Industrial Development Corporation Limited

Separate Financial Statements

For the year ended 31 December 2021

The Directors submit their report together with the audited annual financial statements for the year ended 31 December 2021, which disclose the state of affairs and performance of Industrial Development Corporation Limited (the "Company"or "IDC").

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 **K20.00 million** (2020:K20.00 milllion) comprising 20,000,000 ordinary shares at a par value of **K1.00** (2020: K1.00) each. The issued and fully paid-up share capital remained at **K10.00 million** (2020: K10.00 million) comprising 10,000,000 ordinary shares at a par value of **K1.00** (2020 :K1.00) each.

The Company shareholding is represented as follows:

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

3 SHAREHOLDING IN INVESTEE COMPANIES

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

Energy and resources	ZESCO Limited (100%) ZCCM -IH PLC (60.28%) ZAFFICO PLC (100%) Indeni Petroleum Refinery Limited (100%) Kagem Mining Limited (25%) Zampalm Limited (90%) Ngonye Power Limited (20%) Bangweulu Solar PV Plant Limited (20%)
Financial services	ZSIC Life Insurance PLC (100%) ZSIC General Insurance Limited (100%) Indo Zambia Bank Limited (40%) ZANACO PLC (25%) Zambia Industrial Commercial Bank PLC (30.21%) Zambia Reinsurance PLC (28.17%)

3 SHAREHOLDING IN INVESTEE COMPANIES (continued)

Industrial markets	Kawambwa Tea Industries Limited (100%) Nitrogen Chemicals of Zambia Limited (100%) Zambia China Mulungushi Textiles Zambia Limited (33%) Zamcapital Enterprises Limited (100%) Marcopolo Tiles Company Limited (22.60%) Agro - Luswishi Limited (100%) Pelidic Zambia Limited (100%)
Telecommunications and media	ZAMTEL Zambia Limited (100%) Times Printpak (Z) Limited (100%) Zambia Printing Company Limited (100%) Zambia Daily Mail Limited (100%) Infratel Zambia Limited (100%)
Tourism , real estate and others	Mulungushi Village Complex Limited (100%) Mulungushi International Conference Centre Limited (100%) NIEC Business School Trust (100%) Mupepetwe Development Company Limited (100%) Medical Stores Limited (100%) Zambia International Trade Fair (100%) Mukuba Hotel Limited (100%) Lusaka Trust Hospital Limited (45%) Lusaka South Multi Facility Economic Zone Limited (100%)
Transport and logistics	Zambia Railways Limited (100%) Engineering Services Corporation Limited (100%) Mpulungu Harbour Corporation Limited (100%) Zamcargo Logistics Limited (100%)

4 SIGNIFICANT EVENTS DURING THE YEAR

During the year 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 3rd February 2021.

5 RESULTS AND DIVIDEND

The profit for the year of **K74.47 million** (2020: profit K138.46 million) has been added to retained earnings. The Directors did not recommend the payment of a dividend (2020: 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 27.08.21)	Non - Executive Director

6 DIRECTORS AND REMUNERATION (continued)

Name of Director	Sector	Position
Honourable Chipoka Mulenga	Minister of Commerce , Trade & Industry (Appointed 08.09.21)	Non - Executive Director
Honourable Reuben Phiri	Minister of Agriculture (Appointed 08.09.21)	Non - Executive Director
Mr. Nkulukusa Felix	Secretary to the Treasury (Appointed 30.09.21)	Non - Executive Director
Mr. John Mulongoti	Permanent Secretary , Ministry of Commerce , Trade and Industry (Appointed 30.09.21)	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 09.03.23 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 17.08.22)	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

6 DIRECTORS AND REMUNERATION (continued)

Name of Director	Sector	Position
Mr. Leonard Chiti	Director- Jesuit Centre for Theological Reflection (Resigned 12.08.21)	Non - Executive Director

During the year, the total Directors' remuneration was **K4.37 million** (2020: K6.09 million) , comprised of **K3.55 million** (2020: K4.65 million) for services rendered by Executive Directors, and **K0.82 million** (2020: K1.44 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 (2020: 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 **K86.67 million** (2020:K67.27 million) and the average number of employees were less than **100** (2020: 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 **K0.67 million** to charitable organisations and events (2020: K0.37 million).

11 RESEARCH AND DEVELOPMENT

The Company did not incur any costs on research and development during the year (2020: nil).

12 PROPERTY , PLANT AND EQUIPMENT

During the year, the Company purchased property, plant and equipment amounting to **K8.42 million** (2020: K43.26 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 COMPANY AUDITOR AND REMUNERATION

The Auditors, Grant Thornton, 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's remuneration for the year was **K2.32** million (2020: K0.80 million) as regards audit services rendered to the Company.

Signed on behalf of the Board of Directors

Dr. Windu.C. Matoka
Director

Mr. Cornwell Muleya
Director

31 October, 2024

Industrial Development Corporation Limited
Statement of Directors' responsibilities
For the year ended 31 December 2021

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 11 to 77 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.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of these annual financial statements.

Dr. Windu.C. Matoka
Director

Mr. Cornwell Muleya
Director

31 October, 2024

Grant Thornton
Metropolitan House
2nd Floor, West Wing
Off Kelvin Siwale Road
P.O. Box 30885
Lusaka, Zambia

T +260 (211) 227722-8
E gtlusaka.mailbox@zm.gt.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 financial statements of Industrial Development Corporation Limited ("the Company") set out on pages 11 to 77, which comprise the statement of financial position as at 31 December 2021, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Industrial Development Corporation Limited as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

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

Partners

Edgar Hamuwele (Managing)
Christopher Mulenga
Wesley Beene
Rodia Milumbe Musonda
Chilala Banda

Audit. Tax . Advisory

Chartered Accountants
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Key Audit Matter

Key audit matter is a matter that, in our professional judgement, was of significance in our audit of the financial statements for the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. We have determined the matter described below to be a key audit matter to be communicated in our report.

Key Audit Matter	How the matter was addressed in our audit
Valuation of investments in subsidiaries and associates 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 K25.38 billion and K1.95 billion respectively at 31 December 2021. These balances are significant to the financial statements. Management utilized a valuation expert to determine the fair value of its investments. Management exercises significant judgement and applies assumptions when determining key valuation inputs utilized to value its level 2 and 3 investments. 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. 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: • Valuation technique used. • Weighted average cost of capital • Liquidity discount • Control premium for investments in subsidiaries • Minority discount for investments in associates. • Earnings before Interest Tax Depreciation Amortisation (EBITDA) (projected cash flows) • Comparable companies where market multiples valuation technique was used. This was an area of focus and is considered a key audit matter due to the size of the investments and the significant complexity, estimation and judgement applied by management in the valuation of investments.	With the assistance of our internal valuation specialists: • 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. • 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. • We challenged the Earnings before Interest Tax Depreciation Amortisation (EBITDA) projections used in the computation by comparing the values used to actual results. • We assessed comparability of companies used where the multiples valuation technique was utilized by verifying that industry risk profiles were similar. • We recalculated the fair value of investment in subsidiaries and associated and compared it to management's valuation expert's calculation. • 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 Board are responsible for the other information. The other information comprises the Board's Report as required by the Companies Act of 2017, which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- 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 management.

- Conclude on appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

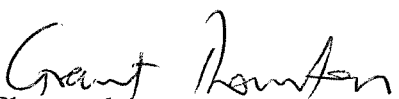
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements
In our opinion, the financial statements of Industrial Development Corporation Limited as of 31 December 2021 have been properly prepared in accordance with the Companies Act, 2017 and the accounting and other records and registers have been properly kept in accordance with the Acts.

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

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

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



Chartered Accountants

Edgar Hamuwele – (AUD/F000111)
Name of Partner signing on behalf of the Firm

Date: 31 October 2024

Figures in thousands of Zambian Kwacha

Statement of profit or loss and other comprehensive income

	Note	2021	2020
Revenue	5	**219,044**	242,020
Other income	6	**36,503**	124,693
Net impairment charge on financial assets	4 (b)	**(55,445)**	(27,220)
Administrative expenses	7	**(123,047)**	(100,728)
Operating profit		**77,055**	238,765
Finance income	8	**1,406,381**	148,019
Finance costs	8	**(1,414,125)**	(235,207)
Profit before taxation		**69,311**	151,577
Income tax credit/(expense)	9	**5,160**	(13,122)
Profit for the year		**74,471**	138,455
Other comprehensive income			
Fair value gains/(losses) on investment in subsidiaries	13 (a)	**9,637,834**	(7,465,840)
Fair value gain/(losses) on investment in associates	14 (a)	**844,195**	(302,986)
		10,482,029	(7,768,826)
Total comprehensive income for the year		**10,556,500**	(7,630,371)

The notes on pages 15 to 77 are an integral part of these annual financial statements.

Figures in thousands of Zambian Kwacha

Statement of financial position

	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant, and equipment	10	**90,233**	87,801
Investment property	11	**87,240**	59,769
Investments in projects	12	**473,509**	192,176
Deferred tax asset	23	**41,729**	15,739
Loans receivable from related parties	26 (iii)	**4,493,716**	3,494,136
Investments in associates	14 (a)	**1,954,856**	964,204
Investments in subsidiaries	13 (a)	**25,383,206**	15,149,844
		32,524,489	19,963,669
Current assets			
Inventories	15	**262**	-
Trade and other receivables	16	**201,265**	180,961
Cash and cash equivalents	17	**122,915**	102,100
Assets held for sale	18	**365,491**	17,956
		689,933	301,017
Total assets		**33,214,422**	20,264,686
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**10,000**	10,000
Capital and other reserves	20	**26,492,394**	16,011,243
Amounts awaiting allotment		**1,380,991**	-
Retained earnings		**245,168**	169,819
Total equity		**28,128,553**	16,191,062
Non- current liabilities			
Borrowings	21	**4,553,124**	3,466,810
Capital grants	22	**280,520**	280,520
		4,833,644	3,747,330
Current liabilities			
Trade and other payables	24	**132,391**	156,468
Current tax payable	9	**79,665**	72,210
Borrowings	21	**40,169**	50,054
Bank overdraft	21	**-**	47,562
		252,225	326,294
Total liabilities		**5,085,869**	4,073,624
Total equity and liabilities		**33,214,422**	20,264,686

The notes on pages 15 to 77 are an integral part of these annual financial statements.

