INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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The Directors submit their report together with the audited annual financial statements for the year ended 31 December 2022, which disclose the state of affairs and performance of Industrial Development Corporation Limited (the "Company" or "IDC") and its subsidiaries (together "the Group").

1 PRINCIPAL ACTIVITIES OF THE COMPANY

The Company is an investment holding company for the State-Owned Enterprises (SOE) and is wholly owned by the Government of the Republic of Zambia through the Minister of Finance pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia. The Company's mandate is to play a catalytic role in deepening and supporting Zambia's industrialization capacity to support job creation and domestic wealth formation across key economic sectors. The Company plays its role through co-investing alongside private sector investors. Simultaneously, the Company serves as an investment holding company for previously state-owned enterprises and acquisition of new investments in priority sectors. Sources of financing and revenue include dividend income, equity disposals, bank borrowings and debt issuance in the capital market. Profits generated by the company are reinvested to fund new projects or advanced as shareholder loans to its subsidiaries and paid out to its shareholder, the Minister of Finance, as dividends.

2 SHARE CAPITAL AND BENEFICIAL OWNERSHIP INFORMATION

The authorised share capital of the Company is K1,500 billion (2021:K20.00 milllion) comprising 1,500,000,000 (2021:20,000,000) ordinary shares at a par value of K1.00 (2021: K1.00) each. The issued and fully paid-up share capital remained at K1,500 billion (2021: K10 million) comprising 1,500,000,000 (20,000,000) ordinary shares at a par value of K1.00 (2021 :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 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 (62.88%) Indeni Petroleum Refinery Limited (100%) Kagem Mining Limited (25%) Zampalm Limited (90%) Bangweulu Solar PV Plant Limited(20%)
Financial and insurance services	ZSIC Life Plc (100%) ZSIC General Insurance Limited (100%) Indo Zambia Bank Limited (40%) ZANACO Bank Plc (25%) Zambia Reinsurance PLC (28.17%) Zambia Industrial Commercial Bank Plc (25%) Zepre Limited (0.57%)

3 SHAREHOLDING IN INVESTEE COMPANIES (continued)

Industrial markets	Kawambwa Tea Industries Limited (100%) Nitrogen Chemicals of Zambia Limited (100%) Marcopolo Tiles Company Limited (22.6%) Zambia China Mulungushi Textiles Zambia Limited (33%) Zamcapital Enterprises Limited (100%) 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%) 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%) Zambia Airways Limited (55%)

4 SIGNIFICANT EVENTS DURING THE YEAR

During the year 2022, IDC shareholders approved a conversion of K1,490 billion of funds awaiting allotment into share capital. Authorised and paid-up share capital increased from K10 million to K1,500 billion.

The Government of the Republic of Zambia, as ultimate beneficial owner of Mulungushi Conference Centre Limited (MICCL), with Chinese goodwill facilitated the expansion of Mulungushi Conference Centre Limited capacity through the establishment of a new and modern 4,200-Seater International Convention Centre. The new convention centre - "Kenneth Kaunda Wing" (KKW) which was named after the founding Father and First Republican President of Zambia, was completed, and handed over to MICCL in 2022 and was valued at K611,303,474 at point of hand over. This KKW improved the Balance Sheet size of MICCL and expanded its revenue stream. The addition of the KKW led to an increase in the number of conference rooms from 14 to 50 conference halls of varying capacities with 36 in the KKW, 7 in the Mulungushi Hall and 7 in the Mulungushi Annex.

5 FINANCIAL RESULTS

The financial results for the year under review as reported in the consolidated financial statements set out on pages 17 to 99 are summarised below:

	2022	2021
In thousands of Zambian Kwacha		
Revenue	**37,360,645**	40,319,703
(Loss)/profit before taxation	**(201,897)**	200,880
Tax expense	**(434,254)**	(1,489,936)
Loss for the year	**(636,151)**	(1,289,056)

The Directors have not declared a dividend (2021:nil) nor was any dividend paid during the year (2021: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	Chairman
Honourable Dr Musokotwane Situmbeko	Minister of Finance	Non - Executive Director
Honourable Chipoka Mulenga	Minister of Commerce , Trade & Industry	Non - Executive Director
Honourable Reuben Phiri	Minister of Agriculture (Appointed 08.09.22)	Non - Executive Director
Mr. Nkulukusa Felix	Secretary to the Treasury	Non - Executive Director
Mr. John Mulongoti	Permanent Secretary , Ministry of Commerce , Trade and Industry	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. Mateyo Kaluba	Industrial Development Corporation Ltd (Resigned 17.08.22)	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

During the year, the total Directors remuneration was K1.46 million (2021: K1 million) for services rendered by Directors.

7 PROPERTY, PLANT AND EQUIPMENT

During the year, the Group purchased property, plant and equipment amounting to K6.26 billion (2021: K19.68 billion). In the opinion of the Directors, the carrying value of property, plant and equipment is not more than their recoverable value.

8 HEALTH , SAFETY AND ENVIRONMENT ISSUES

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

9 SOCIAL RESPONSIBILITY

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

10 HUMAN RESOURCES

The total remuneration for employees during the year amounted to K7.02 billion (2021 K9.59 billion) and the average number of employees was as follows:

Month	Number of employees	Month	Number of employees
January	17,763	July	17,830
February	17,836	August	17,807
March	17,905	September	17,732
April	17,902	October	17,631
May	17,812	November	17,639
June	17,830	December	17,658

11 INTERESTS REGISTER INFORMATION

During the year, the Group officers (directors, company secretary or executive officers of the Group) did not declare any interest in the Group transactions and business (2021: 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.

12 GIFTS AND DONATIONS

During the year the Group made donations of K7.59 million (2021: K11.25 million) to various charitable and sporting events.

13 RESEARCH AND DEVELOPMENT

The Group did not incur any costs on research and development during the year (2021 nil).

14 EXPORTS

During the year, the Group exported K4.79 billion (2021: K4.18 billion) worth of goods to Zimbabwe, Botswana, Namibia, South Africa, DRC, Malawi, and other countries.

15 GOING CONCERN

As at 31 December, 2022, the Group's current liabilities exceeded its current assets by K32.18 billion (2021 :K30.27 billion). As at the reporting date, the total borrowings amounted to K66.28 billion (2021: K62.07 billion) on which some of the loan covenants were breached. Subsequent to the year end, the Group, was in a net current liability position which is largely impacted by the value of ZESCO's and Zamtel trade payables.

As at 30 June, 2024, the Group's current liabilities exceeded its current assets by K21.9 billion and the total borrowings amounted to K56.87 billion. The increase is as a result of a draw down on the loans and impact of depreciation of the Kwacha against the United States Dollar.

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

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

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

i) ZESCO Limited

ZESCO is a significant subsidiary within the IDC group. In conducting the going concern assessment, the Directors took into consideration the following:

The subsidiary's current liabilities as at 31 December 2022 of K40.9 billion (2021: K38.9 billion) exceeded the current assets of K11.8 billion (2021: K9.9 billion) by K29.1 billion (2021:K29 billion).

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

Current liabilities as at 30 June 2024 of K38.87 billion exceeded the current assets of K15.81 billion by K23.05 billion.

Operating performance

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

Measures to address net current liability position

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

a) ***Debt Restructuring***

The long-term debt stands at about K46.68 billion (USD2.20 billion), borrowed for capital infrastructure investment. Outlined below is the debt position per category and associated strategy:

15 GOING CONCERN (continued)

i) ZESCO Limited (continued)

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

  This debt is subject to debt restructuring as part of the comprehensive debt treatment under the G20 Common Framework. The total debt outstanding under this category stood at USD618 million as at 30 June 2024.

