling Ltd | 76% | - | - | 4,701 | (4,701) | - |
| Zambia | Times of Zambia Printpak Limited | 100% | - | - | - | - | - |
| Zambia | *ZESCO | 100% | 8,369,530 | - | 1,170,118 | (9,539,648) | - |
| Zambia | ZCCM - IH Investments | 60% | 3,315,020 | - | - | (828,755) | 2,486,265 |
| Zambia | Zambia Railways Limited | 100% | 970,783 | - | - | (570,670) | 400,113 |
| Zambia | Zambia Forestry and Forest Industries | 100% | 496,501 | - | - | 999,647 | 1,496,148 |
| Zambia | Zambia International Trade Fair | 100% | 88,692 | - | - | (82,685) | 6,007 |
| Zambia | ZICB | 100% | - | - | - | 30,675 | 30,675 |
| Zambia | ZAMCAPITAL ZEL | 100% | 1 | - | - | - | 1 |
| Zambia | **Zampalm | 90% | - | 168,776 | 56,379 | (225,155) | - |
| Zambia | Zambia China Textiles | 33% | 37,957 | - | - | (37,957) | - |
| Zambia | Zambia Telecommunications | 100% | - | - | - | - | - |
| | | | 15,834,819 | 168,776 | 1,252,807 | (6,654,246) | 10,602,156 |

* The additions included a non cashflow of ZMW 1,170,118,000 relating to conversion of on lent loan to amounts awaiting allotment.
** The transfer of ZMW 168,776,000 is from investment in projects

## 13 Investment in subsidiaries (continued)

### (b) Measurement of fair value

The company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

***Level 1*** : Inputs that are quoted market prices (unadjusted ) in active markets for identical instruments.

***Level 2*** : Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

***Level 3 :*** Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices volatiles and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The following table shows the reconciliation from opening balances to closing balances of levels 1, 2 and 3 investments in subsidiaries:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Balance at 1 January | 2,486,256 | 3,006,719 | 5,109,181 | 10,602,156 |
| Transfer of Zambia Forestry and Forest Industries Corporation from level 2 to level 1 | 1,496,148 | (1,496,148) | - | - |
| Additions | - | 58,815 | - | 58,815 |
| Change in fair value | (548,905) | 14,770,121 | (2,388,188) | 11,833,028 |
| Balance at 31 December | **3,433,499** | **16,339,507** | **2,720,993** | **22,493,999** |

## 13 Investment in subsidiaries (continued)

### 13 (b) Measurement of fair value (continued)

As at 31 December 2019 the companies with fair value in excess of ZMW100 million were eleven (11) namely. Indeni Petroleum, Lusaka South Multi FacilityEconomic Zone, Nitrogen Chemicals of Zambia, Mulungushi Village, Mulungushi Confrence Centre, ZAMTEL, ZESCO Limited, ZCCM-IH, Zambia Railways Limited, Zambia Forestry and Forest Industries Corporation, Zampalm Limited.These companies accounted for 99% of the reported fair value.

- ZCCM-IH PLC and ZAFFICO are listed on the Lusaka Securities Exchange. The fair value of IDC's equity investment is determined as the number of shares held as at the end of the year multiplied by the quoted market price per share.

- Lusaka South Multi - Facility Economic Zone, ZAMTEL, Mulungushi Conference Centre and ZESCO Limited are determined using the asset-based approach. Its value is equivalent to its net asset value;

- Indeni Petroleum Refinery, Mulungushi Village Complex Limited, Zambia Railways , Nitrogen Chemicals of Zambia and Zampalm Limited values were estimated using the market multiples-based approach.

***The assumptions used are summarized in the table below:***

| Name of subsidiary | Valuation technique | Significant unobservable inputs and assumptions | Inter- relationship between unobservable inputs and fair value measurement |
|---|---|---|---|
| Indeni Petroleum Refinery Limited | Market multiples using EV/ EBITDA<br><br>The market multiples approach provides a market benchmark against which valuation for a private company can be established at a given point in time.<br><br>The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks. | Four comparable companies from capital IQ with an average EV/EBITDA multiple of 5.03X adjusted for the following.<br><br>•Control premium of between 15% and 24%<br>•Marketability discount of between 6% and 10%<br>To arrive at the adjusted peer group multiple 1.1 | The estimated fair value would increase/(decrease) if:<br><br>•Adjusted peer group multiple was higher/(lower)<br>•Control premium was higher/(lower)<br>•Marketability discount was lower/ (higher). |

13 Investment in subsidiaries (continued)

13 (b) Measurement of fair value (continued)

*The assumptions used (continued)*

| Name of subsidiary | Valuation technique | Significant unobservable inputs and assumptions | Inter- relationship between unobservable inputs and fair value measurement |
|---|---|---|---|
| Nitrogen Chemicals of Zambia | Relative Valuation and Adjusted NAV Results<br><br>RV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on Nitrogen Chemicals Zambia Limited.<br><br>The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks. | •Comparable companies from capital IQ with EV/EBITDA multiples between 1.03x and 1.57x over the period under analysis<br>•Control premium of 15.9%and 23.9%<br>•Marketability discount 6.4% and 9.6%<br>•Adjusted peer group multiple 0.7 | The estimated fair value would increase/(decrease) if:<br><br>•Adjusted peer group multiple was higher/(lower)<br>•Control premium was higher/(lower)<br>•Marketability discount was lower/ (higher). |
| Mulungushi Village Complex Limited | Relative Valuation and Adjusted NAV Results<br><br>RV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on MVCL.<br><br>The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks. | •Comparable companies multiples between 0.43x and 0.59x over the period under analysis<br>•Control premium of between 16% and 24%<br>•Marketability discount of between 4% and 7% | The estimated fair value would increase/(decrease) if:<br><br>•Adjusted peer group multiple was higher/(lower)<br>•Control premium was higher/(lower)<br>•Marketability discount was lower/ (higher) |