The annual financial statements on pages 11 to 77 were approved and authorised for issue by the board of Directors on 31 October 2024 and were signed on its behalf by:

Dr. Windu C. Matoka
Director

Mr. Cornwell Muleya
Director

Figures in thousands of Zambian Kwacha

Statement of changes in equity

	Share capital	Capital reserve	Amounts awaiting allotment	Fair value reserve	Revaluation reserve	Retained earnings	Total equity
Balance at 1 January 2020	10,000	14,303,628	-	9,311,255	8,778	31,364	23,665,025
Profit for the year	-	-	-	-	-	138,455	138,455
Other comprehensive income:							
Fair value loss on investments in subsidiaries (Note 13)	-	-	-	(7,465,840)	-	-	(7,465,840)
Fair value loss on investments in associates (Note 14)	-	-	-	(302,986)	-	-	(302,986)
Total comprehensive income	-	-	-	(7,768,826)	-	138,455	(7,630,371)
Transactions with owners :							
Acquisition of subsidiary (Note 13)	-	156,408	-	-	-	-	156,408
	-	156,408	-	-	-	-	156,408
Balance at 31 December 2020	10,000	14,460,036	-	1,542,429	8,778	169,819	16,191,062
Balance as at 1 January 2021	10,000	14,460,036	-	1,542,429	8,778	169,819	16,191,062
Profit for the year	-	-	-	-	-	74,471	74,471
Other comprehensive income:							
Amortization on revaluation reserve	-	-	-	-	(878)	878	-
Fair value gain on investments in subsidiaries (Note 13)	-	-	-	9,637,834	-	-	9,637,834
Fair value gain on investments in associates (Note 14)	-	-	-	844,195	-	-	844,195
Total comprehensive income	-	-	-	10,482,029	(878)	75,349	10,556,500
Transactions with owners:							
Capital injection*	-	-	1,380,991	-	-	-	1,380,991
	-	-	1,380,991	-	-	-	1,380,991
Balance at 31 December 2021	**10,000**	**14,460,036**	**1,380,991**	**12,024,458**	**7,900**	**245,168**	**28,128,553**

* K1.38 billion relates to capital injection in form of government bonds from the Ministry of Finance to the Company.

The notes on pages 15 to 77 are an integral part of these annual financial statements.

Figures in thousands of Zambian Kwacha

Statement of cash flows

	Note	2021	2020
Cash flows from operating activities			
Cash generated from operations	25 (a)	**23,810**	92,486
- Interest income		**83,452**	676
- Interest paid	25 (b)	**(297,926)**	(114,186)
- Tax paid	9	**(13,375)**	(8,144)
Net cash outflow from operating activities		**(204,039)**	(29,168)
Cash flows from investing activities			
Payments for acquisition of investments in subsidiaries	13	**(701,289)**	(173,277)
Payments for acquisition of investments in associates	14	**(40,696)**	(416,219)
Payments for investments in projects	12	**(281,333)**	(130,181)
Payments for property, plant and equipment	10	**(8,419)**	(43,256)
Purchase of investment property	11	**(12,600)**	(38,685)
Loans to related parties	26 (iii)	**(1,658,018)**	(2,689,934)
Proceeds from disposal of shares		**-**	301,086
Proceeds from sale of property, plant and equipment		**1,120**	415
Repayment of loans by related parties	26 (iii)	**20,693**	12,445
Net cash outflow from investing activities		**(2,680,542)**	(3,177,606)
Cash flows from financing activities			
Proceeds from borrowings	25 (b)	**2,071,085**	3,441,038
Repayment of borrowings	25 (b)	**(148,040)**	(462,296)
Proceeds from sale of bonds		**1,029,913**	-
Capital grant	22	**-**	274,600
Net cash inflow from financing activities		**2,952,958**	3,253,342
Net increase in cash and cash equivalents		**68,377**	46,568
Cash and cash equivalents at start of period		**54,538**	7,970
Cash and cash equivalents at end of period	17	**122,915**	54,538

The notes on pages 15 to 77 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 Enterprise's (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.

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 material 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 and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to entities reporting under IFRS and the Zambia Companies Act. The financial statements comply with IFRS Accounting Standards.

In accordance with the requirements of the Companies Act of Zambia, the financial statements for the year ended 31 December 2021 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 Zambia Kwacha ("K"). The functional 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 Note 3.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.2 Changes in accounting policy and disclosures

i) A number of new or amended standards became applicable for the current reporting period and these include the following standards.

- Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.

- Amendments to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosure' – Interest rate benchmark reform (Phase 1).

- IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment.

The Directors do not expect that the adoption of the Standards will have a material impact on the financial statements of the Company in future periods, except as noted below:

Number	Effective date	Executive summary
Amendments to IFRS 9 ' Financial Instruments' , IAS 39 ' Financial Instruments : Recognition and Measurement' , IFRS 7 ' Financial Instruments : Disclosures' , IFRS 4 ' Insurance Contracts' and IFRS 16 ' Leases - interest rate benchmark (IBOR) reform (Phase 2)	Annual periods beginning on or after 1 January 2021. (published August 2020)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

Number	Effective date	Executive summary
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current .	Annual periods beginning on or after 1 January 2022 (Published January,2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).
Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022. (Published May, 2020).	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

Number	Effective date	Executive summary
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022	These amendments include minor changes to: • IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022	These amendments include minor changes to: • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. IFRS 16, 'Leases', amendment intends to remove any potential confusion about the treatment of lease incentives.

2.3 Investment in projects and other entities

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.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.3 Investment in projects and other entities (continued)

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.

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 (K).

(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.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.5 Revenue (continued)

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.

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.

Classification and measurement

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 (FVTPL) 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 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 , loans receivable 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.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.6 Financial instruments (continued)

Classification and measurement (continued)

Financial assets (continued)

i) Trade receivables (continued)

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.

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 the Company 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 .

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.6 Financial instruments (continued)

Classification and measurement (continued)

Financial liabilities (continued)

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 asset or financial liability or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the 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.

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.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.6 Financial instruments (continued)

Classification and measurement (continued)

Financial liabilities (continued)

ii) Trade and other payables

Trade and other payables are subsequently measured at amortised cost using the effective interest

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.

Financial liabilities

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.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.6 Financial instruments (continued)

Offsetting financial instruments (continued)

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 three 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.

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.

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

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.7 Property,plant and equipment (continued)

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 sale in the statement of financial position.

2.9 Investment property

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

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

2.10 Share capital

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

2.11 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;

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.11 Employee benefits (continued)

(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).

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.

2.12 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. 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.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.12 Income tax expense (continued)

(ii) Deferred income tax (continued)

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 of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

i) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

ii) Income taxes

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

iii) 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 2021.

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

Notes to the annual financial statements (continued)

3 Critical accounting estimates and judgements (continued)

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 note 13 (b) and 14 (b) for more details.

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 (USD).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.

Notes to the annual financial statements (continued)

4 Financial risk management (continued)

a) *Market risk (continued)*

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

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
As at 31 December 2021	
Financial assets :	
Cash and cash equivalents	**931**
Trade and other receivables	**62,896**
Loans due from related parties	**3,606,954**
	3,670,781
Financial liabilities :	
Trade and other payables	**(6,725)**
Borrowings	**(3,637,890)**
Net exposure	**26,166**
As at 31 December 2020	
Financial assets :	
Cash and cash equivalents	228
Loans due from related parties	2,811,349
	2,811,577
Financial liabilities :	
Borrowings	(2,794,328)
Net exposure	17,249

The following significant rates have been applied during the year:

	Average rate		Reporting date	
	2021	2020	**2021**	2020
ZMW to 1 USD	**16.81**	18.23	**19.90**	21.35

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.

	Strengthening		Weakening	
	Profit/ loss	Equity	Profit/ loss	Equity
As at 31 December 2021				
USD	**2,616**	**2,616**	**(2,616)**	**(2,616)**
As at 31 December 2020				
USD	1,725	1,725	(1,725)	(1,725)

Notes to the annual financial statements (continued)

4 Financial risk management (continued)

a) *Market risk (continued)*

(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:

	2021	% of total loans	2020	% of total loans
Variable rate borrowings	405,173	100%	172,668	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 2021, with all other variables held constant, a 2 % (2020: 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:

	2021 K	2020 K
Impact on profit and equity	**(8,103)**	(3,453)

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.

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 two types of financial assets that are subject to the expected credit loss model:

- Trade receivables and loan receivables
- Cash and cash equivalents

Notes to the annual financial statements (continued)

4 Financial risk management (continued)

b) *Credit risk (continued)*

ii) Impairment of financial assets (continued)

Trade receivables and loan 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 and loan receivables. To measure the expected credit losses, 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 and loan receivables are not disaggregated into further risk profiles other than days past due.

The expected loss rates are based on the payment profiles or sales over a period of 36 months before 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The outstanding receivables subjected to expected credit loss calculation are net of debtors where there is a legal right to offset.

There were no changes in the estimation techniques or significant assumptions made as at the reporting period. 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 statement of financial position.

On that basis, the loss allowance as at 31 December 2021 was determined as follows for trade receivables and loans due from related parties:

Trade receivables

2021	**Current**	**1 - 30 days past due**	**31 - 60 days past due**	**61 -90 days past due**	**Over 90 days past due**	**Total**
Gross carrying amount	-	8,866	4,181	3,832	86,588	103,467
Expected Loss rate	-	0%	0%	0%	89.54%	
Loss allowance	-	-	-	-	77,528	77,528
Amortised cost	**-**	**8,866**	**4,181**	**3,832**	**9,060**	**25,939**

2020	**Current**	**1 - 30 days past due**	**31 - 60 days past due**	**61 -90 days past due**	**Over 90 days past due**	**Total**
Gross carrying amount	-	5,660	6,255	27,226	27,751	66,892
Expected Loss rate	-	17.64%	21.00%	28.00%	44.00%	
Loss allowance	-	998	1,314	7,623	12,210	22,145
Amortised cost	**-**	**4,662**	**4,941**	**19,603**	**15,541**	**44,747**

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

4 Financial risk management (continued)

b) *Credit risk (continued)*

ii) Impairment of financial assets (continued)

Loan receivables

2021	Current	1 - 30 days past due	31 - 60 days past due	61 -90 days past due	Over 90 days past due	Total
Gross carrying amount	-	-	-	145,024	4,368,476	4,513,500
Expected Loss rate	-	0%	0%	1.00%	0.42%	
Loss allowance	-	-	-	1,450	18,334	19,784
Amortised cost	-	-	-	**143,574**	**4,350,142**	**4,493,716**

2020	Current	1 - 30 days past due	31 - 60 days past due	61 -90 days past due	Over 90 days past due	Total
Gross carrying amount	-	-	-	233,447	3,280,411	3,513,858
Expected Loss rate	-	0%	0%	1.00%	0.53%	
Loss allowance	-	-	-	2,334	17,388	19,722
Amortised cost	-	-	-	**231,113**	**3,263,023**	**3,494,136**

On that basis, the loss allowance as at 31 December on trade receivables and loan receivables was as follows:

	2021 K	2020 K
Trade receivables	77,528	22,145
Loan receivables	19,784	19,722
	97,312	41,867

The loss allowances for trade receivables and loan receivable as at 31 December 2021 reconcile to the opening loss allowances as follows:

	2021 K	2020 K
At the start of the year	41,867	14,647
Impairment charge- Loan receivable	62	5,075
Impairment charge- Trade receivable	55,383	22,145
Net impairment charge	55,445	27,220
At the end of the year	**97,312**	41,867

Trade receivables and loan 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.

Notes to the annual financial statements (continued)

4 Financial risk management (continued)

b) *Credit risk (continued)*

ii) Impairment of financial assets (continued)

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

Cash and cash equivalents

While these balances are also subject to the impairment requirements of IFRS 9, the identified impairment loss 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.