- *On lent loans*

  These are loans procured by the Government of the Republic of Zambia and on lent to ZESCO Limited. As part of the debt restructuring, the subsidiary has reached an advanced stage in engagement with the Government of Zambia through the Ministry of Finance and National Planning to convert the Government guaranteed and on-lent concessional loans to equity amounting to USD372 million. Once the loans have been converted, it is expected to reduce the levels of gearing and improve the equity.

- Commercial loans

  The payment on commercial loans are current and these are secured by the subsidiary's receivables through dedicated Debt Service Reserve Accounts. The subsidiary is targeting early redemption on some loans and is in the process of re-negotiating the terms of the existing expensive long-term debt under the commercial loans category. The process of engagement with various lenders is still on going. The strategy includes engagement of individual lenders with a view to restructure the existing debt by reviewing the repayment terms and interest rates and possible deferment of the repayment of loans as they fall due. The total debt as at 30 June 2024 is USD207 million.

b) *Power Purchase Arrears*

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

The subsidiary concluded tariff re-negotiations with Itezhi-Tezhi Power Company (ITPC) as at May 2023, for amendment to Power Purchase Agreement (PPA) of 2015. The effective conclusion of discussions resulted in the reduction of the amount from USD784 million to USD330 million leading to a saving of USD454 million.

c) *Revenue Enhancement.*

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

ii) Zambia Telecommunications Company Limited

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

Debt Restructuring
Management is working on restructuring the foreign currency denominated debt to mitigate foreign exchange exposure arising from the depreciation of the local currency and improve its financial position. To date, the subsidiary has managed to negotiate a conditional debt discount of USD15 million out of USD30 million owed to ZTE. In addition, the business managed to get a debt settlement discount of USD62,000 from NEC. Other interventions being pursued include:

15 GOING CONCERN (continued)

ii) Zambia Telecommunications Company Limited (continued)

- A claim for reimbursement of costs amounting to USD47.2 million incurred by the subsidiary over the last three years to maintain GRZ rural social site was approved by the Ministry of Finance on 10 th April 2024.
- The subsidiary has engaged the Treasury for Debt-to-Equity Conversion of Government Guaranteed Debt amounting to USD 22 million.
- Debt for asset swaps – Specific assets have been transferred to Infratel leading into a reduction of debt. The assets transferred include Zamtel House, Chelstone Exchange and Kafue Exchange worth K162 million.
- The subsidiary has restructured payment plans with Huawei to free up working capital. In this regard, the subsidiary has a debt dismantling agreement with Huawei under which the Ministry of Technology and Science has committed to pay USD7.1 million to Huawei on behalf of the subsidiary. To date, the Treasury has released USD4 million towards dismantling of debt owed to Huawei leaving the balance of USD3.1 million to be settled in future.

Directors overall assessment on Going Concern

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

16 GROUP 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 K2.42 million (2021: K2.32 million) as regards audit services rendered to the Group.

Signed on behalf of the Board of Directors

Dr. Windu.C. Matoka
Director

Mr.Cornwell Muleya
Director

31 October, 2024

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with IFRS Accounting Standards (IFRS) 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 17 to 99 give a true and fair view of the state of the financial affairs of the Group and of its financial performance in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2017 of Zambia. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Part VII's Sections 82 to 122 of the Companies Act, 2017 of Zambia.

As set out in Note 2.1 '(b)' of the accompanying financial statements the Group made a loss of K636.15 million (2021: a loss of K1.29 billion) for the year ended 31 December 2022 and, as of that date, the Group 's current liabilities exceed its current assets by K32.18 billion (2021: K30.27 billion). These conditions raise significant doubt over the Group's ability to continue as a going concern.

The Shareholder is undertaking an extensive Business review, and this is expected to influence key decisions that will support sustainability of the Business. Once the exercise is completed, the Group will be repositioned to deliver positive financial performance and maximize value for the shareholder. Refer to note 15 in the Director's report for details on the key strategies implemented by the Directors.

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

Signed on behalf of the Board of directors

Dr. Windu.C. Matoka
Director

Mr.Cornwell Muleya
Director

31 October,2024

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Report on the audit of the consolidated financial statements

Qualified Opinion

We have audited the financial statements of Industrial Development Corporation Limited (The Company) and its subsidiaries (The group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the consolidated financial position of Industrial Development Corporation Limited as at 31 December 2022, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act.

Basis for Qualified Opinion

The auditors of ZESCO Limited (further referred to as "ZESCO") issued a qualified opinion on the consolidated financial statements for the year ended 31 December 2022 on 4 March 2024. ZESCO represents over 55% of the consolidated assets and 55% of the consolidated revenue of the Group. The matter below was identified as the basis for the qualified opinion.

1. There was no assessment of the carrying value of property, plant and equipment included in the statement of financial position at K81,592,217,000. The last valuation was done as at 31 December 2017. We were unable to determine whether any impairment adjustments were necessary.

Partners

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

Audit. Tax . Advisory

Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT TO THE

SHAREHOLDERS OF INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Basis for qualified opinion (continued)

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

Material uncertainty related to going concern

We draw attention to note 2.1 (b) in the financial statements which indicates that the Group's current liabilities exceeded its current assets by K32.18 billion (2021: K30.27 billion). At the reporting date, the total borrowings amounted to K66.28 billion (2021: K62.07 billion). These conditions indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern. Our opinion is not further modified in respect of this matter.

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT TO THE

SHAREHOLDERS OF INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Key audit matters (continued)

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>

Valuation of investments in associates

The Group recognizes its investment in associates at Fair Value Through Other Comprehensive Income (FVTOCI). Investments in associates amounted to K18.01 billion at 31 December 2022. This balance is 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 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 and 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.

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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 assessed the adequacy of the disclosures in the financial statements related to the valuation of investments in accordance with IFRS 13, "fair value measurement."

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INDEPENDENT AUDITOR'S REPORT TO THE

SHAREHOLDERS OF INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
Measurement of financial assets	
Due to the complex and subjective nature of judgements made in the assumptions by the Directors over the measurement of financial assets this was considered a key audit matter.	Our procedures included but were not limited to the following:
• The Directors are required to apply the forward-looking approach to recognize expected credit losses based on IFRS 9's impairment requirements.	• Assessing the design and implementation of the impairment model adopted with focus on compliance with the requirements of IFRS 9: "Financial Instruments". • Reviewing management's evaluation of possible outcomes and the probability of occurrence. • Checking the reasonableness of the information and ensuring the information was supported with reference to past events, current conditions as well as forecast of the future.
• Further, in assessing the fair value of financial assets, the Directors use a variety of valuation methods based on the classification of assets and make assumptions that are based on market conditions and other relevant valuation data existing at each reporting date.	• We obtained the analysis prepared by management in calculating the fair value of the assets. • We evaluated management's valuation assumptions and changes in assumptions to ensure they were reasonable and consistent with market information and other relevant valuation data. • Performed audit procedures over the valuation and accounting of investments in financial assets, to ensure that the valuation inputs applied to various valuation techniques were reasonable.