13 Investment in subsidiaries (continued)

13 (b) Measurement of fair value (continued)

*The assumptions used (continued)*

| Name of subsidiary | Valuation technique | Significant unobservable inputs and assumptions | Inter- relationship between unobservable inputs and fair value measurement |
|---|---|---|---|
| Mulungushi International Conference Centre | Relative Valuation and Adjusted NAV Results<br><br>RV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on MICC.<br><br>The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks. | •Comparable companies multiples between 2.5x and 2.9x over the period under analysis<br>•Control premium of between 15.9% and 23.9%<br>•Marketability discount of between 4.4% and 6.6% | The estimated fair value would increase/(decrease) if:<br><br>•Adjusted peer group multiple was higher/(lower)<br>•Control premium was higher/(lower)<br>•Marketability discount was lower/ (higher) |
| Lusaka South Multi- facility Zone | Relative Valuation and Adjusted NAV Results<br><br>RV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on Lusaka South Multi-Facility Zone Limited<br>The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks. | •Comparable companies multiples between 0.43x and 0.59x over the period under analysis<br>•Control premium of between 15.9% and 23.9%<br>•Marketability discount of between 6.4% and 9.6% | The estimated fair value would increase/(decrease) if:<br><br>•Adjusted peer group multiple was higher/(lower)<br>•Control premium was higher/(lower)<br>•Marketability discount was lower/ (higher). |

13 Investment in subsidiaries (continued)

13 (b) Measurement of fair value (continued)

*The assumptions used (continued)*

| Name of subsidiary | Valuation technique | Significant unobservable inputs and assumptions | Inter- relationship between unobservable inputs and fair value measurement |
|---|---|---|---|
| ZESCO limited | Relative Valuation and Adjusted NAV Results<br><br>RV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on ZESCO.<br><br>The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks. | •Comparable companies multiples between 0.36x and 0.88x over the period under analysis<br>•Control premium of between 16% and 24%<br>•Marketability discount of between 4% and 7% | The estimated fair value would increase/(decrease) if:<br><br>•Adjusted peer group multiple was higher/(lower)<br>•Control premium was higher/(lower)<br>•Marketability discount was lower/ (higher) |
| ZAMTEL | Relative Valuation and Adjusted NAV Results<br><br>RV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on ZAMTEL Limited.<br><br>The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks. | •Comparable companies from capital IQ with EV/EBITDA multiples between 1.03x and 1.57x over the period under analysis<br>•Control premium of 15.9%and 23.9%<br>•Marketability discount 6.4% and 9.6%<br>•Adjusted peer group multiple 1.37 | The estimated fair value would increase/(decrease) if:<br><br>•Adjusted peer group multiple was higher/(lower)<br>•Control premium was higher/(lower)<br>•Marketability discount was lower/ (higher). |

Figures in thousands of Zambian Kwacha

13 Investment in subsidiaries (continued)

13 (b) Measurement of fair value (continued)

*The assumptions used (continued)*

| Name of subsidiary | Valuation technique | Significant unobservable inputs and assumptions | Inter- relationship between unobservable inputs and fair value measurement |
|---|---|---|---|
| Zambia Railways Limited | Relative Valuation and Adjusted NAV Results<br><br>RV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on Zambia Railways Limited.<br><br>The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks. | •Comparable companies multiples between 2.5x and 2.9x over the period under analysis<br>•Control premium of between 15.9% and 23.9%<br>•Marketability discount of between 21.6% and 32.4% | The estimated fair value would increase/(decrease) if:<br><br>•Adjusted peer group multiple was higher/(lower)<br>•Control premium was higher/(lower)<br>•Marketability discount was lower/ (higher) . |
| Zampalm Limited | Relative Valuation and Adjusted NAV Results<br><br>RV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on Zampalm Limited.<br><br>The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks. | •Comparable companies from capital IQ with EV/EBITDA multiples between 1.3x and 1.8x over the period under analysis<br>•Control premium of 15.9%and 23.9%<br>•Marketability discount 6.4% and 9.6%<br>•Adjusted peer group multiple 1.2 . | The estimated fair value would increase/(decrease) if:<br><br>•Adjusted peer group multiple was higher/(lower)<br>•Control premium was higher/(lower)<br>•Marketability discount was lower/ (higher). |

Figures in thousands of Zambian Kwacha

13 Investment in subsidiaries (continued)

13 (b) Measurement of fair value (continued)

*The assumptions used (continued)*

| Name of subsidiary | Valuation technique | Significant unobservable inputs and assumptions | Inter- relationship between unobservable inputs and fair value measurement |
|---|---|---|---|
| ZCCM-IH | Market value<br><br>This approach provides a market value based on the publicly trade shares on the LUSE at a closing price at the spot date | Prices or quotes from exchanges or listed markets i.e LUSE in which there is sufficient activity . | The estimated fair value would increase/(decrease) if:<br>•there is movement in the price per share on the stock exchange . |
| ZAFFICO | Market value<br><br>This approach provides a market value based on the publicly traded shares on the LUSE at a closing price at the spot date . | Prices or quotes from exchanges or listed markets i.e LUSE in which there is sufficient activity . | The estimated fair value would increase/(decrease) if:<br><br>•there is movement in the price per share on the stock exchange . |