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 instruments 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.

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 2021					
Assets					
Cash and cash equivalents	122,915	-	-	-	122,915
Loans due from related parties	145,024	93,732	91,583	4,647,949	4,978,288
Trade and Other receivables (excluding prepayments)	201,193	-	-	-	201,193
	469,132	**93,732**	**91,583**	**4,647,949**	**5,302,396**
Liabilities					
Borrowings	139,169	236,829	763,859	3,933,317	5,073,174
Trade and Other payables (excluding statutory and contract liabilities)	101,325	-	-	-	101,325
	240,494	**-**	**763,859**	**3,933,317**	**5,174,499**
Net amount	**228,638**	**(143,097)**	**(672,276)**	**714,632**	**127,897**
At 31 December 2020					
Assets					
Cash and cash equivalents	102,100	-	-	-	102,100
Loans due from related parties	2,323	7,624	19,361	4,550,586	4,579,894
Trade and Other receivables (excluding prepayments)	179,268	-	-	-	179,268
	283,691	7,624	19,361	4,550,586	4,861,262
Liabilities					
Borrowings	23,679	458,749	28,924	4,550,586	5,061,938
Trade and Other payables (excluding statutory and contract liabilities)	132,364	-	-	-	132,364
	156,043	458,749	28,924	4,550,586	5,194,302
Net amount	127,648	(451,125)	(9,563)	-	(333,040)

Notes to the annual financial statements (continued)

4 Financial risk management (continued)

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 21 cash and cash equivalents disclosed in Note 17,and equity as disclosed in the statement of financial position.

During 2021, 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 2021 and 31 December 2020 were as follows:

	2021	2020
Net debt (Note 25(b))	**(4,470,378)**	(3,462,326)
Total equity	**28,128,553**	16,191,062
Gearing ratio	**15.89%**	21.38%

d) Financial instruments by category

Financial assets

Trade and other receivables (excluding prepayments)	**201,193**	179,268
Loans due from related parties	**4,493,716**	3,494,136
Cash and cash equivalents	**122,915**	54,538
	4,817,824	3,727,942

Financial liabilities

Borrowings	**4,593,293**	3,516,864
Trade and other payables (excluding statutory liabilities)	**101,325**	132,364
	4,694,618	3,649,228

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

5 Revenue	2021	2020
Dividends	**129,108**	145,710
Management fees	**89,936**	96,310
	219,044	242,020
Dividends Breakdown:		
Indo Zambia	**30,000**	26,821
Mulungushi Village Company	**457**	-
Indeni Petroleum Limited	**3,679**	52,288
ZCCM - IH	**31,986**	31,652
ZANACO	**20,519**	18,782
ZAFFICO	**23,267**	16,167
Mpulungu Harbour	**2,440**	-
Marcopolo Tiles	**16,760**	-
	129,108	145,710

6 Other income		
Rentals	**6,238**	2,195
Profit from the sale of shares in ZAFFICO	**-**	111,042
Loss from the sale of bonds	**(3,542)**	-
Sundry income	**15,974**	10,454
Profit /(loss) on disposal of assets	**1,120**	(332)
Foreign exchange differences other than on borrowings and cash	**1,842**	-
Valuation gain on investment property (Note 11)	**14,871**	1,334
	36,503	124,693

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

		2021	2020
7	**Administrative expenses**		
	Advertising and publications	**302**	98
	Audit fees	**2,320**	800
	Assets held for sale impairment (Note 18)	**-**	4,500
	Bank charges	**215**	693
	Board fees	**819**	1,440
	Business and entertainment	**26**	20
	Cleaning expenses	**689**	502
	Communication expense	**499**	302
	Consultancy	**24**	801
	Depreciation (Note 10)	**5,987**	5,567
	Donations	**673**	366
	Employee costs (Note 7.1)	**86,673**	67,273
	Electricity and water	**560**	396
	Fuel and lubricants	**1,929**	1,628
	Foreign exchange differences other than on borrowings and cash	**-**	710
	ICT expenses	**3,950**	2,810
	Insurance	**2,226**	3,841
	Legal costs	**1,039**	415
	Licences and fees	**17**	101
	Motor vehicles expense	**408**	204
	National events	**-**	21
	Office expenses	**454**	223
	Other expenses	**43**	38
	Pacra expenses	**17**	346
	Printing and stationery	**747**	611
	Procurement/evaluation	**73**	85
	Professional membership	**160**	108
	Project costs	**3,042**	(314)
	Repairs and maintenance	**1,025**	151
	Rates	**135**	27
	Security expenses	**571**	432
	Seminars and workshops	**3,208**	1,584
	Telephones and postage	**614**	497
	Training expenses	**465**	127
	Travel expenses	**2,169**	2,126
	Withholding tax	**1,968**	2,199
		123,047	100,728
7.1	**Employee costs**		
	Salaries and wages	**84,379**	65,451
	NAPSA	**751**	666
	Defined contribution scheme	**1,543**	1,156
		86,673	67,273

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

8 Finance income and costs

	2021	2020
Finance income :		
Foreign exchange gains on loan receivable (Note 26 (iii))	-	19,477
Foreign exchange gain on borrowings (Note 25 (b))	**974,347**	-
Interest on shareholder loans (Note 26 (iii))	**348,254**	127,866
Interest on call account	**1,987**	254
Interest on placed deposits	**83**	204
Interest on treasury activities	**81,382**	19
Interest on staff loans	**328**	199
	1,406,381	148,019
Finance costs :		
Foreign exchange loss on loan receivable (Note 26 (iii))	**985,938**	-
Foreign exchange losses on borrowings (Note 25 (b))	-	15,081
Interest expense on borrowings (Note 25 (b))	**425,657**	215,417
Loan facility fees	**2,530**	4,709
	1,414,125	235,207
Net finance cost	**(7,744)**	(87,188)

9 Income tax expense

A change in tax rate from 35% to 30% was substantively enacted on 29 October 2021, with effect from 1 January 2022. The change has no impact on current tax liabilities arising before its effective date except for the relevant deferred tax balances which have been remeasured.

The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss.

	2021	2020
Current income tax charge	**20,830**	28,329
Under provision from prior year	-	(138)
Deferred income tax credit	**(25,990)**	(15,069)
	(5,160)	13,122

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:

	2021	2020
Profit / (loss) before income tax	**69,311**	151,577
Tax calculated at the statutory income tax rate of 35% (2020:35%)	**24,259**	53,052
Tax effect of:		
Adjustments for income on lower tax rate	**(24,522)**	(28,727)
Under provision	**(4,897)**	(11,203)
	(5,160)	13,122

Current income tax movement in the statement of financial position

At start of year	**72,210**	52,025
Current income tax expense	**20,830**	28,329
Payment	**(13,375)**	(8,144)
At end of year	**79,665**	72,210

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	IT Equipment	Capital work in progress	Total
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
Year ended 31 December 2020						
Opening balance	46,516	1,335	2,023	985	-	50,859
Additions	34,783	429	6,694	350	1,000	43,256
Disposals	-	-	(1,792)	-	-	(1,792)
Depreciation charge	(1,596)	(640)	(2,751)	(580)	-	(5,567)
Reversal of depreciation	-	-	1,045	-	-	1,045
Net book value	79,703	1,124	5,219	755	1,000	87,801
As at 31 December 2020						
Cost or fair value	81,323	3,891	13,054	3,591	1,000	102,859
Accumulated depreciation	(1,620)	(2,767)	(7,835)	(2,836)	-	(15,058)
Net book value	79,703	1,124	5,219	755	1,000	87,801

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

10 Property , plant and equipment (continued)

	Land and buildings	Equipment and furniture	Motor Vehicles	IT Equipment	Capital work in progress	Total
Year ended 31 December 2021						
Opening balance	79,703	1,124	5,219	755	1,000	87,801
Additions	-	187	6,290	703	1,239	8,419
Disposals	-	-	(1,818)	-	-	(1,818)
Depreciation charge	(1,654)	(564)	(3,160)	(609)	-	(5,987)
Disposals	-	-	1,818	-	-	1,818
Net book value	**78,049**	**747**	**8,349**	**849**	**2,239**	**90,233**
As at 31 December 2021						
Cost or fair value	81,323	4,078	17,526	4,294	2,239	109,460
Accumulated depreciation	(3,274)	(3,331)	(9,177)	(3,445)	-	(19,227)
Net book value	**78,049**	**747**	**8,349**	**849**	**2,239**	**90,233**

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

	2021	2020
Carrying amount at 1 January	**59,769**	19,750
Additions	**12,600**	38,685
Change in fair value (Note 6)	**14,871**	1,334
Carrying amount at 31 December	**87,240**	59,769

Notes to the annual financial statements (continued)

11 Investment property (continued)

The Company's investment property relates to stand No. 7940 & 7941 (Kambendekela House) and, stand No. 6229 in Mongu (Teba House), Subdivision 1 of subdivision C10 Farm 748 Ndola, Subdivision 12 of Farm 748 NJO Ndola, Subdivision 13 of subdivision B of Farm 748 Ndola, Plot No. 1029, Lusaka, Plot No. 1034, Lusaka and Plot No. 1033, Lusaka

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, 2021 .

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) and tenant credit quality.	• Expected market rental growth (3 - 5%. Weighted average 4%) . • Void periods (average 6 months after the end of each lease). • Occupancy rate (80-90%, weighted average 80%). • Rent-free periods (1-month period on new leases) • Risk-adjusted discount rates (10% - 10.5%. weighted average 10%)	The estimated fair value would increase (decrease) if : • Expected market rental growth were higher (lower); • Void periods were shorter (longer) ; • The occupany rate were higher (lower) ; • Rent -free periods were shorter (longer) ;or • The risk -adjusted discount rate were lower (higher).

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

12 Investments in projects

	2021	2020
Movement in investments in projects		
At 1st January 2021	**192,176**	61,995
Additions	**281,333**	130,181
At 31st December	**473,509**	192,176
Fruit project	**244,988**	97,062
Fig tree project	**17,624**	1,255
Kabwe textiles project	**2,745**	2,311
Kawambwa tea project	**10**	10
Katete mango project	**4,228**	3,905
Luswishi project	**19,375**	336
Marubeni project	**840**	840
Mununshi plantation project	**23,074**	17,783
Mupepetwe project	**351**	351
Nansanga project	**1,368**	-
Zampalm project	**5,812**	2,373
Mwinulunga project	**19,966**	22,437
Scaling solar project	**8,635**	9,655
Tractor assembly project	**1,000**	-
Zambia airways project	**105,327**	33,826
Zambia cashew nuts project	**18,144**	10
Zambia chemicals project	**22**	22
	473,509	192,176

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

13 Investments in subsidiaries

(a) Valuation of investments in subsidiaries as at 31 December, 2021.