INDEPENDENT AUDITOR'S REPORT TO THE

SHAREHOLDERS OF INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
Long service retirement benefit The Group operates an unfunded long-term retirement benefit plan. Under the terms of employment, qualifying employees are entitled to post-employment benefits. The benefits are defined benefit in nature based on the members' length of service and their salary at the earlier of retirement or death or termination from employment, (the Employer) meets benefit costs as they fall due. The Group used an independent actuary to value the long-term service retirement benefits. The assumptions that underpin the valuation of the defined benefit pension assets and liabilities are important, and also subjective, judgements as to the surplus/deficit balance is volatile and affects the Group's retained earnings. Uncertainty arises as a result of estimates made based on the Group's expectations about long-term trends and market conditions. As a result, the actual surplus or deficit realized by the Group may be significantly different to that recognized on the statement of financial position since small changes to the assumptions used in the calculation materially affect the valuation. Key assumptions that are involved in the calculation of the defined benefit obligation as per note 32 to the financial statements are: • Discount rate; and • Expected rate of salary increment.	In considering the actuarial valuation of pension obligations, we performed the following procedures: • Obtained the actuarial report based on 31 December 2022 numbers. • Reviewed the valuation in relation to IAS 19 requirements. • Reviewed key inputs used within the report as well as challenged key assumptions made. • Performed a retrospective review to assess obligation for reasonableness. • Compared the discount rates used to Government Bond yield rates available with the Bank of Zambia. • We reviewed the level of salary increment considered by the Group for 2023 and projections for the future.

INDEPENDENT AUDITOR'S REPORT TO THE

SHAREHOLDERS OF INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, 2017, which we obtained prior to the date of this auditor's 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 the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2017 and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the 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.

INDEPENDENT AUDITOR'S REPORT TO THE

SHAREHOLDERS OF INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities of business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

INDEPENDENT AUDITOR'S REPORT TO THE

SHAREHOLDERS OF INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Report on other legal and regulatory requirements

The Companies Act, 2017 requires that in carrying out our audit of Industrial Development Corporation Limited and its subsidiaries, we report on whether:

- There is a relationship, interest or debt which we as the Group's auditor have in the Group;
- There are serious breaches by the Group's Directors of the corporate governance principles or practices contained in Part VII sections 82 to 112 of the Companies Act, 2017 ; and
- There is an omission in the financial statements as regards particulars of loans made to a Group officer (a Director, Group secretary or executive officer of a Group) during the year, and if reasonably possible, disclose such information in our opinion.

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

Grant Thornton

Chartered Accountants

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

Lusaka

Date: 31 October 2024

Figures in thousands of Zambian Kwacha

Consolidated statement of profit or loss and other comprehensive income

	Note	2022	2021
Revenue from contracts with customers	5 (i)	**36,476,355**	39,706,968
Premiums, claims and reinsurance commissions	5 (i)	**884,290**	612,735
		37,360,645	40,319,703
Cost of materials	7.1	**(22,077,059)**	(25,336,092)
Gross profit		**15,283,586**	14,983,611
Other (expenses)/income	6	**(4,221,799)**	11,139,441
Premiums ceded to reinsurers	7.3	**(495,393)**	(304,762)
Changes in fair value of investment property and financial assets	39	**2,753,574**	3,420,810
Impairment of goodwill on acquisition of subsidiary	15	-	(14,851,790)
Administrative expenses	7.2	**(13,199,143)**	(15,790,612)
Operating profit/(loss)		**120,825**	(1,403,302)
Finance income	8	**1,071,867**	1,032,601
Finance costs	8	**(5,587,412)**	(3,006,447)
Share of profit/ (loss) from joint venture	18 (a)	**1,792,748**	(32,664)
Income from equity accounted investment	18 (b)	**2,400,075**	3,610,692
(Loss)/profit before income tax		**(201,897)**	200,880
Income tax expense	9	**(434,254)**	(1,489,936)
Loss for the year		**(636,151)**	(1,289,056)
Other comprehensive income:			
Gains on property revaluation	10	**60,166**	304,922
Gains on intangible assets	15	-	87,271
Gains on Investment property revaluation	12	**7,447**	22,429
Income tax on revaluation		**(4,779)**	(89,095)
Total items that will not be reclassified to P&L		**62,834**	325,527
Items that may be reclassified to profit or loss:			
Currency translation adjustment -associates	18 (b)	**1,404,512**	(4,405,588)
Currency translation adjustment - joint venture	18 (a)	**5,709**	(46,955)
Change in defined benefit obligation	32 (i)	**(26,939)**	-
Currency translation adjustment -translating foreign operations		**(2,615,140)**	8,867,760
Share of comprehensive income of associates	18 (b)	**55,139**	130,889
Transfer to policy liabilities	35	**(23,612)**	40,907
Remeasurements on net defined benefit liability/asset	32 (i)	**203,886**	(146,129)
Total items that may be reclassified to profit or loss		**(996,445)**	4,440,884
Other comprehensive income for the year net of taxation		**(933,611)**	4,766,411
Total comprehensive (Loss)/profit:		**(1,569,762)**	3,477,355
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		**(26,013)**	3,649
Owner of the parent		**(1,543,749)**	3,473,706
		(1,569,762)	3,477,355
Basic and diluted earnings per share		**(156.98)**	347.74

The notes on pages 22 to 99 are an integral part of these annual financial statements.

Figures in thousands of Zambian Kwacha

Consolidated statement of financial position

	Note	2022	2021
Assets			
Non-current assets			
Property, plant and equipment	10	**104,223,759**	102,785,913
Exploration and evaluation assets	13	**51,437**	38,989
Right of use assets	11 (a)	**186,849**	320,616
Investment properties	12	**4,951,719**	4,929,149
Intangible assets	15	**3,716,215**	3,611,793
Other assets	14	**3,747,468**	1,927,311
Reinsurance receivables	16	**173,470**	129,448
Insurance receivables	17	**34,140**	34,061
Investments in joint ventures	18 (a)	**2,109,622**	317,068
Investments in associates	18 (b)	**18,005,825**	19,181,639
Loans due from related parties	19	**30,595**	35,416
Financial assets at fair value through profit or loss	20	**1,252,400**	1,458,000
Financial assets at amortised cost	21 (a)	**22,126**	56,059
Financial assets at FVOCI	21 (c)	**78,392**	67,899
Biological assets - plantation in formation	22	**5,805,793**	2,899,850
Deferred tax asset	29	**12,964,119**	13,106,663
		157,353,929	150,899,874
Current assets			
Insurance receivables	17	**135,220**	145,322
Inventories	23	**7,140,895**	6,825,515
Trade and other receivables	24	**5,135,014**	6,411,489
Other assets at amortised cost	21 (b)	**5,415,472**	800,262
Assets held for sale	25	**2,372,539**	1,844,102
Cash and cash equivalents	26	**4,936,874**	3,797,284
Amounts due from related parties	41	**3,802,221**	4,137,274
		28,938,235	23,961,248
Total assets		**186,292,164**	174,861,122

The notes on pages 22 to 99 are an integral part of these annual financial statements.

Figures in thousands of Zambian Kwacha

Consolidated statement of financial position (continued)

	Note	2022	2021
Equity and liabilities			
Equity attributable to owners			
Share capital	27	**1,500,000**	10,000
Capital reserve	28	**16,038,832**	15,426,744
Translation reserve	28	**15,772,660**	16,977,579
Revaluation reserve	28	**15,661,213**	16,272,315
Amounts awaiting allotment		**165,591**	1,380,991
Accumulated losses		**(15,013,151)**	(15,285,422)
		34,125,145	34,782,207
Non-controlling interest		**5,081,218**	5,107,231
		39,206,363	39,889,438
Liabilities			
Non- current liabilities			
Deferred tax liability	29	**13,001,592**	13,021,299
Capital grants	30	**3,170,851**	3,302,214
Borrowings	31	**63,137,972**	58,997,841
Retirement benefit obligations	32	**4,228,373**	3,581,750
Lease liabilities	11 (b)	**44,175**	61,437
Deferred income	33	**10,812**	14,012
Provisions	34	**1,221,068**	1,203,382
Life assurance funds	35	**300,778**	277,166
Outstanding claims	36	**139,136**	137,503
Unearned premiums	37	**15,140**	94,901
Other long-term payables	38	**260,270**	54,228
		85,530,167	80,745,733
Current liabilities			
Liabilities associated with assets held for sale	25 (b)	**2,308,494**	1,678,578
Capital grants	30	**140,183**	145,570
Borrowings	31	**3,146,883**	3,072,083
Retirement benefit obligations	32	**359,342**	492,209
Lease liabilities	11 (b)	**215,880**	277,674
Provisions	34	**752,228**	544,250
Trade and other payables	38	**40,490,890**	36,364,837
Amounts due to related parties	41	**11,845,201**	9,818,270
Current tax payable	9(ii)	**1,578,699**	1,747,411
Bank overdrafts	26	**717,834**	85,069
		61,555,634	54,225,951
Total equity and liabilities		**186,292,164**	174,861,122

The notes on pages 22 to 99 are an integral part of these annual financial statements.