**Sensitivity analysis**

Sensitivity analysis table of the equity value of the significant subsidiaries is shown below assuming a 10% fluctuation in the market multiple upwards and downwards

*Indeni Petroleum Refinery Limited*

| | Low | Appropriate | High |
|---|---|---|---|
| Multiple | 1.09 | **1.21** | 1.33 |
| Applied book value | 602,862 | **602,862** | 602,862 |
| Adjusted equity value on a mar | 655,190 | **727,989** | 800,788 |
| Total debt | - | **-** | - |
| Equity value | 655,190 | **727,989** | 800,788 |
| IDC's stake | 100% | **100%** | 100% |
| Equity value | 655,190 | **727,989** | 800,788 |

Figures in thousands of Zambian Kwacha

## 13 Investment in subsidiaries (continued)

### 13 (b) Measurement of fair value (continued)

#### Sensitivity analysis (continued)

*Lusaka South Multi Facility Economic Zone*

| | Low | Appropriate | High |
|---|---|---|---|
| Multiple | 0.48 | **0.53** | 0.59 |
| Applied book value | 5,096,765 | **5,096,765** | 5,096,765 |
| Enterprise value | 2,448,893 | **2,720,993** | 2,993,092 |
| Total debt | - | - | - |
| Equity value | 2,448,893 | **2,720,993** | 2,993,092 |
| IDC's stake | 100% | **100%** | 100% |
| Equity value | 2,448,893 | **2,720,993** | 2,993,092 |

*Mulungushi International Confrence Centre*

| | Low | Appropriate | High |
|---|---|---|---|
| Multiple | 2.68 | **2.97** | 3.27 |
| Applied book value | 356,002 | **356,002** | 356,002 |
| Enterprise value | 953,004 | **1,058,894** | 1,164,783 |
| Total debt | - | - | - |
| Cash and cash equivalent | - | - | - |
| Equity value | 953,004 | **1,058,894** | 1,164,783 |
| IDC's stake | 100% | **100%** | 100% |
| Equity value | 953,004 | **1,058,894** | 1,164,783 |

*ZESCO Limited*

| | Low | Appropriate | High |
|---|---|---|---|
| Multiple | 0.57 | **0.63** | 0.69 |
| Applied book value | 19,929,000 | **19,929,000** | 19,929,000 |
| Enterprise value | 11,285,309 | **12,539,232** | 13,793,155 |
| Total debt | - | - | - |
| Cash and cash equivalent | - | - | - |
| Equity value | 11,285,309 | **12,539,232** | 13,793,155 |
| IDC's stake | 100% | **100%** | 100% |
| Equity value | 11,285,309 | **12,539,232** | 13,793,155 |

Figures in thousands of Zambian Kwacha

## 13 Investment in subsidiaries (continued)

### 13 (b) Measurement of fair value (continued)

#### Sensitivity analysis (continued)

*Zamtel*

| | Low | Appropriate | High |
|---|---|---|---|
| Multiple | 1.24 | 1.37 | 1.51 |
| Applied book value | 328,274 | **328,274** | 328,274 |
| Enterprise value | 405,589 | **450,655** | 495,720 |
| Total debt | - | - | - |
| Cash and cash equivalent | - | - | - |
| Equity value | 405,589 | **450,655** | 495,720 |
| IDC's stake | 100% | **100%** | 100% |
| Equity value | 405,589 | **450,655** | 495,720 |

*Mulungushi Village*

| | Low | Appropriate | High |
|---|---|---|---|
| Multiple | 0.51 | 0.56 | 0.62 |
| Applied book value | 252,985 | **252,985** | 252,985 |
| Enterprise value | 127,869 | **142,076** | 156,284 |
| Total debt | - | - | - |
| Cash and cash equivalent | - | - | - |
| Equity value | 127,869 | **142,076** | 156,284 |
| IDC's stake | 100% | **100%** | 100% |
| Equity value | 127,869 | **142,076** | 156,284 |

*Zambia Railways Limited*

| | Low | Appropriate | High |
|---|---|---|---|
| Multiple | 0.62 | 0.69 | 0.76 |
| Applied book value | 1,284,757 | **1,284,757** | 1,284,757 |
| Enterprise value | 793,671 | **881,857** | 970,043 |
| Total debt | - | - | - |
| Cash and cash equivalent | - | - | - |
| Equity value | 793,671 | **881,857** | 970,043 |
| IDC's stake | 100% | **100%** | 100% |
| Equity value | 793,671 | **881,857** | 970,043 |

Figures in thousands of Zambian Kwacha

## 13 Investment in subsidiaries (continued)

### 13 (b) Measurement of fair value (continued)

#### Sensitivity analysis (continued)

*Nitogen Chemicals*

| | Low | Appropriate | High |
|---|---|---|---|
| Multiple | 0.81 | 0.90 | 0.99 |
| Applied book value | 201,155 | **201,155** | 201,155 |
| Enterprise value | 163,405 | **181,561** | 199,717 |
| Total debt | (5,307) | **(5,307)** | (5,307) |
| Cash and cash equivalent | 1,390 | **1,390** | 1,390 |
| Equity value | 159,488 | **177,644** | 195,800 |
| IDC's stake | 100% | **100%** | 100% |
| Equity value | 159,488 | **177,644** | 195,800 |