Country of incorporation	Name of company	Percentage held	Opening balance	Transfer	Addition	Fair value gain/(loss)	Closing balance
Zambia	Agro – Luswishi	100%	15,315	-	16,247	-	31,562
Zambia	Engineering Services Corporation	100%	-	-	-	-	-
Zambia	Indeni Petroleum	100%	577,801	-	-	(148,321)	429,480
Zambia	Lusaka South Multi- Facility Economic Zone	100%	1,982,855	-	-	(185,158)	1,797,697
Zambia	Infratel Limited	100%	3,005,743	-	-	(68,761)	2,936,982
Zambia	Mulungushi Village	100%	111,032	-	-	28,556	139,588
Zambia	Mulungushi International Conference Centre	100%	1,314,015	-	4,033	722,109	2,040,157
Zambia	Mpulungu Harbour Corporation Limited	100%	72,151	-	-	51,448	123,599
Zambia	Medical Stores Limited	100%	-		-	-	-
Zambia	Mupepetwe Development Company	100%	-	-	-	-	-
Zambia	Nitrogen Chemicals of Zambia	100%	275,362	-	443,388	89,660	808,410
Zambia	Kawambwa Tea Industries Limited	100%	241,298	-	6,221	72,089	319,608
Zambia	Superior Milling Ltd	76%	-	-	-	-	-
Zambia	Times of Zambia Printpak Limited	100%	-	-	32,505	(32,505)	-
Zambia	ZESCO Limited	100%	2,141,219	-	-	8,999,094	11,140,313
Zambia	Zambia Cargo and Logistics Limited	100%	84,100	-	-	133,819	217,919
Zambia	ZCCM - IH Investments	60%	3,760,755	-	-	(79,480)	3,681,275
Zambia	Zambia Railways Limited	100%	600,605	-	-	(50,025)	550,580
Zambia	Zambia Forestry and Forest Industries	100%	533,197	-	-	(42,756)	490,441
Zambia	Zambia International Trade Fair	100%	37,964	-	-	14,278	52,242
Zambia	*Zambia Industrial Commercial Bank Limited	50.38%	105,761	(105,761)	-	-	-
Zambia	Zambia China Textiles	100%	-	-	-	-	-
Zambia	Zampalm	90%	237,143	-	55,977	(70,796)	222,324
zambia	ZSIC General Insurance	100%	43,479	-	43,487	102,936	189,902
Zambia	ZSIC Life Company	100%	10,049	-	80,000	121,078	211,127
Zambia	Zambia Telecommunications Company	100%	-	-	19,431	(19,431)	-
			15,149,844	**(105,761)**	**701,289**	**9,637,834**	**25,383,206**

*As at 31 December 2021 IDC shareholding of 50.38% in Zambia Industrial Commercial Bank Limited was diluted to 30.21% following the capital injection by NAPSA as such it was transferred to investment in associates

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

13 Investments in subsidiaries (continued)

(a) Valuation of investments in subsidiaries as at 31 December,2020.

Country of incorporation	Name of company	Percentage held	Opening balance	Transfer	Addition	Disposal	Fair value gain/(loss)	Closing balance
Zambia	Agro – Luswishi	100%	15,315	-	-	-	-	15,315
Zambia	Engineering Services Corporation	100%	-	-	-	-	-	-
Zambia	Indeni Petroleum	100%	727,989	-		-	(150,188)	577,801
Zambia	Lusaka South Multi- Facility Economic	100%	2,720,993	-	-	-	(738,138)	1,982,855
Zambia	Infratel Limited	100%	4,756	-	81	-	3,000,906	3,005,743
Zambia	Mulungushi Village	100%	142,076	-	-	-	(31,044)	111,032
Zambia	Mulungushi International Conference	100%	1,058,894	-		-	255,121	1,314,015
Zambia	Mpulungu Harbour Corporation Limited	100%	9,900	-	-	-	62,251	72,151
Zambia	Medical Stores Limited	100%	-		-	-	-	-
Zambia	Mupepetwe Development Company	100%	-	-	-	-	-	-
Zambia	Nitrogen Chemicals of Zambia	100%	177,644	-		-	97,718	275,362
Zambia	Kawambwa Tea Industries Limited	100%	-	-	156,408	-	84,890	241,298
Zambia	Superior Milling Ltd	76%	-	-	-	-	-	-
Zambia	Times of Zambia Printpak Limited	100%	-	-	-	-	-	-
Zambia	ZESCO Limited	100%	12,539,232	-	-	-	(10,398,013)	2,141,219
Zambia	Zambia Cargo and Logistics Limited	100%	4,101	-	-	-	79,999	84,100
Zambia	ZCCM - IH Investments	60%	2,760,500	-	-	-	1,000,255	3,760,755
Zambia	Zambia Railways Limited	100%	881,857	-	-	-	(281,252)	600,605
Zambia	Zambia Forestry and Forest Industries	100%	673,008	-	144,193	(208,000)	(76,004)	533,197
Zambia	Zambia International Trade Fair	100%	55,046	-	-	-	(17,082)	37,964
Zambia	Zambia Industrial Commercial Bank	100%	85,911	-	-	-	19,850	105,761
Zambia	Zambia China Textiles	100%	-	-	-	-	-	-
Zambia	ZAMCAPITAL ZEL	100%	-	-	-	-	-	-
Zambia	Zampalm	90%	183,122	-	29,003	-	25,018	237,143
zambia	ZSIC General Insurance	100%	-	-	-	-	43,479	43,479
Zambia	ZSIC Life Company	100%	3,000	-	-	-	7,049	10,049
Zambia	Zambia Telecommunications Company	100%	450,655	-	-	-	(450,655)	-
			22,493,999	-	329,685	(208,000)	(7,465,840)	15,149,844

Notes to the annual financial statements (continued)

13 Investments 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.

	Level 1	Level 2	Level 3	Total
At 31 December 2021				
Investments in subsidiaries	4,385,006	19,090,993	1,907,207	25,383,206
	4,385,006	**19,090,993**	**1,907,207**	**25,383,206**
At 31 December 2020				
Investments in subsidiaries	4,293,943	8,853,196	2,002,705	15,149,844
	4,293,943	8,853,196	2,002,705	15,149,844

Notes to the annual financial statements (continued)

13 Investments in subsidiaries (continued)

(b) Measurement of fair value (continued)

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

	Level 1	Level 2	Level 3	Total
At the start of the year	4,293,943	8,853,196	2,002,705	15,149,844
Additions	-	668,784	-	668,784
Transfer of ZICB to associates	-	(105,761)	-	(105,761)
Change in fair value	91,063	9,674,774	(95,498)	9,670,339
At the end of the year	**4,385,006**	**19,090,993**	**1,907,207**	**25,383,206**

As at 31 December 2021 the companies with fair value in excess of K100 million were sixteen (16) namely. Indeni Petroleum, Infratel Corporation Limited, Lusaka South Multi Facility Economic Zone, Nitrogen Chemicals of Zambia, Mulungushi Village, Mulungushi Conference Centre, Mpulungu Harbour, Kawambwa Tea Industries Limited, ZESCO Limited, ZCCM-IH, Zambia Railways Limited, Zambia Cargo and Logistics, Zambia Forestry and Forest Industries Corporation, Zampalm Limited, ZSIC General Insurance and ZSIC Life Insurance . These companies accounted for 99% of the reported fair value.

- ZCCM-IH PLC and ZAFFICO are listed on the Lusaka Stock 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;

- Infratel Corporation Limited, Lusaka South Multi Facility Economic Zone, Kawambwa Tea Industries Limited, Mulungushi Village Complex Limited, Mulungushi Conference Centre, Nitrogen Chemicals of Zambia, Zambia Railways, Zampalm Limited and ZESCO Limited, Zambia Cargo and Logistics, ZSIC life and ZSIC General are determined using the discounted cashflow, relative valuation, analyst estimates, adjusted asset value and precedent transactions valuation methodology.

- Indeni Petroleum Refinery values were estimated using the cost based approach.

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

13 Investments in subsidiaries (continued)

(b) Measurement of fair value (continued)

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	Adjusted NAV This is a cost-based approach, which starts with NAV and makes adjustments to estimate value. This approach adjusts NAV in the reporting year, for typical discounts (size, lack of control and marketability) and premia (control) that apply when valuing companies under RV.	The adjusted NAV equity valuation applied was adjusted for 1: a) a CP between 15% and 24%, since IDC holds 100% of Indeni's issued share capital; b) a DLOM between 4% and 7%, since Indeni is a privately held company.	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/ (higher).
Infratel Limited	P-BV Relative Valuation and Adjusted NAV Results P-BV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on Infratel Corporation Limited. 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.	a) SD of between 56.0% and 84.0%, since Infratel is relatively smaller than the median of our peer sample across the key metric(s) applied; - a CP between 15.9% and 23.9%, since IDC holds 100% of Infratel's issued share capital; - a DLOM between 4.4% and 6.6%, since Infratel is a privately held company.	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/ (higher).

Notes to the annual financial statements (continued)

13 Investments in subsidiaries (continued)

(b) Measurement of fair value (continued)

Name of subsidiary	Valuation technique	Significant unobservable inputs and assumptions	Inter- relationship between unobservable inputs and fair value measurement
Nitrogen Chemicals of Zambia	EV-Revenue Relative Valuation Results EV-Revenue makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on Nitrogen Chemicals Zambia Limited. 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.	a) SD of between 6.4% and 9.6%, since NCZ is relatively smaller than the median of our peer sample across the key metric(s) applied; b) a CP between 15.9% and 23.9%, since IDC holds 100% of NCZ's issued share capital; and c) a DLOM between 4.4% and 6.6%, since NCZ is a privately held company.	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/ (higher).
Mulungushi Village Complex Limited	P-BV Relative Valuation and Adjusted NAV Results P-BV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on MVCL. 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.	a) a SD of between 6.4% and 9.6%, since MVCL is relatively smaller than the median of our peer sample across the key metric(s) applied; b) a CP between 15.9% and 23.9%, since IDC holds 100% of MVCL's issued share capital; and c) a DLOM between 4.4% and 6.6%, since MVCL is a privately held company.	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/ (higher)

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

13 Investments in subsidiaries (continued)

(b) Measurement of fair value (continued)

Name of subsidiary	Valuation technique	Significant unobservable inputs and assumptions	Inter- relationship between unobservable inputs and fair value measurement
Mulungushi International Conference Centre	P-BV Relative Valuation and Adjusted NAV Results P-BV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on MICC. 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.	a) a SD of between 6.4% and 9.6%, since MICC is relatively smaller than the median of our peer sample across the key metric(s) applied; b) a CP between 15.9% and 23.9%, since IDC holds 100% of MICC's issued share capital; and c) a DLOM between 4.4% and 6.6%, since MICC is a privately held company.	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/ (higher)
Mpulungu Harbour	EV-EBITDA Relative Valuation Results EV (defined as market capitalisation plus net debt) divided by EBITDA was deemed the ideal valuation methodology because Mpulungu is in a capital-intensive industry and has positive EBITDA earnings. The market multiples valuation analysis makes use of a peer group of comparable publicly listed companies to derive valuation metrics that can be applied to Mpulungu KHBC used the EV EBITDA and P-BV multiples for the comparative valuation.	a) SD of between 6.4% and 9.6%, since Mpulungu is relatively smaller than the median of our peer sample across the key metric(s) applied; b) a CP between 15.9% and 23.9%, since IDC holds 100% of Mpulungu's issued share capital; and c) a DLOM between 4.4% and 6.6%, since Mpulungu is a privately held company.	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/ (higher)