The annual financial statements on pages 17 to 99 were approved and authorised for issue by the Board of Directors on 31 October, 2024 and signed on its behalf by:

Dr. Windu.C. Matoka
Director

Mr.Cornwell Muleya
Director

Figures in thousands of Zambian Kwacha

Consolidated statement of changes in equity

	Share capital	Capital reserve	Amounts awaiting allotment	Translation reserve	Revaluation reserve	Accumulated losses	Non-controlling interest	Total
Year ended 31 December 2021								
At the start of the year	10,000	15,426,744	-	12,562,362	15,946,788	(14,018,384)	5,107,231	35,034,741
Loss for the year	-	-	-	-	-	(1,292,705)	3,649	(1,289,056)
Other comprehensive income	-	-	-	-	-	25,667 -	3,649	22,018
Currency translation adjustment - associates (Note 18 (b))	-	-	-	(4,405,588)	-	-	-	(4,405,588)
Currency translation adjustment - joint venture (Note 18 (a))	-	-	-	(46,955)	-	-	-	(46,955)
Currency translation adjustment -translating foreign operations	-	-	-	8,867,760	-	-	-	8,867,760
Gains on properties revaluation (Notes 10,12,15)	-	-	-	-	414,622	-	-	414,622
Deferred tax on properties revaluation	-	-	-	-	(89,095)	-	-	(89,095)
Total comprehensive income for the year	-	-	-	4,415,217	325,527	(1,267,038)	-	3,473,706
Transactions with owners :								
Capital contribution*	-	-	1,380,991	-	-	-	-	1,380,991
	-	-	1,380,991	-	-	-	-	1,380,991
At the end of the year	**10,000**	**15,426,744**	**1,380,991**	**16,977,579**	**16,272,315**	**(15,285,422)**	**5,107,231**	**39,889,438**
Year ended 31 December 2022								
At the start of the year	10,000	15,426,744	1,380,991	16,977,579	16,272,315	(15,285,422)	5,107,231	39,889,438
Loss for the year	-	-	-	-	-	(610,138)	(26,013)	(636,151)
Other comprehensive income	-	-	-	-	-	208,473	-	208,473
Currency translation adjustment - associates (Note 18 (b))	-	-	-	1,404,512	-	-	-	1,404,512
Currency translation adjustment -joint venture (Note 18 (a))	-	-	-	5,709	-	-	-	5,709
Currency translation adjustment -translating foreign operations	-	-	-	(2,615,140)	-	-	-	(2,615,140)
Amortization on revaluation reserve	-	-	-	-	(673,936)	673,936	-	-
Gains on properties revaluation (Notes 10 and 12)	-	-	-	-	67,613	-	-	67,613
Deferred tax on properties revaluation	-	-	-	-	(4,779)	-	-	(4,779)
Total comprehensive income for the year	-	-	-	(1,204,919)	(611,102)	272,271	(26,013)	(1,569,763)
Transactions with owners :								
Conversion to share capital	1,490,000	-	(1,490,000)	-	-	-	-	-
Transfer from capital grants	-	-	274,600	-	-	-	-	274,600
Capital injection*	-	612,088	-	-	-	-	-	612,088
	1,490,000	612,088	(1,215,400)	-	-	-	-	886,688
At the end of the year	**1,500,000**	**16,038,832**	**165,591**	**15,772,660**	**15,661,213**	**(15,013,151)**	**5,081,218**	**39,206,363**

The notes on pages 22 to 99 are an integral part of these annual financial statements.

*See note 28 for the reserves definition.

Figures in thousands of Zambian Kwacha

Consolidated statement of cashflows

	Note	2022	2021
Cash generated from operating activities			
Cash generated from operations	40 (a)	**15,599,161**	7,404,803
Income tax paid	9(ii)	**(500,096)**	(507,806)
Net cash inflow from operating activities		**15,099,065**	6,896,997
Cash flows from investing activities			
Purchase of property, plant and equipment	10	**(6,260,713)**	(6,341,125)
Proceeds from disposal of property, plant and equipment		**13,096**	2,534
Disposal of investment property		**-**	147,583
Investments in exploration and evaluation assets	13	**(3,794)**	(26,939)
Purchase of investment property	12	**(52,086)**	(35,609)
Loans to related parties	19	**(34,738)**	-
Repayment of loans by related parties	19	**58,012**	-
Investment in associates	18 (b)	**(501)**	(40,696)
Purchase of intangible assets	15	**(65,059)**	(185,113)
Proceeds from term deposits	21 (b)	**800,262**	306,355
Investments in term deposits	21 (b)	**(5,415,472)**	(800,262)
Interest received	8	**1,071,867**	1,032,601
Net cash outflow from investing activities		**(9,889,126)**	(5,940,671)
Cash flows from financing activities			
Proceeds from borrowings	31	**1,371,890**	4,077,108
Interest paid		**(4,737,005)**	(2,932,765)
Loan repayments	31	**(1,939,430)**	(5,076,280)
Proceeds from sale of bonds		**426,156**	1,029,913
Finance lease payments	11 (b)	**(217,736)**	(282,937)
Capital grants	30	**355,788**	731,558
Net cash outflow from financing activities		**(4,740,337)**	(2,453,403)
Net increase/(decrease) in cash and cash equivalents		**469,602**	(1,497,077)
Movement in cash and cash equivalents			
At the start of the year		**3,712,215**	5,104,823
Net increase/(decrease)		**469,602**	(1,497,077)
Foreign exchange differences on cash and cash equivalents		**37,223**	104,469
At the end of the year	26	**4,219,040**	3,712,215

The notes on pages 22 to 99 are an integral part of these annual financial statements.

Notes to the consolidated annual financial statements

1 General information

Industrial Development Corporation Limited (the "Company") and its subsidiaries (together "the Group"). The Company is an investment holding company for the State-Owned Enterprises (SOE) and is wholly owned by the Government of the Republic of Zambia through the Minister of Finance pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia. The Company's mandate is to play a catalytic role in deepening and supporting Zambia's industrialization capacity to support job creation and domestic wealth formation across key economic sectors. The Company plays its role through co-investing alongside private sector investors. Simultaneously, the Company serves as an investment holding company for previously state-owned enterprises and acquisition of new investments in priority sectors. Sources of financing and revenue include dividend income, equity disposals, bank borrowings and debt issuance in the capital market. Profits generated by the company are reinvested to fund new projects or advanced as shareholder loans to its subsidiaries and paid out to its shareholder, the Minister of Finance, as dividends.

2 Summary of material accounting policies

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

2.1 Basis of preparing the financial statements

(a) Compliance with IFRS Accounting Standards

The 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.