*Zampalm*

| | Low | Appropriate | High |
|---|---|---|---|
| Multiple | 1.47 | 1.64 | 1.80 |
| Applied book value | 124,342 | **124,342** | 124,342 |
| Enterprise value | 183,122 | **203,469** | 223,815 |
| Total debt | - | **-** | - |
| Cash and cash equivalent | - | **-** | - |
| Equity value | 183,122 | **203,469** | 223,815 |
| IDC's stake | 90% | **90%** | 90% |
| Equity value | 164,810 | **183,122** | 201,434 |

Figures in thousands of Zambian Kwacha

## 14 Investments in associates

### (a) Valuation of investment in associates

The carrying amounts of investments in associates has been accounted for at fair value as follows:

**2019**

| Company | Shareholding Percentage | 1 January | Addition | Disposal | Transfer | Fair Value Movement | 31 December |
|---|---|---|---|---|---|---|---|
| Indo Bank Zambia | 40% | 435,645 | - | - | - | (69,277) | 366,368 |
| Zanaco PLC | 25% | 303,188 | - | - | - | (122,688) | 180,500 |
| Kagem Limited | 25% | 243,632 | - | - | - | 36,570 | 280,202 |
| Bangweulu Solar PV Plant | 20% | 4,414 | - | - | - | 1,487 | 5,901 |
| Ngonye Power Limited | 20% | - | - | - | - | 18,000 | 18,000 |
| Lusaka Trust Hospital Limited | 45% | 4,462 | - | - | (4,500) | 38 | - |
| | | **991,341** | - | - | **(4,500)** | **(135,870)** | **850,971** |

2018

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Indo Bank Zambia | 40% | 782,155 | - | - | - | (346,510) | 435,645 |
| Zanaco PLC | 25% | 350,278 | - | - | - | (47,090) | 303,188 |
| Kagem Limited | 25% | 520,758 | - | - | - | (277,126) | 243,632 |
| Afrox Limited | 30% | 30,746 | - | (30,746) | - | - | - |
| Bangweulu Solar PV Plant | 20% | - | - | - | - | 4,414 | 4,414 |
| Ngonye Power Company | 20% | - | 29,262 | - | - | (29,262) | - |
| Lusaka Trust Hospital Limited | 45% | 5,309 | - | - | - | (847) | 4,462 |
| | | 1,689,246 | 29,262 | (30,746) | - | (696,421) | 991,341 |

Figures in thousands of Zambian Kwacha

## 14 Investments in associates (continued)

### (b) Measurement of fair value

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Balance at January | 303,188 | 679,277 | 8,876 | 991,341 |
| Transfer to assets held for sale | - | - | (4,500) | (4,500) |
| Change in fair value | (122,688) | (32,707) | 19,524 | (135,871) |
| Balance at 31 December | 180,500 | 646,570 | 23,900 | 850,970 |

As at 31 December 2019 the companies with fair value in excess of ZMW100 million were three (3) namely. Indo Bank Zambia Limited, ZANACO PLC and Kagem Limited.

• ZANACO is listed on the Lusaka Securities Exchange. The fair value of IDC's equity investment is determined as the number of shares held as at the end of the year multiplied by the quoted market price per share.

The value of Indo Zambia Limited and Kagem Limited are based on a multiples approach see below for the assumptions used:

| Name of associate | Valuation technique | Significant unobservable inputs and assumptions | Inter- relationship between key unobservable inputs and fair value measurements |
|---|---|---|---|
| Indo Zambia Bank | Relative Valuation and Adjusted NAV Results<br><br>RV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on Indo Zambia Limited.<br><br>The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks. | •Comparable companies multiples 1.2x over the period under analysis<br>•Control premium of between 8.6% and 12.8%<br>•Marketability discount of between 6.4% and 9.6% | The estimated fair value would increase/(decrease) if:<br><br>•Adjusted peer group multiple was higher/(lower)<br>•Control premium was higher/(lower)<br>•Marketability discount was lower/ (higher). |

Figures in thousands of Zambian Kwacha

14 Investments in associates

(b) Measurement of fair value (continued)

| Name of associate | Valuation technique | Significant unobservable inputs and assumptions | Inter- relationship between key unobservable inputs and fair value measurements |
|---|---|---|---|
| Kagem Limited | Relative Valuation and Adjusted NAV Results<br><br>RV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on Kagem Mining Limited.<br><br>The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks. | •Comparable companies multiples between 3.31x and 5.77x over the period under analysis<br>•Control premium of between 13.9% and 20.9%<br>•Marketability discount of between 6.4% and 9.6% | The estimated fair value would increase/(decrease) if:<br><br>•Adjusted peer group multiple was higher/(lower)<br>•Control premium was higher/(lower)<br>•Marketability discount was lower/ (higher). |

**Sensitivity analysis**

Sensitivity analysis table of the equity value of the significant associates is shown below assuming a 10% fluctuation in the market multiple upwards and downwards

**INDO Zambia Bank**

| | Low | Appropriate | High |
|---|---|---|---|
| Multiple | 0.83 | **0.92** | 1.02 |
| Applied book value | 991,700 | **991,700** | 991,700 |
| Adjusted equity value on a marketable basis | 824,326 | **915,918** | 1,007,509 |
| Cash and cash equivalent | - | - | - |
| IDC's stake | 40% | **40%** | 40% |
| Equity value | 329,730 | **366,367** | 403,004 |