Notes to the annual financial statements (continued)

13 Investments in subsidiaries (continued)

(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
Lusaka South Multi-Facility Economic Zone	P-BV Relative Valuation and Adjusted NAV Results P-BV 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 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.	a) SD of between 6.4% and 9.6%, since MFEZ is relatively smaller than the median of our peer sample across the key metric(s) applied; b) a CP between 15.9% and 23.9%, since IDC holds 100% of MFEZ's issued share capital; and c) a DLOM between 4.4% and 6.6%, since MFEZ is a privately held company.	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/ (higher).
ZESCO LIMITED	P-BV Relative Valuation and Adjusted NAV Results P-BV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on ZESCO. 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.	a) a size discount ("SD") was not applied, since ZESCO is relatively larger than the median of our peer sample across the metric(s) applied; b) a control premium ("CP") between 16% and 24%, since IDC holds 100% of the issued share capital of ZESCO; and c) a discount for lack of marketability ("DLOM") between 4% and 7%, since ZESCO is a privately held	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/ (higher)

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

13 Investments in subsidiaries (continued)

(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
Kawambwa Tea Industries Limited	P-BV Relative Valuation and Adjusted NAV Results P-BV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on Kawambwa Tea Industries Limited. 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.	a) a SD of between 6.4% and 9.6%%, since Kawambwa is relatively smaller than the median of our peer sample across the key metric(s) applied; b) a CP between 15.9% and 23.9%, since IDC holds 100% of Kawambwa's issued share capital; and c) a DLOM between 4.4% and 6.6%, since Kawambwa is a privately held company.	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/ (higher).
Zambia Cargo and Logistics	P-BV Relative Valuation and Adjusted NAV Results P-BV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on ZamCargo. 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.	a) a SD of between 6.6% and 9.6%, since ZamCargo is relatively smaller than the median of our peer sample across the key metric(s) applied; b) a CP between 15.9% and 23.9%, as IDC holds 100% of ZamCargo's share capital; and c) a DLOM between 4.4% and 6.6%, since ZamCargo is a privately held	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/ (higher).

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

13 Investments in subsidiaries (continued)

(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
Zampalm Limited	P-BV Relative Valuation and Adjusted NAV Results P-BV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on Zampalm Limited. 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.	a) a SD of between 6.4% and 9.6%, since Zampalm is relatively smaller than the median of our peer sample across the key metric(s) applied; b) a CP between 15.9 and 23.9%, since IDC holds 90% of Zampalm's issued share capital; and c) a DLOM between 4.4% and 6.6%, since Zampalm is a privately held company.	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/ (higher).
ZSIC General Insurance Limited	P-BV Relative Valuation and Adjusted NAV Results P-BV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on ZSIC General Limited. 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.	a SD of between 6.4% and 9.6%, since ZSIC General is relatively smaller than the median of our peer sample across the key metric(s) applied; b) a CP between 15.9% and 23.9%, since IDC holds 100% of ZSIC General's issued share capital; and c) a DLOM between 4.4% and 6.6%, since ZSIC General is a privately held company.	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/ (higher).

13 Investments in subsidiaries (continued)

(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
ZSIC Life Limited	P-BV Relative Valuation P-BV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on ZSIC Life Limited. 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.	a) a SD of between 6.4% and 9.6%, since ZSIC Life is relatively smaller than the median of our peer sample across the key metric(s) applied; b) a CP between 15.9% and 23.9%, since IDC holds 100% of ZSIC Life's share capital; and c) a DLOM between 4.4% and 6.6%, since ZSIC Life is a privately held company.	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/ (higher).

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

	Less 10%	**Multiple used**	Plus 10%
Net asset value	379.00	**379.00**	379.0
Control premium	75.40	**75.40**	75.40
Equity value adjusted	454.50	**454.50**	454.50
Markrtability	(25.00)	**(25.00)**	(25.00)
Equity value	386.55	**429.50**	472.45
IDC's stake	100%	**100%**	100%
Value of shareholding	386.55	**429.50**	472.45

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

13 Investment in Subsidiaries (continued)

Sensitivity analysis (continued)

Infratel Limited	Less 10%	**Multiple used**	Plus 10%
P-BV Multiple	3.21	**3.45**	3.92
Size,geography and diversification discount	(2.19)	**(2.43)**	2.68
Adjusted multiple	1.01	**1.13**	1.24
Book value	2,244.00	**2,243.78**	2,243.78
Equity value	2,276.00	**2,528.40**	2,781.22
Control premium	503.00	**558.80**	614.72
Equity value adjusted	2,778.00	**3,087.22**	3,395.94
Markrtability	(135.00)	**(150.24)**	(165.26)
Equity value	2,643.00	**2,936.98**	3,230.68
IDC's stake	100%	**100%**	100%
Value of shareholding	2,643.00	**2,936.98**	3,230.68
Nitogen Chemicals			
EV-Revenue Multiple	0.60	**0.67**	0.73
Size, geography & diversification discount	(0.05)	**(0.05)**	(0.06)
Adjusted multiple	0.55	**0.61**	0.67
Sales	401.95	**401.95**	401.95
Enterprise value	221.94	**246.60**	271.26
Cash and cash equivalents	150.51	**150.51**	150.51
Net payables	316.37	**316.37**	316.37
Equity value (controlling basis)	688.82	**713.48**	738.14
Control premium	137.07	**141.98**	146.89
Equity value adjusted for control	825.89	**855.46**	885.03
Marketability discount	(45.42)	**(47.10)**	(48.68)
Equity value	780.47	**808.40**	836.35
IDC's stake	100%	**100%**	100%
Value of shareholding	780.47	**808.41**	836.35
Mulungushi Village			
P-BV Multiple	0.46	**0.51**	0.57
Size, geography & diversification discount	(0.04)	**0.04**	(0.05)
Adjusted multiple	0.43	**0.47**	0.52
Book value	260.00	**260.00**	260.00
Equity value (controlling basis)	110.70	**123.00**	135.30
Control premium	22.12	**24.60**	27.04
Equity value adjusted for control	132.82	**147.60**	162.34
Marketability discount	(7.19)	**(8.00)**	(8.79)
Equity value	125.63	**139.6**	153.55
IDC's stake	100%	**100%**	100%
Value of shareholding	125.63	**139.60**	153.55

13 Investment in Subsidiaries (continued)

Sensitivity analysis (continued)

Mulungushi International Conference Centre	Less 10%	**Multiple used**	Plus 10%
P-BV Multiple	3.14	**3.49**	3.84
Size, geography & diversification discount	(0.25)	**(0.28)**	(0.31)
Adjusted multiple	2.89	**3.21**	3.53
Book value	561.12	**561.10**	561.12
Equity value (controlling basis)	1,620.52	**1800.60**	1,980.64
Control premium	322.48	**358.30**	394.15
Equity value adjusted for control	1,943.01	**2158.90**	2,374.79
Marketability discount	(106.87)	**(118.70)**	(130.61)
Equity value	1,836.14	**2040.20**	2,244.17
IDC's stake	100%	**100%**	100%
Value of shareholding	1,836.14	**2,040.20**	2,244.17
Mpulungu Harbour			
EV-Revenue Multiple	5.25	**5.83**	6.41
Size, geography & diversification discount	(0.40)	**(0.44)**	(0.49)
Adjusted multiple	4.85	**5.39**	5.93
Sales	17.80	**17.80**	17.80
Enterprise value	86.23	**96**	105.39
Cash and cash equivalents	12.09	**12.1**	12.09
Long term loans	-	-	-
Short term loans	-	-	-
Equity value (controlling basis)	98.32	**107.9**	117.48
Control premium	20.48	**22.5**	24.50
Equity value adjusted for control	118.80	**130.4**	141.97
Marketability discount	(6.19)	**(6.80)**	(7.39)
Equity value	111.24	**123.60**	135.96
IDC's stake	100%	**100%**	100%
Value of shareholding	111.24	**123.60**	135.96
Lusaka South Multi Facility Economic Zone			
P-BV Multiple	0.29	**0.33**	0.36
Size, geography & diversification discount	(0.02)	**(0.03)**	(0.03)
Adjusted multiple	0.28	**0.31**	0.34
Book value	5,095.27	**5095.30**	5,095.27
Equity value (controlling basis)	1,427.10	**1583.30**	1,739.12
Control premium	286.02	**317.40**	348.76
Equity value adjusted for control	1,713.12	**1900.80**	2,087.88
Marketability discount	(92.93)	**(103.10)**	(113.18)
Equity value	1,617.93	**1797.70**	1,977.47
IDC's stake	100%	**100%**	100%
Value of shareholding	1,617.93	**1,797.70**	1,977.47

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

13 **Investment in Subsidiaries (continued)**

Sensitivity analysis (continued)

Zambia Cargo and Logistics	Less 10%	**Multiple used**	Plus 10%
P-BV Multiple	0.93	**1.03**	1.13
Size, geography & diversification discount	(0.07)	**(0.08)**	(0.09)
Adjusted multiple	0.85	**0.95**	1.04
Book value	255.65	**255.65**	255.65
Equity value (controlling basis)	218.08	**242.31**	266.54
Control premium	43.84	**48.71**	53.58
Equity value adjusted for control	261.92	**291.02**	320.12
Marketability discount	(65.82)	**(73.12)**	(80.42)
Equity value	196.10	**217.90**	239.70
IDC's stake	100%	**100%**	100%
Value of shareholding	196.10	**217.90**	239.70

ZESCO Limited			
P-BV Multiple	0.60	**0.66**	0.73
Book value	14,511.43	**14511.40**	14,511.43
Equity value (controlling basis)	8,679.49	**9643.90**	10,608.27
Control premium	1,874.62	**2082.90**	2,291.20
Equity value adjusted for control	10,554.11	**11726.80**	12,899.47
Marketability discount	(527.83)	**(586.50)**	(645.13)
Equity value	10,026.28	**11140.30**	12,254.34
IDC's stake	100%	**100%**	100%
Value of shareholding	10,026.28	**11,140.30**	12,254.34

Kawambwa Tea Industries Limited			
P-BV Multiple	1.70	**1.89**	2.08
Size, geography & diversification discount	(0.14)	**(0.15)**	(0.17)
Adjusted multiple	1.56	**1.74**	1.91
Book value	162.36	**162.40**	162.36
Equity value (controlling basis)	253.87	**282.10**	310.28
Control premium	50.52	**56.10**	61.75
Equity value adjusted for control	304.39	**338.20**	372.03
Marketability discount	(16.74)	**(18.60)**	(20.46)
Equity value	287.65	**319.60**	351.57
IDC's stake	100%	**100%**	100%
Value of shareholding	287.65	**319.60**	351.57

13 Investment in Subsidiaries (continued)

Sensitivity analysis (continued)