Historical cost convention

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

In accordance with the Companies Act, 2017 of Zambia, the annual financial statements for the year ended 31 December 2022 have been approved for issue by the Directors.

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.

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

(b) Going concern assumption

As at 31 December, 2022 the Group's current liabilities exceeded its current assets by K32.18 billion (2021:K30.27 billion). As at the reporting date, the total borrowings amounted to K66.28 billion (2021: K62.07 billion) on which some of the loan covenants were breached. Subsequent to the year end, the Group, was in a net current liability position which is largely impacted by the value of ZESCO's trade payables and Zamtel.

As at 30 June, 2024, the Group's current liabilities exceeded its current assets by K21.9 billion and the total borrowings amounted to K56.87 billion. The increase is as a result of a draw down on the loans and impact of depreciation of the Kwacha against the United States Dollar.

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.1 Basis of preparing the financial statements (continued)

(b) Going concern assumption (continued)

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

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

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

i) ZESCO Limited

ZESCO is a significant subsidiary within the IDC group. In conducting the going concern assessment, the directors took into consideration the following:

The subsidiary's current liabilities as at 31 December 2022 of K40.9 billion (2021: K38.9 billion) exceeded the current assets of K11.8 billion (2021: K9.9 billion) by K29.1 billion (2021:K29 billion).

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

Current liabilities as at 30 June 2024 of K38.87 billion exceeded the current assets of K15.81 billion by K23.05 billion.

Operating performance

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

Measures to address net current liability position

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

a) ***Debt Restructuring***

The long-term debt stands at about K46.68 billion (USD2.20 billion), borrowed for capital infrastructure investment. Outlined below is the debt position per category and associated strategy:

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

  This debt is subject to debt restructuring as part of the comprehensive debt treatment under the G20 Common Framework. The total debt outstanding under this category stood at USD618 million as at 30 June 2024.

- *On lent loans*

  These are loans procured by the Government of the Republic of Zambia and on lent to ZESCO Limited. As part of the debt restructuring, the subsidiary has reached an advanced stage in engagement with the Government of Zambia through the Ministry of Finance and National Planning to convert the Government guaranteed and on-lent concessional loans to equity amounting to USD372 million. Once the loans have been converted, it is expected to reduce the levels of gearing and improve the equity.

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.1 Basis of preparing the financial statements (continued)

(b) Going concern assumption (continued)

i) ZESCO Limited (continued)

a) Debt Restructuring (continued)

- Commercial loans

The payment on commercial loans are current and these are secured by the subsidiary's receivables through dedicated Debt Service Reserve Accounts. The subsidiary is targeting early redemption on some loans and is in the process of re-negotiating the terms of the existing expensive long-term debt under the commercial loans category. The process of engagement with various lenders is still on going. The strategy includes engagement of individual lenders with a view to restructure the existing debt by reviewing the repayment terms and interest rates and possible deferment of the repayment of loans as they fall due. The total debt as at 30 June 2024 is USD207 million.

b) *Power Purchase Arrears*

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

The subsidiary concluded tariff re-negotiations with Itezhi-Tezhi Power Company (ITPC) as at May 2023, for amendment to Power Purchase Agreement (PPA) of 2015. The effective conclusion of discussions resulted in the reduction of the amount from USD784 million to USD330 million leading to a saving of USD454 million.

c) *Revenue Enhancement.*

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

ii) Zambia Telecommunications Company Limited

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

Debt Restructuring

Management is working on restructuring the foreign currency denominated debt to mitigate foreign exchange exposure arising from the depreciation of the local currency and improve its financial position. To date, the subsidiary has managed to negotiate a conditional debt discount of USD15 million out of USD30 million owed to ZTE. In addition, the business managed to get a debt settlement discount of USD62,000 from NEC. Other interventions being pursued include:

- A claim for reimbursement of costs amounting to USD47.2 million incurred by the subsidiary over the last three years to maintain GRZ rural social site was approved by the Ministry of Finance on 10 th April 2024.
- The subsidiary has engaged the Treasury for Debt-to-Equity Conversion of Government Guaranteed Debt amounting to USD22 million.
- Debt for asset swaps – Specific assets have been transferred to Infratel leading into a reduction of debt. The assets transferred include Zamtel House, Chelstone Exchange and Kafue Exchange worth K162 million.
- The subsidiary has restructured payment plans with Huawei to free up working capital. In this regard, the subsidiary has a debt dismantling agreement with Huawei under which the Ministry of Technology and Science has committed to pay USD7.1 million to Huawei on behalf of the subsidiary. To date, the Treasury has released USD4 million towards dismantling of debt owed to Huawei leaving the balance of USD3.1 million to be settled in future.

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.1 Basis of preparing the financial statements (continued)

(b) Going concern assumption (continued)

Directors overall assessment on Going Concern

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

2.2 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

The Group has adopted the applicable new, revised or amended accounting pronouncements as issued by the International and Accounting Standards Board (IASB), which were effective for the Group from 1 January 2021

The amendments to accounting standards below effective for the reporting period 1 January 2021 did not have any material impact on the Group's accounting policies and required no retrospective adjustments to the consolidated annual financial statements of the Group.

Number	Effective date	Executive summary
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
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).

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

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

Number	Effective date	Executive summary
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.
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.
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	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. - 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 to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. -IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.2 Changes in accounting policy and disclosures

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. The Directors have done an assessment that these standards are not expected to have a material impact on the annual financial statements.

Number	Effective date	Executive summary
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17 and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.	Annual periods beginning on or after 1 January 2023. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.
Amendments to IAS 1 - Non-current liabilities with covenants.	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

2.3 Principles of consolidation and equity accounting

i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group 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 Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group and these are accounted for at cost less accumulated impairment.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.3 Principles of consolidation and equity accounting (continued)

i) Subsidiaries (continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

ii) Associates and Joint Ventures

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

iii) Equity method

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

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

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

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

iv) Changes in ownership interests

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

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

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

2.4 Impairment of non-financial assets

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

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.5 Segment reporting

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

2.6 Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

iii) Group companies

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

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

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

2.7 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.8 Revenue recognition

Sale of goods

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

Services rendered

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

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

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

Premium income

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

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

Claims incurred

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

Investment income

Investment income is accounted for on an accruals basis and relates to interest from Government bonds, bank interest earned and rental income from investment properties.

Dividend income from investments is recognised when shareholder's right to receive payment has been established.

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

Interest income

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

Network services and digital and fintech

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

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.8 Revenue recognition (continued)

Mobile money services

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

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

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

2.9 Exploration costs

The Group is involved in exploration and evaluation of mineral resources including, oil and gas and other similar non – regenerative resources in specific licence areas where the Group has legal rights. This process also involves the determination of both the technical feasibility and commercial viability of extracting the mineral resource.

General exploration and associated costs incurred in connection with exploration and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource is demonstratable, are expensed in the period in which they are incurred. Exploration and associated costs for projects which are commercially viable, and it is considered that future economic benefits will flow to the Group are capitalised.

2.10 Property, plant and equipment

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

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

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

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

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

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

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.10 Property, plant and equipment (continued)

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

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

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

2.11 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.

2.12 Assets held for sale

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

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

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

2.13 Leases

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

1) *The Group as lessor*

The Group recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.13 Leases (continued)

2) *The Group as a lessee*

i) *Right of use assets*

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

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

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

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

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

ii) *Lease liabilities*

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

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

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

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

2.14 Business combinations

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

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

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

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.14 Business combinations (continued)

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

2.15 Biological assets - Plantation in formation

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

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

Palms	4 years
Tea plantation	50 years
Pine	25 years
Eucalyptus	15 years

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

2.16 Inventories

Inventories are measured at the lower of cost and net realizable value, net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.17 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material.