**Kagem Limited**

| | | | |
|---|---|---|---|
| Multiple | 3.32 | **3.68** | 4.05 |
| EBITDA | 445,966 | **445,966** | 445,966 |
| Enterprise value | 1,478,665 | **1,642,961** | 1,807,257 |
| Total debt | (604,392) | **(604,392)** | (604,392) |
| Cash and cash equivalent | 82,239 | **82,239** | 82,239 |
| Equity value | 956,512 | **1,120,808** | 1,285,104 |
| ID' stake | 25% | **25%** | 25% |
| Equity value | 239,128 | **280,202** | 321,276 |

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

| | | 2019 | 2018 |
|---|---|---|---|
| 15 | **Trade and other receivables** | | |
| | Amounts due from related parties (24 (ii)) | 48,305 | 59,195 |
| | Non financial assets | | |
| | Withholding tax receivable | - | 12,914 |
| | Prepayment and other | 1,664 | - |
| | Staff and other receivable | 335 | 2,526 |
| | | 50,304 | 74,635 |
| 16 | **Cash and cash equivalents** | | |
| | Cash at bank and in hand | 9,257 | 26,297 |
| | Fixed deposits | - | 12,872 |
| | | 9,257 | 39,169 |

Reconciliation to cashflow statement

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:

| | | |
|---|---|---|
| Balances as above | 9,257 | 39,169 |
| Bank overdrafts (Note 20) | (1,287) | (7,607) |
| Balances per statement of cash flows | 7,970 | 31,562 |

i) Classifications as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. As at the end of the reporting period, the Company had no term deposits (2018: Nil).

| | | | |
|---|---|---|---|
| 17 | **Assets held for sale** | | |
| | Lusaka Trust Hospital Limited | 4,500 | - |

At the beginning of the year, the Board resolved to sell the Lusaka Trust Hospital and, having met the conditions under IFRS 5, the investment in associates was reclassified as an asset held for sale as at 31 December 2019.

| | | | |
|---|---|---|---|
| 18 | **Share capital** | | |
| | Ordinary share of K1 each | 20,000 | 20,000 |
| | Shares issued and fully paid | 10,000 | 10,000 |

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

## 18 Share capital (continued)

The authorised share capital of the Company remained unchanged at 20 million ordinary shares at a par value of ZMW1.00 each. The issued and fully paid-up share capital remained at 10 million ordinary shares at a par value of ZMW1.00 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.

## 19 Capital and other reserves

| | Capital reserve | Fair value reserve | Revaluation reserve | Total |
|---|---|---|---|---|
| **2019** | | | | |
| At the start of the year | 13,681,378 | (2,385,903) | - | 11,295,475 |
| Transactions with owners | 622,250 | - | - | 622,250 |
| Additions / ( fair value loss ) | - | 11,697,158 | 13,504 | 11,710,662 |
| Deferred tax charge | - | - | (4,726) | (4,726) |
| At the end of the year | **14,303,628** | **9,311,255** | **8,778** | **23,623,661** |
| **2018** | | | | |
| At the start of the year | 12,511,260 | 4,964,764 | - | 17,476,024 |
| Conversion of Government loans to equity | 1,170,118 | - | - | 1,170,118 |
| Additions / ( fair value loss ) | - | (7,350,667) | - | (7,350,667) |
| At the end of the year | 13,681,378 | (2,385,903) | - | 11,295,475 |

*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 the Company and subsequent capital raised form non-operating activities. A shareholder loan of K622.25 million relates to capital injection from the Ministry of Finance to IDC, Which was later provided to Infratel in the form of a loan. K1.17 billion relates to on - lent loan to Zesco restructured by the Government

*ii) Fair value reserve*

The fair value reserve contains fair value movements from the valuation of the investment in subsidiaries and investment in associates which are held at fair value through other comprehensive income.

*iii) Revaluation reserve*

Items of property, plant and equipment are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. The fair value of property, plant and equipment was revalued on 31 December 2019 by Sherwood Greene an external, independent valuer. The reserves are non-distributable to the shareholders and are recognised net of deferred income tax.

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

| 20 Borrowings | 2019 | 2018 |
|---|---|---|
| *Non - current portion* | | |
| Indo Zambia Bank | 273,233 | 111,357 |
| *Current portion* | | |
| Indo Zambia Bank | 82,764 | - |
| ZCCM- IH | - | 240,412 |
| Napsa | 60,000 | - |
| Workers Compensation Fund Control Board | 5,813 | - |
| Bank overdrafts- Indo Zambia Bank | 1,287 | 7,607 |
| | 149,864 | 248,019 |
| Total borrowings | 423,097 | 359,376 |

Refer to Note 23 (b ) for details on the movement in borrowings on the statement of financial position.

Terms of the loans are disclosed below:

**Indo Zambia - Kwacha**

This is a ZMW79.50 million- loan facility obtained from Indo Zambia Bank by the Company on 21st October 2018. The loan facility was obtained to support operations of Zambia Electricity Supply Corporation Limited (ZESCO Limited), a subsidiary of the Company.The loan facility is denominated in Zambian Kwacha at an interest rate of 23% p.a floating and will be repaid within 4 years.

**Indo Zambia - Dollar**

This is a US$2.50 million loan facility obtained from Indo Zambia Bank by the Company on 7th May 2018. The loan facility was obtained to facilitate the purchase of stand No. 6461 of independence avenue prospect Hill, Lusaka Zambia. The loan facility is denominated in United states dollars at an interest rate of 9% per annum. The loan will be repaid within 6 years.