Zambia Railways Limited	Less 10%	**Multiple used**	Plus 10%
EV-Revenue Multiple	4.86	**5.40**	5.94
Size, geography & diversification discount	(1.26)	**(1.40)**	(1.54)
Adjusted multiple	3.60	**4.00**	4.40
Sales	129.95	**130.00**	129.95
Enterprise value	467.68	**519.60**	571.60
Cash and cash equivalents	26.66	**26.70**	26.66
Long term loans	(43.66)	**(43.70)**	(43.66)
Short term loans	(23.26)	**(23.30)**	(23.26)
Equity value (controlling basis)	427.42	**479.40**	531.34
Control premium	90.14	**101.00**	111.95
Equity value adjusted for control	517.55	**580.40**	643.29
Marketability discount	(26.59)	**(29.80)**	(33.09)
Equity value	495.54	**550.60**	605.66
IDC's stake	100%	**100%**	100%
Value of shareholding	495.54	**550.60**	605.66

Zampalm			
P-BV Multiple	2.23	**2.48**	2.72
Size,geography and diversification	(0.19)	**(0.21)**	(0.23)
Adjusted multiple	2.04	**2.26**	2.49
Book value	95.67	**95.70**	95.67
Equity value	194.80	**216.40**	238.09
Control premium	41.51	**46.10**	50.74
Equity value adjusted	236.32	**262.60**	288.83
Markrtability	(13.99)	**(15.50)**	(17.10)
Equity value	222.32	**247.00**	271.73
IDC's stake	90%	**90%**	90%
Value of shareholding	200.09	**222.30**	244.56

ZSIC General Insurance Limited			
P-BV Multiple	0.80	**0.89**	0.98
Size,geography and diversification discount	(0.09)	**(0.10)**	(0.12)
Adjusted multiple	1.09	**1.21**	1.33
Book value	138.93	**138.90**	138.93
Equity value	150.84	**167.60**	184.36
Control premium	30.02	**33.40**	36.69
Equity value adjusted	180.86	**201.00**	221.05
Markrtability	(9.95)	**(11.10)**	(12.16)
Equity value	170.91	**189.90**	208.89
IDC's stake	100%	**100%**	100%
Value of shareholding	170.91	**189.90**	208.89

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

13 Investment in Subsidiaries (continued)

Sensitivity analysis (continued)

ZSIC Life Insurance Limited	Less 10%	**Multiple used**	Plus 10%
P-BV Multiple	1.18	**1.31**	1.44
Size,geography and diversification discount	(0.09)	**(0.10)**	(0.12)
Adjusted multiple	1.09	**1.21**	1.33
Book value	154.45	**154.50**	154.45
Equity value	167.70	**186.30**	204.97
Control premium	33.37	**37.10**	40.79
Equity value adjusted	201.07	**223.40**	245.76
Markrtability	(11.06)	**(12.30)**	(13.52)
Equity value	189.99	**211.10**	232.24
IDC's stake	100%	**100%**	100%
Value of shareholding	189.99	**211.10**	232.24

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

14 Investments in associates

(a) Valuation of investments in associates

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

2021

Company	Shareholding percentage	1 January	Addition	Transfer	Fair value gain/(loss)	31 December
Indo Bank Zambia	40%	308,067	-	-	261,537	569,604
Zanaco PLC	25%	169,641	-	-	516,140	685,781
Kagem Limited	25%	76,046	-	-	72,914	148,960
Ngonye Power Limited	20%	-	-	-	7,695	7,695
Lusaka Trust Hospital Limited	45%	-	-	-	20,471	20,471
Zambia Reinsurance	28.17%	35,499	-	-	(126)	35,373
Marcopolo Tiles Company	22.60%	374,951	-	-	(25,880)	349,071
Zepre	0.57%	-	40,696	-	-	40,696
Zambia Industrial Commercial Bank Limited	30.21%	-	-	105,761	(8,556)	97,205
		964,204	**40,696**	**105,761**	**844,195**	**1,954,856**

2020

Indo Bank Zambia	40%	366,368	-	-	(58,301)	308,067
Zanaco PLC	25%	180,500	-	-	(10,859)	169,641
Kagem Limited	25%	280,202	-	-	(204,156)	76,046
Bangweulu Solar PV Plant	20%	5,901	-	-	(5,901)	-
Ngonye Power Limited	20%	18,000	-	-	(18,000)	-
Zambia Reinsurance	28.17%	-	34,232	-	1,267	35,499
Marcopolo Tiles Company	22.60%	-	381,987	-	(7,036)	374,951
		850,971	416,219	-	(302,986)	964,204

Notes to the annual financial statements (continued)

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
At 31 December 2021				
Investments in associates	721,154	1,067,635	166,067	1,954,856
	721,154	1,067,635	166,067	1,954,856
At 31 December 2020				
Investments in associates	205,140	759,064	-	964,204
	205,140	759,064	-	964,204

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

	Level 1	Level 2	Level 3	Total
Balance at 1 January	205,140	759,064	-	964,204
Addition	-	-	40,696	40,696
Transfer	-	-	105,761	105,761
Change in fair value	516,014	308,571	19,610	844,195
Balance at 31 December	**721,154**	**1,067,635**	**166,067**	**1,954,856**

As at 31 December 2021 the companies with fair value in excess of K100 million were four (4) namely. Indo Zambia Bank Limited, ZANACO PLC , Kagem Limited and Marcopolo Tiles Company .

• ZANACO is listed on the Lusaka Securities Exchange. The fair value of Company'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 Bank Limited,Marcopolo Tiles Company and Kagem Limited are based on relative and EBITDA valuation methodology, see below for the assumptions used:

Notes to the annual financial statements (continued)

14 Investments in associates (continued)

(b) Measurement of fair value (continued)

The assumptions used (continued)

Name of associate	Valuation technique	Significant unobservable inputs and assumptions	Inter-relationship between key unobservable inputs and fair value measurements
Indo Zambia Bank Limited	P-BV Relative Valuation and Adjusted NAV Results P-BV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on Indo Zambia Bank Limited. 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.	a) SD of between 6.4% and 9.6%, since IZB is relatively smaller than the median of our peer sample across the key metric(s) applied; b) a DLOC between 8.6% and 12.8%, since IDC holds 40% of IZB's issued share capital; and c) a DLOM between 10.9% and 16.3%, since IZB is a privately held company.	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/(higher).
Kagem Limited	EV-EBITDA Relative Valuation Results EV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on Kagem Mining Limited. 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.	a) a SD of between 6.4% and 9.6%, since Kagem is relatively smaller than the median of our peer sample across the key metric(s) applied; b) a DLOC between 13.9% and 20.9%, since IDC holds 25% of Kagem's share capital; and c) a DLOM between 10.9% and 16.3%, since Kagem is a privately held company.	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •Marketability discount was lower/(higher).

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

14 Investments in associates (continued)

(b) Measurement of fair value (continued)

The assumptions used (continued)

Name of associate	Valuation technique	Significant unobservable inputs and assumptions	Inter-relationship between key unobservable inputs and fair value measurements
Marcopolo Tiles	EV-EBITDA Valuation Results EV makes use of a peer group of comparable publicly listed companies to derive valuation metrics that was applied on Marcopolo Tiles Limited. 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.	a) a SD of between 6.4% and 9.6%, since Marcopolo is relatively smaller than the median of our peer sample across the key metric(s) applied; b) a minority discount between 13.9% and 20.9%, since IDC holds 22.60% of Marcopolo's issued share capital; and c) a LM discount between 13.2% and 19.8%, since Marcopolo is a privately held company.	The estimated fair value would increase/(decrease) if: •Adjusted peer group multiple was higher/(lower) •Control premium was higher/(lower) •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

	Less 10%	Multiple used	Plus 10%
P-E Multiple	6.48	**7.20**	7.92
Size, geography and diversification	(0.52)	**(0.58)**	(0.63)
Adjusted multiple	5.96	**6.63**	7.29
Net income	278.57	**276.60**	278.57
Equity value (controlling basis)	1,661.08	**1,845.60**	2,030.20
Minority discount	(177.74)	**(197.50)**	(217.23)
Equity value adjusted for control	1,483.00	**1,648.00**	1,812.97
Marketability discount	(201.73)	**(224.10)**	(246.56)
Equity value	1,281.00	**1,424.00**	1,566.00
IDC's stake	40%	**40%**	**40%**
Value of shareholding	512.00	**570.00**	**626.60**

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

14 Investments in associates (continued)

(b) Measurement of fair value (continued)

Sensitivity analysis (continued)

Kagem Limited	Less 10%	Multiple used	Plus 10%
EV-EBITDA Multiple	3.57	**3.97**	4.37
Size, geography and diversification	(0.28)	**(0.31)**	(0.34)
Adjusted multiple	3.29	**3.66**	4.03
Adjusted EBITDA	276.62	**277.22**	276.62
Enterprise value	912.11	**1,018.70**	1,114.00
Cash and cash equivalents	219.72	**220.44**	219.72
Long term loans	(167.00)	**(167.00)**	(167.00)
Short term borrowings	(292.43)	**(292.25)**	(292.43)
Equity value (controlling basis)	672.00	**780.00**	874.00
Minority discount	(71.95)	**(83.50)**	(93.63)
Equity value adjusted for control	600.00	**696.50**	779.93
Marketability discount	(81.66)	**(100.90)**	(106.00)
Equity value	536.40	**595.60**	655.60
IDC' stake	25%	**25%**	25%
Value of shareholding	134.10	**148.90**	163.90

Marcopolo Tiles	Less 10%	Multiple used	Plus 10%
EV-EBITDA Multiple	10.31	**11.46**	12.61
Size, geography and diversification	(0.8)	**(0.92)**	(1.01)
Adjusted multiple	9.49	**10.54**	11.59
EBITDA	231.68	**231.70**	231.70
Enterprise value	2,198.03	**2,442.00**	2,686.48
Cash and cash equivalents	8.20	**8.20**	8.20
Long term loans	(166.77)	**(166.80)**	(166.77)
Short term borrowings	(44.25)	**(44.30)**	(44.25)
Equity value (controlling basis)	1,995.21	**2,239.10**	2,483.66
Minority discount	(347.17)	**(389.70)**	(432.16)
Equity value adjusted for control	1,648.04	**1,849.40**	2,051.51
Marketability discount	(271.93)	**(305.00)**	(338.50)
Equity value	1,389.96	**1,544.40**	1,698.84
IDC' stake	22.6%	**22.60%**	22.60%
Value of shareholding	314.13	**349.03**	383.94

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

		2021	2020
15	**Inventory**		
	Office consumbles	262	-
		262	-
16	**Trade and other receivables**		
	Trade receivable	103,467	66,892
	Loss allowance (4 (b))	(77,528)	(22,146)
	Trade receivables — net	25,939	44,746
	Amounts due from related parties (26 (ii))	166,087	128,799
	Rent receivable	5,246	1,544
	Prepayments	72	1,693
	Staff and other receivables	3,921	4,179
		201,265	180,961
17	**Cash and cash equivalents**		
	Cash at bank and in hand	118,945	39,542
	Fixed deposits	3,970	62,558
		122,915	102,100

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:

	2021	2020
Balances as above	122,915	102,100
Bank overdrafts (Note 21)	-	(47,562)
Cash and bank balances	122,915	54,538

(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.