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

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

Environmental rehabilitation and restoration

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

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

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

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

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

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

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

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

2.18 Financial instruments

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

Classification and measurement

Financial assets
The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.18 Financial instruments (continued)

Classification and measurement (continued)

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group measures its debt instruments at amortised cost as assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. The Group's financial assets are trade and other receivables, cash and cash equivalents, other financial assets at amortised cost, financial assets at fair value through other comprehensive income (FVOCI), reinsurance receivable, insurance receivable and financial assets at fair value through profit or loss (FVPL).

i) Trade and other receivables

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

ii) Cash and cash equivalents

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

iii) Financial assets at fair value through profit or loss

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

iv) Other financial assets at amortised cost

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

v) Loans due from related parties

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

vi) Available-for-sale financial assets

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

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.18 Financial instruments (continued)

Classification and measurement (continued)

Financial liabilities

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

i) *Borrowings*

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

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

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

ii) *Trade and other payables*

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

iii) Other financial liabilities

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

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

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

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

The amount of the obligation under the contract, as determined in accordance with IAS 37,or

The amount initially recognised less, where appropriate, cumulative amortization recognised in accordance with the revenue recognition policies.

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.18 Financial instruments (continued)

Financial liabilities (continued)

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

iv) *Unearned premiums*

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

v) *Outstanding claims*

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

vi) *Life assurance funds*

The Group's liabilities for unmatured policies under long term insurance contracts are calculated at the reporting date by an Independent Statutory Actuary in accordance with the requirements of the Zambian Insurance Act of 1997 based on the principles set out in the professional guidance. The valuation method used is 'Gross Premium Valuation, method (GPV) recommended by the Actuarial professional standards and in line with section 25 of the Insurance Act 2021. The transfer to or from the policyholder liabilities under insurance contracts reflected in the statement of profit or loss and other comprehensive income represents the increase or decrease in actuarial liabilities.

Impairment

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

Derecognition

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

Substantial modification

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

Offsetting financial instruments

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

2.19 Other current assets

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

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.20 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.

2.21 Earnings per share

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

2.22 Employee benefits

i) Pension obligations

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

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in accumulated funds and will not be reclassified to income or expenditure. Past service cost is recognised in income or expenditure in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

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

i) Pension obligations

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

ii) Short-term benefits

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

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

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.22 Employee benefits (continued)

iii) Post-retirement benefits

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

2.23 Capital grants

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

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

2.24 Income tax

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

i) Current income tax

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

ii) Deferred income tax

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

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

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

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

Notes to the consolidated annual financial statements (continued)

2 Summary of material accounting policies (continued)

2.24 Income tax (continued)

ii) Deferred income tax (continued)

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

3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

3.1 Fair value of financial instruments

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

Listed equities are valued based on their listed value (fair value) on 31 December 2022.

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

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

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

3.2 Income taxes

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

3.3 Unearned premium reserves (UPR)

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

3.4 Outstanding claims

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

3.5 Post-employment obligations

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

Notes to the consolidated annual financial statements (continued)

3 Critical accounting estimates and judgements (continued)

3.6 Environmental rehabilitation liability

In determining the environmental rehabilitation liability, an inflation rate of 7.2% (2021:7%) was assumed to increase the rehabilitation liability for the next 20 years, and a rate of 7.2% (2021: 7%) to discount that amount to present value. The discount rate assumed of 7.2% is a risk-free rate, specifically the rate at which government bond was quoted at year end.

3.7 Impairment of assets

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

3.8 Unexpired risk provision

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

3.9 Asset residual values, useful lives, and asset componentizing

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

3.10 Provisions

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

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

Notes to the consolidated annual financial statements (continued)

4 Financial risk management

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

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

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

a) *Market risk*

(i) *Foreign exchange risk exposure*

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

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

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

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

4 Financial risk management (continued)

a) *Market risk (continued)*

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

	USD	EUR	Exposure ZAR	Other	Total
As at 31 December 2021					
Financial assets					
Trade and other receivables	5,413,643	-	-	4,712	5,418,355
Amounts due from related parties	3,673,171	29,242	-	-	3,702,413
Assets held for sale	358,285	-	-	-	358,285
Cash and cash equivalents	2,486,013	-	-	1,244	2,487,257
	11,931,112	29,242	-	5,956	11,966,310
Financial liabilities					
Provisions	1,203,382	-	-	-	1,203,382
Liabilities directly associated with assets classified as held for sale	356,138	-	-	-	356,138
Borrowings	59,759,324	799,138	1,402,169	58,133	62,018,764
Amounts due to related parties	11,845,201	-	-	-	11,845,201
Trade and other payables	30,499,515	-	-	21,524	30,521,039
	103,663,560	799,138	1,402,169	79,657	105,944,524
Net exposure	(91,732,448)	(769,896)	(1,402,169)	(73,701)	(93,978,214)
As at 31 December 2021					
Financial assets					
Trade and other receivables	4,913,523	-	-	2,250	4,915,773
Amounts due from related parties	3,926,213	-	-	-	3,926,213
Assets held for sale	348,840	-	-	-	348,840
Cash and cash equivalents	2,546,412	-	-	563	2,546,975
	11,734,988	-	-	2,813	11,737,801
Financial liabilities					
Provisions	1,203,382	-	-	-	1,203,382
Liabilities directly associated with assets classified as held for sale	254,297	-	-	-	254,297
Borrowings	56,481,448	925,123	23,378	376,227	57,806,176
Amounts due to related parties	9,707,684	-	-	-	9,707,684
Trade and other payables	30,080,877	-	-	30,478	30,111,355
	97,727,688	925,123	23,378	406,705	99,082,894
Net exposure	(85,992,700)	(925,123)	(23,378)	(403,892)	(87,345,093)

Sensitivity

At 31 December 2022, if the Zambian Kwacha had weakened/strengthened by 10% (2021:10%) against the South African Rand (ZAR) with all other variables held constant, the effect on post-tax profit for the year and shareholders' equity would have been K140.22 million (2021: K2.34 million) higher/lower, mainly as a result of the ZAR denominated trade payables, other receivables and bank balances.

At 31 December 2022, if the Zambian Kwacha had weakened/strengthened by 10% (2021:10%) against the United States Dollar (USD) with all other variables held constant, the effect on post-tax profit for the year and shareholders' equity would have been K9.17 billion (2021:K8.60 billion) higher/lower, mainly as a result of the USD denominated trade payables,trade and other receivables and bank balances.

At 31 December 2022, if the Zambian Kwacha had weakened/strengthened by 10% (2021:10%) against the Euro (EUR) with all other variables held constant, the effect on post-tax profit for the year and shareholders' equity would have been K76.99 million (2021: K92.51 million) higher/lower, mainly as a result of the Euro denominated trade payables and bank balances.

	2022	2021
Impact on profit and equity	(93,978,214)	(87,345,093)

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

4 Financial risk management (continued)

a) *Market risk (continued)*

(ii) *Cash flow and fair value Interest rate risk*

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk.