**ZCCM- IH Limited**

This is a US$19 million loan facility obtained from ZCCM Investments Holdings Plc by the Company on 3rd April 2018. The loan facility was obtained to finance the Company's equity contribution in ZAMPALM Limited. The loan facility is denominated in United States Dollars and the principal and interest are all due on the 2 April 2019 at an interest rate of 9.25% . The loan is secured with the Zambia National Commercial Bank Plc Shares. The loan had been repaid at the reporting date.

**NAPSA Loan - GRZ Bond**

This is a ZMW60 million GRZ bond issued to the Company on a tenure of 1 year at the interest rate of 29 %. The bond was issued for the purpose of investing in the Zambia Fruit Company project.

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

## 20 Borrowings (continued)

### Workers Compensation Fund Control Board – corporate bond

This is a ZMW5 million corporate bond issued to the Company on a tenure of 1 year at an interest rate of 27.75 %. The bond was issued for the purpose of investing in the Zambia Fruit Company project.

### Indo Zambia overdraft

This is an overdraft facility of ZMW7.50 million. The rate of interest is at 2% p.a. above the 364 days Treasury bill rate. The facility is a revolving line of credit, payable on demand, valid for 12 months up to 30 November 2019 and subject to renewal on an annual basis.

## 21 Capital grants

| | 2019 | 2018 |
|---|---|---|
| | 5,920 | 5,920 |

### Private Sector Development, Industrialisation and Job Creation (PSDIJC)- ZMW 5.92 milllion

The Company received a grant amounting to K5.92 million from the Ministry of Finance and National Planning for Private Sector Development, Industrialisation and Job Creation (PSDIJC) for a project which include Development of 600MW Grid Scale Solar Power Plants; Expansion of Industrial Forestry Plantations, establishment of Tourism Investment vehicle; and the development of Integrated fish Industry.

## 22 Trade and other payables

| | 2019 | 2018 |
|---|---|---|
| Trade payables | 27,897 | 7,398 |
| Accruals | 14,685 | 54,609 |
| Amounts due to related parties (24 (iv)) | 11,793 | 10,000 |
| Employee scheme | 461 | - |
| Other payables | 13,314 | 12,902 |
| Staff loan | 360 | - |
| Statutory liabilities | 1,969 | - |
| | 70,479 | 84,909 |

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

## 23 Cash flow information

| | 2019 | 2018 |
|---|---|---|
| **a) Cash flows from operating activities** | | |
| **(Loss) / profit before taxation** | **(9,511)** | 25,217 |
| **Adjustments for:** | | |
| Depreciation on property, plant and equipment (Note 10) | **3,363** | 3,725 |
| Profit from the disposal of assets (Note 6) | **-** | (205) |
| Impairment of shareholder loan (Note 7) | **14,647** | - |
| Loss on disposal of investments (Note 7) | **-** | 1,149 |
| Fair gain on investment property (Note 11) | **(7,873)** | - |
| Foreign exchange loss on borrowings (Note 23 (b)) | **9,445** | 61,330 |
| Foreign exchange gain / (loss) on loan receivable (Note 24 (iii)) | **(6,958)** | 24,180 |
| Interest on shareholder loans (Note 24 (iii)) | **(11,414)** | (4,738) |
| Interest income (Note 8) | **(279)** | (8,594) |
| Interest expense (Note 8) | **72,923** | 18,139 |
| Changes in working capital | | |
| - Trade and other receivables | **24,331** | 13,195 |
| - Trade and other payables | **(14,430)** | (159,779) |
| **Cash generated from operations** | **74,244** | (26,381) |

**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 | 2018 |
|---|---|---|
| Cash and cash equivalents | **9,257** | 39,169 |
| Bank loans (Note 20) | **(421,810)** | (351,769) |
| Bank overdrafts (Note 20) | **(1,287)** | (7,607) |
| Net debt | **(413,840)** | (320,207) |

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

23 Cash flow information (continued)

b) Net debt reconciliation (continued)

| | Liabilities from financing activities | Net Cash / ( net of bank overdrafts) | Total |
|---|---|---|---|
| **2018** | | | |
| As at start of year | (30,446) | 24,572 | (5,874) |
| Cashflows | (279,543) | 6,990 | (272,553) |
| Interest charged | (18,139) | - | (18,139) |
| Interest paid | 642 | - | 642 |
| Loan principal repayments | 37,047 | - | 37,047 |
| Exchange differences | (61,330) | - | (61,330) |
| At the end of year | (351,769) | 31,562 | (320,207) |
| **2019** | | | |
| As at start of year | (351,769) | 31,562 | (320,207) |
| Cashflows | (312,000) | (23,592) | (335,592) |
| Interest charged | (72,923) | - | (72,923) |
| Interest paid | 38,912 | - | 38,912 |
| Loan principal repayments | 285,415 | - | 285,415 |
| Foreign exchange losses | (9,445) | - | (9,445) |
| At the end of year | **(421,810)** | **7,970** | **(413,840)** |

24 Related parties

The Company 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 the Company .

The detailed listing of the companies owned by the Company are shown below .