18	**Assets held for sale**	2021	2020
	Lusaka Trust Hospital Limited	-	4,500
	Impairment	-	(4,500)
	Shares in Zaffico	17,956	17,956
	Government bonds	347,535	-
		365,491	17,956

Government Bonds

Ministry of Finance issued bonds with a face value of **K2.67 billion** in favour of the Company (" IDC ") to unlock liquidity, with the view of financing the Company's subsidiaries and projects . During the year the Company sold bonds with a face value of **K2.00 billion** .

Shares in Zaffico

The Board resolved to sell 160 million shares being 40% of its shareholding in Zaffico valued at K208.38 million through an IPO. As at 31 December 2020, the number of shares sold were 146.19 billion giving rise to a profit on disposal of K111.04 billion and, the unsold shares amounted to K13.81 million valued at K17.96 million

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

19 Share capital

	2021	2020
Authorised ordinary share of K1 each	**20,000**	20,000
Issued and fully paid ordinary shares of K1 each	**10,000**	10,000

20 Capital and other reserves

	Capital reserve	Fair value reserve	Revaluation reserve	Total
2021				
At the start of the year	14,460,036	1,542,428	8,778	16,011,242
Amortization on revaluation reserve		-	(878)	(878)
Capital injection	-	-	-	-
Fair value gain	-	10,482,030	-	10,482,030
At the end of the year	**14,460,036**	**12,024,458**	**7,900**	**26,492,394**
2020				
At the start of the year	14,303,628	9,311,254	8,778	23,623,660
Acquisition	156,408	-	-	156,408
Fair value loss	-	(7,768,826)	-	(7,768,826)
Deferred tax charge	-	-	-	-
At the end of the year	14,460,036	1,542,428	8,778	16,011,242

i) Capital reserve

The capital reserve represents the net assets value of State-Owned Enterprises (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 from non-operating activities. K156.41 million relates to transfer of net assets of Kawambwa Tea Company to the Company from the Ministry of Finance.

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)

21 Borrowings

	2021	2020
Non - current portion		
National Pensions Scheme Authority (Kafue Gorge)	**3,575,743**	2,755,446
National Pensions Scheme Authority (Marcopolo Tiles Company)	**387,300**	378,652
Sundry Payable - National Pensions Scheme Authority Loan	**108,744**	-
Indo Zambia Bank	**405,173**	172,668
National Savings and Credit Bank	**-**	40,000
Zambia Forestry and Forest Industries Corporation PLC	**-**	40,000
Zambia National Commercial Bank	**62,147**	31,513
First Alliance Bank	**-**	23,700
Zambia Industrial Commercial Bank	**14,017**	9,066
Workers Compensation Fund	**-**	15,765
	4,553,124	3,466,810
Current portion		
Workers Compensation Fund Control Board	**40,169**	17,054
ZCCM-IH	**-**	33,000
	40,169	50,054
Total borrowings	**4,593,293**	3,516,864
Bank overdrafts	**-**	47,562

Refer to **Note 25 (b)** for details on the movement in borrowings on the statement of financial position.

Terms of the loans are disclosed below:

National Pensions Scheme Authority (Kafue Gerge)

The loan facility of US$190 million from National Pension Scheme Authority (NAPSA) denominated in United States Dollars was issued to IDC as the principal borrower, Zambia Power Corporation Limited as the 1st beneficiary and ZESCO Limited as the 2nd beneficiary. The on-lent loan was obtained to enable ZESCO Ltd finance a hydro power generation project at the Kafue Gorge Lower in Southern Province of Zambia. The loan is secured by a Sovereign Guarantee Deed executed by Ministry of Finance on behalf of GRZ. The loan is repayable over a period of 20 years (240 months) and the first installment is due after 36 months from the date of disbursement of 19 May 2020. The interest rate relating to this loan is 10% on the outstanding amount drawn. The loan has a moratorium of three years and has a repayment period of 20 years.

National Pensions Scheme Authority (Marcopolo Tiles Company)

The facility of K375 Million was obtained from NAPSA by IDC to finance investments in Marcopolo Tiles Limited. The loan has a tenure of 7 Years with an interest of 15% where the loan facility is dominated in Zambian Kwacha.

Notes to the annual financial statements (continued)

21 Borrowings (continued)

Terms of the loans (continued) :

National Pensions Scheme Authority Loan

NAPSA extended to the Company a 100 million corporate bond for a period of 2 years. The Company redeemed the bond issued on 23 April 2021 at multiples of 1.25x at a rate of 24% in April 2023.

Indo Zambia Bank Term Loan Facility

K400 million-loan facility - This is a Bank of Zambia -Targeted Medium Term Refinancing Facility (BOZ - TMTRF) obtained from Indo Zambia Bank by IDC to refinance other facilities, take over other facilities by the other financial providers and provide specific finance to specific projects of the IDC. The loan has a 5-year term at an interest rate of 14.5% per annum. The loan facility is denominated in Zambian Kwacha and property is pledged as collateral security.

National Savings and Credit Bank

Secured mortgage relating to farm No. Mwini /3142243 situate in the North - Western Province of Zambia. The interest is at 30% per annum and to be repaid in 5 years from date of first draw down in January, 2020. The facility is denominated in Zambian Kwacha.

Zambia Forestry and Forest Industries Corporation PLC

Secured K40 million bond issued to the Company on a tenure of 1 year at the interest rate of 22.71%. The bond was issued for the purpose settling the NAPSA bond of K60 million.

Zambia National Commercial Bank

Secured Euro million-loan facility obtained from Zambia National Commercial Bank by the Company to finance the refurbishment and modernization of the network operations of one of the subsidiaries – Zambia Railways Limited. The loan has a 5-year term at an interest rate of 14.5% per annum. The loan facility is denominated in Euro's.

First Alliance Bank

This is a secured facility obtained from First Alliance Bank to finance the purchase of property situated at stand number 4767 Ngumbo road, Lusaka. The interest is at 28% per annum and to be repaid in 5 years from the first draw down in August 2020. The loan facility is denominated in Zambian Kwacha.

Zambia Industrial Commercial Bank

Secured facility of K11 million was obtained from ZICB by the Company to finance the purchase of the new motor vehicles for operationalization of Infratel Corporation Limited. The interest at 27.5% per annum and to be repaid in 60 months from date of first draw down in January, 2021. The loan facility is denominated in Zambian Kwacha.

Workers Compensation Fund Control Board – corporate bond

This is a secured K15 million corporate bond issued to IDC on a tenure of 2 years at a semi-annual interest rate of 24.5%.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)

21 Borrowings (continued)

Terms of the loans (continued) :

NAPSA Loan - GRZ Bond

K60 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.

Indo Zambia Overdraft

This is an overdraft facility of K7.50 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 31 December, 2021 and subject to renewal on an annual basis.

22 Capital grants

	2021	2020
At start of the year	**280,520**	5,920
Additions	**-**	274,600
At end of the year	**280,520**	280,520

Capital raise- Industrial Development Corporation Limited- K274.6 milllion

The facility amounting to K274.6 million was obtained from Companies within the IDC group as well as private instituitional funds to be brought through a private Government bond window. The purpose of the GRZ bond was to settle the loan obligation to Indo Zambia Bank.

Private Sector Development, Industrialisation and Job Creation (PSDIJC)- K5.92 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.

23 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 35% (2020: 35%). The movement on the deferred income tax account is as follows:

	2021	2020
At the start of the year	**(15,739)**	(532)
Credit in profit or loss	**(25,990)**	(15,069)
Under provision	**-**	(138)
At the end of the year	**(41,729)**	(15,739)

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

	At the start of the year	Under/over	Profit or loss	Equity	At the end of the year
Year ended 31 December 2020					
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	-	-	-
Property, plant and equipment	-	(258)	(111)	-	(369)
Provision for gratuity	-	(2,901)	(1,722)	-	(4,623)
Provision for bad debts	-	-	(12,956)	-	(12,956)
Provision for leave pay	-	(1,281)	(241)	-	(1,522)
Provision for audit	-	(956)	(39)	-	(995)
	(5,258)	(138)	(15,069)	-	(20,465)
Net deferred tax asset	**(532)**	**(138)**	**(15,069)**	**-**	**(15,739)**
Year ended 31 December 2021					
Deferred income tax liabilities					
Revaluation surplus	4,726	-	-	-	4,726
	4,726	-	-	-	4,726
Deferred income tax assets					
Property, plant and equipment	(369)	-	185	-	(184)
Provision for gratuity	(4,623)	-	447	-	(4,176)
Provision for bad debts	(12,956)	-	(16,633)	-	(29,589)
Provision for leave pay	(1,522)	-	1,305	-	(217)
Tax losses	-	-	(11,249)	-	(11,249)
Provision for audit	(995)	-	(45)	-	(1,040)
	(20,465)	-	(25,990)	-	(46,455)
Net deferred tax asset	**(15,739)**	**-**	**(25,990)**	**-**	**(41,729)**

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

		2021	2020
24	**Trade and other payables**		
	Trade payables	**28,605**	67,451
	Accruals	**14,713**	8,849
	Amounts due to related parties (26 (iv))	**319**	21,456
	Other payables	**57,688**	34,608
	Statutory liabilities	**31,066**	24,104
		132,391	156,468
25	**Cash flow information**		
25 (a)	**Cash flows from operating activities**		
	Profit before income tax	**69,311**	151,577
	Adjustments for:		
	Depreciation on property, plant and equipment (Note 10)	**5,987**	5,567
	(Profit)/loss from the disposal of PPE (Note 6)	**(1,120)**	332
	Impairment of shareholder loan (Note 26 (iii))	**62**	5,075
	Fair gain on investment property (Note 12)	**(14,871)**	(1,334)
	Foreign exchange loss on borrowings (Note 25 b)	**(974,347)**	15,081
	Foreign exchange loss/(gain) on shareholder loan (Note 26 (iii))	**985,938**	(19,477)
	Interest on shareholder loans (Note 26 (iii))	**(348,254)**	(127,866)
	Interest income (Note 8)	**(83,452)**	(676)
	Interest expense (Note 8)	**425,657**	215,417
	Profit from the sale of shares (Note 6)	**-**	(111,042)
	Loss from the sale of bonds (Note 6)	**3,542**	-
	Assets held for sale impairment (Note 7)	**-**	4,500
	Changes in working capital		
	- Inventories	**(262)**	-
	- Trade and other receivables	**(20,304)**	(130,657)
	- Trade and other payables	**(24,077)**	85,989
	Cash generated from operations	**23,810**	92,486

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

25 Cash flow information (continued)

25 (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 .