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

	2022	% of total loans	2021	% of total loans
	56,352,552	100%	52,372,924	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 2022, with all other variables held constant, a 2 % (2021: 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:

	2022	2021
Impact on profit and equity	(1,127,051)	(1,047,458)

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

4 Financial risk management (continued)

b) Credit risk

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

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

Impairment of financial assets

As at 31 December 2022	**Energy & Resources**	**Financial Services**	**Industrial Market**	**Telecommunication & Media**	**Tourism, Real estate & Others**	**Transport & logistics**	**Total**
Loss rate per sector	**56.66%**	**38.14%**	**2.40%**	**76.88%**	**38.82%**	**60.11%**	
Gross	20,765,581	919,371	252,395	1,002,139	43,274	338,052	23,320,812
Loss allowance	(11,764,938)	(350,683)	(6,061)	(770,461)	(16,801)	(203,214)	(13,112,158)
	9,000,643	568,688	246,334	231,678	26,473	134,838	10,208,654

As at 31 December 2021							
Loss rate per sector	**61.26%**	**34.92%**	**58.32%**	**67.66%**	**33.99%**	**74.56%**	
Gross	28,496,443	991,291	1,131,229	966,125	36,671	225,773	31,847,532
Loss allowance	(17,455,596)	(346,125)	(659,787)	(653,643)	(12,466)	(168,328)	(19,295,945)
	11,040,847	645,166	471,442	312,482	24,205	57,445	12,551,587

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

	2022	**2021**
At the start of the year	18,450,201	15,262,218
Impairment charge recognised in profit or loss	3,151,309	3,470,412
Recoveries	(9,421,586)	(282,429)
At the end of the year	12,179,924	18,450,201

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

4 Financial risk management (continued)

b) Credit risk (continued)

An amount K12.17 billion (2021: K18.45 billion) has been impaired as no repayments have been made on the balances in the year and there is objective evidence of impairment. The Group believes that the unimpaired amounts that are past due by more than 90 days are still collectible, based on historical payment behaviour and extensive analysis of customer credit risk.

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

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

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

Cash and cash equivalents and Loans due from related parties

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

Other financial assets at amortised cost

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

c) Liquidity risk

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

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

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

i) Financing arrangements

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

	2022	2021
Expiring within one year (bank loan & overdrafts)	3,864,717	3,157,152

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

ii) Maturities of financial liabilities

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

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

4 Financial risk management (continued)

c) Liquidity risk

	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
At 31 December 2022:				
Borrowings	35,290,051	1,672,376	32,621,505	69,583,932
Outstanding claims	-	-	139,136	139,136
Trade and other payables (excluding statutory liabilities)	38,084,062	-	-	38,084,062
Amounts due to related parties	11,845,201	-	-	11,845,201
Bank overdraft	717,834	-	-	717,834
Lease liabilities	111,277	97,800	73,452	282,529
	86,048,425	1,770,176	32,834,093	120,652,694
At 31 December 2021				
Borrowings	26,941,699	1,976,345	35,152,431	64,070,475
Outstanding claims	-	-	137,503	137,503
Trade and other payables (excluding statutory liabilities)	34,680,211	-	-	34,680,211
Amounts due to related parties	9,818,270	-	-	9,818,270
Bank overdraft	85,069	-	-	85,069
Lease liabilities	161,075	120,388	85,321	366,784
	71,686,324	2,096,733	35,375,255	109,158,312

d) Capital risk management

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

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

During December 2022, the Group's strategy, which was unchanged from December 2021, was to maintain a gearing ratio of less than 50%. The gearing ratio is not part of the contractual debt covenants imposed by the lenders. Therefore, there is no adverse financing implications on the Group in the event that the ratio deteriorates. The gearing ratio at 31 December 2022 (2021) was as follows:

	2022	2021
Net debt (Note 40 (b))	(62,065,815)	(58,357,709)
Total equity	39,206,363	39,889,438
	158%	146%

Compliance with debt covenants

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

e) Financial instruments by category

	2022	2021
Financial assets at amortised cost	5,437,598	856,321
Financial assets at fair value through profit or loss	1,252,400	1,458,000
Financial assets at FVOCI	78,392	67,899
Reinsurance receivables	173,470	129,448
Insurance receivables	169,360	179,383
Trade and other receivables(less prepayments)	4,923,371	3,918,869
Amounts due from related parties	3,802,221	4,137,274
Loans due from related parties	30,595	35,416
Cash and cash equivalents	4,936,874	3,797,284
	20,804,281	14,579,894
Financial liabilities at amortised cost		
Borrowings	66,284,855	62,069,924
Trade and other payables (less statutory liabilities)	38,084,062	34,680,211
Lease liabilities	260,055	339,111
Amounts due to related parties	11,845,201	9,818,270
	116,474,173	106,907,516

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

5 Segment reporting

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

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

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

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

i) *Segment revenue*

2022	Energy and resources	Financial services	Industries	Telecommunication and media	Tourism,real estate and others	Transport and logistics	Total
Revenue	33,079,005	284,774	1,636,473	920,756	76,059	479,288	36,476,355
Premium,claims and reinsurance commissions	-	884,290	-	-	-	-	884,290
Other income	(4,673,888)	430,153	17,877	(67,109)	9,022	62,146	(4,221,799)
Cost of materials	(20,513,192)	(12,014)	(1,226,831)	(279,713)	(13,181)	(32,128)	(22,077,059)
Premiums ceded to reinsurers	-	(495,393)	-	-	-	-	(495,393)
Employee benefit expenses	(6,208,386)	(286,209)	(235,968)	(228,970)	(23,438)	(38,405)	(7,021,376)
Depreciation and amortisation	(4,118,224)	(18,573)	(42,349)	(571,891)	(10,534)	(85,051)	(4,846,622)
Fair value adjustments	2,959,174	(205,600)	-	-	-	-	2,753,574
Other expenses	(2,746,420)	(443,194)	2,666,922	(266,803)	(25,337)	(516,313)	(1,331,145)
Operating profit	(2,221,931)	138,234	2,816,124	(493,730)	12,591	(130,463)	120,825

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

5 Segment reporting (continued)

i) *Segment revenue (continued)*

2021	Energy and resources	Financial services	Industries	Telecommunication and media	Tourism,real estate and others	Transport and logistics	Total
Revenue	36,904,295	225,283	1,144,696	928,853	37,666	466,175	39,706,968
Premium,claims and reinsurance commissions	-	612,735	-	-	-	-	612,735
Other income	9,885,606	310,257	471,399	265,453	57,443	149,283	11,139,441
Cost of materials	(23,663,800)	-	(799,433)	(644,473)	(8,147)	(220,239)	(25,336,092)
Premiums ceded to reinsurers	-	(304,762)	-	-	-	-	(304,762)
Employee benefit expenses	(8,607,994)	(248,708)	(285,323)	(209,739)	(23,997)	(213,288)	(9,589,049)
Depreciation and amortisation	(3,994,634)	(16,493)	245,236	(637,108)	(5,710)	(92,481)	(4,501,190)
Fair value adjustments	3,386,893	4,050	-	-	29,867	-	3,420,810
Impairment of goodwill on acquisition of subsidiary	(14,851,790)	-	-	-	-	-	(14,851,790)
Other expenses	(2,443,971)	(434,084)	1,402,589	(176,803)	(10,089)	(38,015)	(1,700,373)
Operating loss	(3,385,395)	148,278	2,179,164	(473,817)	77,033	51,435	(1,403,302)

ii) *Segment assets and liabilities*

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

As at 31 December 2022	Energy and resources	Financial services	Industries	Telecommunication and media	Tourism,real estate and others	Transport and logistics	Total
Total assets	162,969,892	4,914,798	8,321,971	2,954,713	1,785,350	5,345,440	186,292,164
	162,969,892	4,914,798	8,321,971	2,954,713	1,785,350	5,345,440	186,292,164
Total liabilities	134,903,402	1,828,552	2,462,121	5,317,007	355,003	2,219,716	147,085,801
	134,903,402	1,828,552	2,462,121	5,317,007	355,003	2,219,716	147,085,801
As at 31 December 2021							
Total assets	156,912,517	2,736,717	5,157,709	3,495,412	1,203,481	5,355,286	174,861,122
	156,912,517	2,736,717	5,157,709	3,495,412	1,203,481	5,355,286	174,861,122
Total liabilities	125,077,958	140,779	2,130,445	5,288,125	330,688	2,003,689	134,971,684
	125,077,958	140,779	2,130,445	5,288,125	330,688	2,003,689	134,971,684