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

Figures in thousands of Zambian Kwacha

## Notes to the annual financial statements (continued)

### 24 Related parties (continued)

| Sector | Company | Relationship |
|---|---|---|
| Industrial markets | Kawambwa Tea Industries (100%) | Subsidiary |
| | Nitrogen Chemicals of Zambia (100%) | Subsidiary |
| | Zambia China Mulungushi Textiles Zambia (33%) | Associate |
| | Zamcapital Enterprises Limited (100%) | Subsidiary |
| | Agro - Luswishi Limited (100%) | Subsidiary |
| | Pelidic Zambia Limited (100%) | Subsidiary |
| Telecommunications and media | ZAMTEL (100%) | Subsidiary |
| | Times Printpak (Z) Limited (100%) | Subsidiary |
| | Zambia Printing Company Limited (100%) | Subsidiary |
| | Zambia Daily Mail Limited (100%) | Subsidiary |
| | Infratel Zambia Limited (100%) | Subsidiary |
| Tourism , real estate and others | Mulungushi Village Complex Limited (100%) | Subsidiary |
| | Mulungushi International Conference Centre (100%) | Subsidiary |
| | NIEC Business School Trust (100%) | Subsidiary |
| | Mupepetwe Development Company (100%) | Subsidiary |
| | Medical Services Limited (100%) | Subsidiary |
| | Zambia International Trade Fair (100%) | Subsidiary |
| | Mukuba Hotel Limited ( 100%) | Subsidiary |
| | Lusaka Trust Hospital ( 50%) | Associate |
| | Lusaka South Multi Facility Economic Zone Limited ( 100%) | Subsidiary |
| Transport and logistics | Zambia Railways Limited (100%) | Subsidiary |
| | Engineering Services Corporation (100%) | Subsidiary |
| | Mpulungu Harbour Corporation Limited (100%) | Subsidiary |
| | Zamcargo Logistics Limited (100%) | Subsidiary |

| | 2019 | 2018 |
|---|---|---|
| **i) Transactions with other related parties** | | |
| Newspaper - Zambia Daily Mail Limited | **210** | 74 |
| Electricity - Zambia Electricity Supply Corporation Limited | **4,998** | 89 |
| Secondement of fees - Mulungushi Village Complex (Note 24 (iv)) | **319** | 319 |
| Secondement of fees - ZAMTEL (Note 24 (iv)) | **1,474** | 32 |
| | **7,001** | 514 |

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

| 24 | Related parties (continued) | | 2019 | 2018 |
|---|---|---|---|---|
| ii) | **Balances receivables from related parties** | | | |
| | Ministry of Finance | | **23,133** | 23,133 |
| | Times Printpak Zambia Limited | | **11,690** | - |
| | ZSIC General | | **126** | 345 |
| | Zepre Shares | | **109** | - |
| | ZAFFICO | | **5,003** | 34,075 |
| | Zambia Cargo and Logistics Limited | | **505** | 1,184 |
| | Lusaka South Multi Facility Economic Zone | | **5,833** | - |
| | Oil Palm Company Limited | | **1,573** | - |
| | Mulungushi Village Complex | | **333** | 306 |
| | INDENI | | - | 152 |
| | | | **48,305** | 59,195 |
| iii) | **Loans due from related parties** | | | |
| | Opening | | **111,945** | 25,176 |
| | Transfer of assets to subsidiary | | **622,250** | - |
| | Payments | | **15,191** | 106,211 |
| | Interest | | **11,414** | 4,738 |
| | Receipts | | **(78,732)** | - |
| | Impairment | | **(14,647)** | - |
| | Exchange differences | | **6,958** | (24,180) |
| | Closing | | **674,379** | 111,945 |
| | Infratel Zambia Limited | Subsidiary | **622,250** | - |
| | Bangweulu Power Company Limited | Associate | **27,901** | 21,911 |
| | ZESCO Limited | Subsidiary | **6,184** | - |
| | Nitrogen Chemicals of Zambia | Subsidiary | **6,220** | 1,102 |
| | Lusaka South Multi Facility Economic Zone | Subsidiary | - | 984 |
| | Zambia China Mulungushi Textiles Limited | Associate | **4,037** | 5,140 |
| | Times Printpak Zambia Limited | Subsidiary | **3,446** | 77,718 |
| | Zambia Cargo and Logistics Limited | Subsidiary | **2,990** | 2,820 |
| | Pelidic Zambia Limited | Subsidiary | **1,351** | 2,270 |
| | | | **674,379** | 111,945 |

**The terms of loans are disclosed below:**

**Infratel Zambia Limited**

Unsecured shareholder loan amounting to ZMW622.25 million at an interest rate of 10.25% per year provided to Infratel Limited with 15 years tenor.The loan relates to the acquisition of assets from ZAMTEL Limited and Zambia National Data Centre Limited.

**Bangweulu Power Company Limited**

This was unsecured shareholder loan of ZMW18 million with a 4 years tenor to Bangweulu for the start up capital . The rate of interest is at 10 .40 % p.a.

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

24 Related parties (continued)

iii) Loans due from related parties (continued)

**ZESCO Limited**

Short-term unsecured shareholder loan amounting to ZMW77 million at an interest rate of 10% per year provided to ZESCO Limited. At the reporting date the principal had been paid and an outstanding interest of ZMW6.20million.

**Nitrogen Chemicals of Zambia**

A unsecured loan of ZMW5.70 million was provided for purposes of capital requirements for the entity to meet the demand for FISP (Fertiliser input support program) at an interest rate of 10 percent per annum over 3 years.

**Lusaka South Multi Facility Economic Zone**

ZMW6 million unsecured shareholder loan with a 5 year tenure . The rate of interest is at 14.75 % p.a.