	2021	2020
Cash and cash equivalents (Note 17)	**122,915**	102,100
Bank loans (Note 21)	**(4,593,293)**	(3,516,864)
Bank overdrafts (Note 21)	**-**	(47,562)
Net debt	**(4,470,378)**	(3,462,326)

	Liabilities from financing activities (Bank Loans)	Net Cash/(net of bank overdrafts)	Total
2020			
At the start of the year	(421,810)	7,970	(413,840)
Cashflows	(3,441,038)	46,568	(3,394,470)
Interest charged	(215,417)	-	(215,417)
Interest paid	114,186	-	114,186
Loan principal repayments	462,296	-	462,296
Exchange differences	(15,081)	-	(15,081)
At the end of the year	(3,516,864)	54,538	(3,462,326)
2021			
At the start of the year	(3,516,864)	54,538	(3,462,326)
Cashflows	(2,071,085)	68,377	(2,002,708)
Interest charged	(425,657)	-	(425,657)
Interest paid	297,926	-	297,926
Loan principal repayments	148,040	-	148,040
Exchange differences	974,347	-	974,347
At the end of the year	**(4,593,293)**	**122,915**	**(4,470,378)**

26 Related parties

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. All Government agencies and institutions are related parties of the Company.

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

26 Related parties (continued)

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

Sector	Company	Relationship
Energy and resources	ZESCO Limited (100%)	Subsidiary
	ZCCM -IH PLC (60.28%)	Subsidiary
	ZAFFICO PLC (100%)	Subsidiary
	Indeni Petroleum Refinery Limited (100%)	Subsidiary
	Kagem Mining Limited (25%)	Associate
	Zampalm Limited (90%)	Subsidiary
	Ngonye Power Limited (20%)	Associate
	Bangweulu Solar PV Plant Limited (20%)	Associate
Financial 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 PLC (30%)	Associate
	Zambia Reinsurance PLC (28.17%)	Associate
Industrial markets	Kawambwa Tea Industries Limited (100%)	Subsidiary
	Nitrogen Chemicals of Zambia Limited (100%)	Subsidiary
	Zambia China Mulungushi Textiles Zambia Limited (33%)	Associate
	Zamcapital Enterprises Limited (100%)	Subsidiary
	Marcopolo Tiles Company Limited (22.60%)	Associate
	Agro - Luswishi Limited (100%)	Subsidiary
		Subsidiary
Telecommunications and media	ZAMTEL Zambia Limited (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 Limited (100%)	Subsidiary
	Mupepetwe Development Company Limited (100%)	Subsidiary
	Medical Stores Limited (100%)	Subsidiary
	Zambia International Trade Fair (100%)	Subsidiary
	Lusaka Trust Hospital Limited (45%)	Subsidiary
	Lusaka South Multi Facility Economic Zone Limited (100%)	Subsidiary
		Associate
		Subsidiary
Transport and logistics	Zambia Railways Limited (100%)	Subsidiary
	Engineering Services Corporation Limited (100%)	Subsidiary
	Mpulungu Harbour Corporation Limited (100%)	Subsidiary
	Zamcargo Logistics Limited (100%)	Subsidiary

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

26	Related parties (continued)		2021	2020
(i)	**Transactions with other related parties**			
	Newspaper - Zambia Daily Mail Limited		146	129
	Electricity - ZESCO Limited		385	327
	Secondement fees - Mulungushi Village Complex (Note 26 (iv))		-	319
	Communication - ZAMTEL Limited		202	15
			733	790
(ii)	**Balances receivable from related parties**			
	INDENI Energy		42,894	43,573
	Times Printpak Zambia Limited			2,899
	Infratel Limited		-	2,022
	ZSIC General		126	126
	ZSIC Life		-	27,614
	Zepre Shares		-	109
	Mpulungu Harbour Corporation		1,728	-
	Ministry of Finance		23,133	23,133
	ZAFFICO		5,186	15,545
	Zambia Railways		61,122	-
	Lusaka South Multi Facility Economic Zone		3,833	4,833
	Zambia Daily Mail		-	4,334
	Mukuba Hotel		11,740	1,577
	Zambia Printing Company		3,550	-
	Nitrogen Chemicals of Zambia		1,908	1,208
	Zambia International Trade Fair		9,421	900
	Zambia Cargo and Logistics Limited		-	505
	Mulungushi Village Complex		457	333
	Zambia Power Company Limited		989	88
			166,087	128,799
(iii)	**Loans due from related parties**			
	Opening balance		3,494,136	674,379
	Payments		1,658,018	2,689,934
	Receipts		(20,693)	(12,445)
	Interest accrued		348,255	127,866
	Impairment		(62)	(5,075)
	Exchange (loss)/gain (Note 8)		(985,938)	19,477
	Closing balance		4,493,716	3,494,136
	Breakdown of the carrying amount of the loans:			
	ZESCO Limited	Subsidiary	3,575,743	2,765,035
	Infratel Zambia Limited	Subsidiary	659,455	622,250
	Superior Milling Limited	Subsidiary	98,289	53,432
	ZAMTEL	Subsidiary	48,482	-
	Mulungushi Village Limited	Subsidiary	42,864	-
	Bangweulu Solar PV Plant	Associate	31,211	46,315
	Kawambwa Tea Industry	Subsidiary	18,000	-
	Nitrogen Chemicals of Zambia	Subsidiary	7,212	6,793
	ZSIC Life Insurance PLC	Subsidiary	6,823	-
	Pelidic Zambia Limited	Subsidiary	-	-
	Mulungushi International Conference Centre	Subsidiary	5,326	-
	Times PrintPak Zambia Limited	Subsidiary	311	311
			4,493,716	3,494,136

Notes to the annual financial statements (continued)

26 Related parties (continued)

(iii) Loans due from related parties (continued)

The terms of loans are disclosed below:

ZESCO Limited (Kafue Gorge)
The unsecured shareholder loan amounting to US$190.00 million at an interest rate of 10% per year provided to ZESCO Limited with a tenure of 20 years. The purpose of the loan was to invest in the hydro power generation project at the Kafue Gorge Lower.

Infratel Zambia Limited
The unsecured shareholder loan amounting to US$47.50 million at an interest rate of 10.5% per year provided to Infratel Limited with 15 years tenor. The loan is relating to the acquisition of assets from ZAMTEL Limited and Zambia National Data Centre Limited.

Superior Milling Limited
An unsecured shareholder loan amounting to K53.00 million at an average interest rate of 17.5% p.a with a 1 year tenure. The purpose of the loan was to discharge Superior Milling Limited outstanding liabilities with Food Reserve Agency, ZANACO and ETG.

ZAMTEL

The total Shareholder loan made available to Zamtel to drawdown amounted to K70.40 million. Zamtel in December 2021 made a drawdown of K48.00 million for the purpose of upgrading the Online Charging System (OCS) and payment of Infratel payables related to site rentals. The effective interest rate applicable to the loan is 20.5% with a tenure of 36 months.

Mulungushi Village Limited
An unsecured shareholder loan of K40.00 million contracted for the purpose of rehabiliation of infrastructure, water reticulation and CCTV overhaul at the Mulungushi Village Complex in Kalundu. The rate of interest is at 14.75% and the repayment is by means of 20 quarterly installments commencing one year after disbursement. The tenure of the loan is 60 months from the date of issuance.

Bangweulu Power Company Limited
An unsecured shareholding loan of US$1.77 million with a 4 year tenor to Bangweulu for the start up capital. The rate of interest is at 10 .40 % p.a.

Kawambwa Tea Industry
An unsecured shareholder loan of K18.00 million contracted to finance the acquisition of a Tea Bag Packaging and Boxing machine and an Irrigation system. The effective interest rate is 14.75% per annum and the tenure of the loan is 36 months. The repayment of the facility amount is by means of 36 monthly installments effective 31st January 2022.

Nitrogen Chemicals of Zambia
An unsecured loan of K5.70 million was provided for purposes of capital requirements for the entity to meet the demand for FISP (Farmer Input Support Program) at an interest rate of 10 percent per annum over 3 years.

ZSIC Life Insurance Plc
An unsecured shareholder loan of K6.52 million contracted for the purpose of providing working capital support. The tenure of the loan is 24 months with repayments of 24 monthly installments effective 31st January 2022. The rate of interest is at 14.75% per annum.

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

26 Related parties (continued)

(iii) Loans due from related parties (continued)

Pelidic Zambia Limited
An unsecured shareholding loan of K1.00 million contracted for the purpose of acquiring 2,000 hectares of land for the project as well as other logistical costs in the initial stages of operationalisation of the Company. The tenure of the loan is 36 months from the date of issuance and the repayment will take place by means of a single bullet payment falling due 36 months after the disbursement date but not later than 3 months after the maturity of the facility agreeemnt. The interest rate is at 24.63% per annum payable at maturity of the facility agreement.

Mulungushi International Conference Centre
An unsecured Shareholder loan of K5.00 million contracted in October 2021 for the purpose of financing the restructuring process and as working capital funding at an interest rate of 14.75%. The tenure of the loan is 60 months from the date of issuance and repayments will be made on a quarterly basis with a moratorium of one year for the principle amount.

Times Printpak Zambia Limited
An unsecured amount of K5.70 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.

(iv) Balances payable to related parties

	2021	2020
Ministry of Finance	-	10,000
ZAM Cargo Limited	-	6,426
Mpulungu Harbour Corporation	-	5,030
Mulungushi Village Complex	319	-
	319	21,456

(v) Loans due to related parties

Refer to Note 21 for more details.

National Pensions Scheme Authority	**4,071,787**	3,134,098
Indo Zambia Bank	**405,173**	172,668
Zambia Forestry and Forest Industries Corporation PLC	-	40,000
Zambia National Commercial Bank	**62,147**	31,513
Workers Compensation Fund Control Board	**40,169**	17,054
ZCCM-IH	-	33,000
Zambia Industrial Commercial Bank	**14,017**	9,066
	4,593,293	3,437,399

(vi) Key management compensation

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

- Chief Executive Officer
- Chief Portfolio Officer
- Chief Legal Officer
- Chief Human Capital Officer
- Chief Internal Auditor
- Chief Financial Officer
- Chief Investments Officer

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

26 Related parties (continued)

(vi) Key management compensation (continued)

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

	2021	2020
Salaries and short-term emoluments	29,508	15,073

(vii) Directors' remuneration

Non-executive Director fees	819	1,439
Executive Director salaries and short-term emoluments	3,549	4,653
	4,368	6,092

27 Events occurring after the reporting period

(a) Strategic plan 2024 - 2035

In its meeting in April 2024, the 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.

(b) Russia's invasion of Ukraine

On the 24 February 2022, Russian troops started the invasion of 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.

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.

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

27 **Events occurring after the reporting period (continued)**

(b) **Russia's invasion of Ukraine (continued)**

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.

(d) **Transaction Announcement Update Regarding Mopani Copper Mines Plc**

ZCCM INVESTMENTS HOLDINGS PLC

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 Mopani Copper Mines and the formation of a strategic partnership with ZCCM-IH. This investment comprises 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 Mopani Copper Mines as a Strategic Equity Partner (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 Mopani Copper Mines will be restructured.

(c) **Contingent liabilities and commitments**

i) ***Contingent liabilities***

There were no known contingent liabilities as at 31 December 2021 (2020:nil).

ii) ***Commitments***

There were no known commitments as at 31 December 2021 (2020:nil).

(e) **Other material facts or circumstances**

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