**Zambia China Mulungushi Textiles Limited**

This unsecured loan was ZMW5 million at an annual interest rate of 10% for a period of 3 years. The purpose of the loan was to settle all staff related obligations. At reporting date a balance of ZMW4 million was outstanding.

**Times Printpak Zambia Limited**

A unsecured loan amount of ZMW5.70 million provided for the settlement of the salary arears for the unionized staff at an interest rate of 10%. The loan would be repaid in 3 years as a single bullet payment. Further, 3 months grace period from maturity was extended.

**Zambia Cargo and Logistics Limited**

Unsecured loan of USD190 million loan to be repaid within 36 months at an interest rate 11.5%. The repayment will be through one bullet payment with atleast 3 months grace period from the date of maturity.

**Pelidic Zambia Limited**

Unsecured shareholding loan of ZMW1 million with a 3 years tenor. The rate of interest is at 24.63 % p.a.

**Superior Milling Ltd**

Unsecured shareholding loan of ZMW14.65 million, provided for settling of suppliers with a 1 year tenor at 10 % per annuam .The loan has been fully impaired.

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

24 Related parties (continued)

iv) Balances payable to related parties

| | 2019 | 2018 |
|---|---|---|
| ZAMTEL | 1,474 | - |
| Mulungushi Village Complex | 319 | - |
| Ministry of Finance | 10,000 | 10,000 |
| | 11,793 | 10,000 |

v) Loans due to related parties

| | | |
|---|---|---|
| Indo Zambia Bank | 355,997 | - |
| ZCCM- IH | - | 240,412 |
| Napsa | 60,000 | - |
| Workers Compensation Fund Control Board | 5,813 | - |
| | 421,810 | 240,412 |

Refer to Note 20 for more details.

vi) Key management compensation

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

- Chief Executive Officer
- Chief Corporate Services Officer
- Chief Legal Officer
- Chief Human Capital Officer
- Chief Internal Auditor
- Chief Financial Officer
- Chief Investments Officer

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

| | 2019 | 2018 |
|---|---|---|
| Salaries and short-term emoluments | 15,227 | 19,261 |

vii) Directors' remuneration

| | | |
|---|---|---|
| Non-executive Director fees | 1,596 | 1,391 |
| Executive Director salaries and short-term emoluments | 1,224 | 1,440 |
| | 2,820 | 2,831 |

25 Events occurring after the reporting period

a) The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. The operating model of the Company, including the funding arrangements remain unchanged. To date, the Company has not seen, nor expects to see in the near future, a major impact on its operations by the pandemic.

Figures in thousands of Zambian Kwacha

## Notes to the annual financial statements (continued)

### 25 Events occurring after the reporting period (continued)

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

b) **Investitures**

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

c) **Divestitures**

**Medical Stores Limited**

On 3rd February 2021, the Company 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 3 rd February 2021.

d) **Initial Public Offering**

**ZAFFICO**

On the 12th February 2020, the Corporation was listed on the Lusaka Securities Exchange (LUSE) and is now operating as a Public Limited Company (PLC).

Prior to the listing, the Government of the Republic of Zambia through the Industrial Development Corporation (IDC) held 99% of the share capital with the remaining 1% held by the Secretary to the Treasury.

e) **Strategic plan 2024 - 2035**

In its meeting in April 2024, Board of Directors of the Company approved the transformative strategic plan for the period 2024-2035.The Company'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 Company.
Subsequently, the Strategic plan has been implemented by the Company.

f) **Russia's invasion of Ukraine**

On the 24 February 2022, Russian troops started the invading Ukraine and since then the ongoing military attack led to significant causalities, dislocation of the population, damage to infrastructure and disruption to economic activity in Ukraine. This caused the greatest humanitarian crisis in Europe since the Second World War. Multiple jurisdictions in response have imposed initial tranches of economic sanctions on Russia and in certain cases Belarus.

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

## 25 Events occurring after the reporting period (continued)

### f) Russia's invasion of Ukraine (continued)

The war in Ukraine and related events take place at a time of significant global economic uncertainty and volatility, and the effects are likely to interact with and worsen the effects of current, market conditions. Many jurisdictions are already facing the impacts of rising commodity prices and increased raw material costs, as a result of surging consumer demand as the COVID-19 pandemic eases. Supply-chain bottlenecks, arising from effects of the pandemic, continue to persist. These conditions may be significantly intensified by the wider effects of the war in Ukraine weakening the global post-pandemic recovery.

The Russian invasion of Ukraine has a remarkable impact on the African continent which consequently affects the Company's portfolio and investments. The Company's sectors likely to be impacted by the Russian invasion of Ukraine include the transportation & logistics sector, agriculture, and manufacturing sectors.

### g) Transaction Announcement Update Regarding Mopani Copper Mines Plc

ZCCM INVESTMENTS HOLDINGS PLC

The Board is pleased to announce that on 22 December 2023, ZCCM-IH entered into an agreement with IRH pursuant to which IRH, through its wholly owned subsidiary Delta Mining Limited ("Delta"), has committed up to US$1.1 billion for a 51% interest in MCM and the formation of a strategic partnership with ZCCM-IH. This investment comprises of US$620 million in new equity capital, up to US$100 million in settlement of existing third-party letters of credit and up to US$380 million of shareholder loans into MCM as a SEP (the "Transaction"), subject to the fulfilment of Conditions Precedent defined herein. Consequently, upon the satisfaction of those Conditions Precedent, the relationship between Glencore International AG ("Glencore") and MCM will be restructured.

### h) 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.