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

6 **Other (expenses)/income**	**2022**	**2021**
Treasury income	58,806	23,432
Rental income	50,318	53,185
Bad debts recovered	4,431	125,848
Profit from asset disposal	2,420	908
Profit /(loss) from the sale of bonds	150,401	(3,542)
Exchange (loss)/gain other than on financing	(5,929,360)	8,759,151
Amortisation income	218,934	199,318
Sundry income*	658,617	1,199,064
Pension funds - management fees	26,027	270,678
Government grants	537,607	511,399
	(4,221,799)	11,139,441

7 Expenses by nature

7.1 *Cost of materials*		
Local purchases	18,473,327	21,062,814
Direct labour costs	1,139,290	1,016,724
Maintenance costs	568,963	960,920
Power imports	26,961	31,708
Generation water usage costs	216,670	316,622
Local wheeling charges	899,962	1,018,365
Other miscellaneous expenses	751,886	928,939
	22,077,059	25,336,092
7.2 *Administrative expenses*		
Depreciation (Note 10)	4,614,231	4,187,657
Amortisation (Note 15)	170,358	39,726
Depreciation charge on right of use assets (Note 11 a)	53,379	265,153
Depreciation charge on exploration and evaluation (Note 13)	8,654	8,654
Employee benefits (Note 7.4)	7,021,376	9,589,049
Other expenses	1,331,145	1,700,373
	13,199,143	15,790,612
7.3 *Other costs*		
Premiums ceded to reinsurers	495,393	304,762
7.4 Employee benefits		
Salaries and other staff costs	6,793,144	9,377,764
Retirement benefits costs:		
NAPSA and defined contributions schemes	228,232	211,285
	7,021,376	9,589,049

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

8 Finance income / (costs)

	2022	2021
Finance income		
Interest income on investments and placements	1,071,867	1,032,601
	1,071,867	1,032,601
Finance cost		
Foreign exchange losses on lease liabilities (Note 11 (b))	(3,605)	(4,086)
Foreign exchange losses on loans due from related parties (Note 19)	(377,665)	(14,091)
Interest expense on loans due from related parties (Note 19)	(396,118)	-
Interest expense on lease liabilities (Note 11 (b))	(73,019)	(55,505)
Interest expense on loans	(4,737,005)	(2,932,765)
	(5,587,412)	(3,006,447)
Net finance costs	(4,515,545)	(1,973,846)

9 Income tax expense

	2022	2021
Current income tax expense	(143,466)	(149,622)
Under/(over) provision	-	(1,259,865)
Deferred income tax (charge)/credit (Note 29)	(290,788)	(80,449)
	(434,254)	(1,489,936)

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

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

	2022	2021
(Loss)/profit before income tax	(201,897)	200,880
Adjust for:		
Share of loss of associate	2,400,075	3,610,692
Share of loss of joint venture	1,792,748	(32,664)
	4,394,720	3,778,908
Tax calculated at the statutory income tax rates of 30%/10% (2021 - 35%/10%)	1,318,416	1,322,618
Tax effect of:		
Expenses not deductible for tax purposes	(6,329,613)	(5,465,280)
Effect of a lower tax rate - ZDA incentive	3,178,861	4,649,480
Tax rate adjustment	(93,291)	(326,537)
(Under)/over provision current year - deferred tax	(13,664)	(1,259,865)
Tax rate adjustment due to ZDA incentives	1,505,037	(410,352)
Income tax expense	(434,254)	(1,489,936)

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

	2022	2021
At the start of the year	1,747,411	2,132,626
Current income tax charge	143,466	149,622
Translation adjustment	(2,411)	-
Classified as assets held for sale	(1,485)	-
Over provision in prior year	191,814	(27,031)
Payments during the year	(500,096)	(507,806)
At the end of the year	1,578,699	1,747,411

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

10 Property, plant and equipment

	Land & buildings	Equipment and furniture	Motor vehicles	IT equipment	Capital work in progress	Total
At 31 December 2020						
Cost	13,198,551	38,488,426	4,815,729	963,386	43,500,269	100,966,361
Accumulated depreciation	(1,212,260)	(7,363,518)	(643,195)	(693,025)	534,532	(9,377,466)
Net book value	11,986,291	31,124,908	4,172,534	270,361	44,034,801	91,588,895
Year ended 31 December 2021						
Opening net book value	11,986,291	31,124,908	4,172,534	270,361	44,034,801	91,588,895
Additions	13,812	333,060	203,360	321,122	5,469,771	6,341,125
Depreciation capitalised	-	-	-	-	582	582
Acquisition of subsidiary	509,762	11,812,407	442,062	-	577,087	13,341,318
Disposals	(340,616)	(27,052)	(209,186)	(640,370)	(91)	(1,217,315)
Transfer from CWIP	562,594	12,717,049	99,173	330	(13,379,146)	-
Revaluation surplus	41,658	-	-	252,006	-	293,664
Transfer to intangibles	-	-	-	(28,679)	-	(28,679)
Impairment	-	54	(31)	(54)	(18,326)	(18,357)
Adjustment***	(33,987)	(5,103)	1,009	-	(3,692,735)	(3,730,816)
Depreciation charge	(534,043)	(2,980,439)	(289,897)	(383,278)	-	(4,187,657)
Depreciation transfer to intangibles	-	1,362	-	-	-	1,362
Depreciation on disposals	4,736	4,308	205,310	7	318,388	532,749
Depreciation elimination on revaluation	749	-	-	10,509	-	11,258
Depreciation impairment	-	(147,510)	-	5,294	-	(142,216)
Closing net book value	12,210,956	52,833,044	4,624,334	(192,752)	33,310,331	102,785,913
At 31 December 2021						
Cost	13,951,774	63,318,841	5,352,116	867,741	32,457,411	115,947,883
Accumulated depreciation	(1,740,818)	(10,485,797)	(727,782)	(1,060,493)	852,920	(13,161,970)
Net book value	12,210,956	52,833,044	4,624,334	(192,752)	33,310,331	102,785,913

*** Adjustments includes net exchange losses on capital work in progress in ZESCO Limited.

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

10 Property, plant and equipment (continued)

	Land & buildings	Equipment and furniture	Motor vehicles	IT equipment	Capital work in progress	Total
Year ended 31 December 2022						
Opening net book value	12,210,956	52,833,044	4,624,334	(192,752)	33,310,331	102,785,913
Additions	603,787	140,720	143,143	12,714	5,360,349	6,260,713
Depreciation capitalised	-	-	-	-	198	198
Acquisition of subsidiary	110	-	-	-	-	110
Disposals	(1,451)	(31,832)	(46,702)	(174)	-	(80,159)
Transfer from CWIP	165,875	6,106,293	(3,314,983)	667	(2,957,852)	-
Revaluation surplus	43,628	3,093	4,362	927	-	52,010
Transfer to intangibles	-	-	-	-	(234,951)	(234,951)
Impairment	-	-	-	-	(28,007)	(28,007)
Adjustment	40,606	79,451	(4,765)	(4,419)	(1,929)	108,944
Discontinued operations	(82,546)	-	-	-	-	(82,546)
Depreciation charge	(504,443)	(3,539,434)	(472,581)	(97,773)	-	(4,614,231)
Depreciation on disposals	126	11,931	29,574	138	-	41,769
Depreciation elimination on revaluation	8,156	-	-	-	-	8,156
Depreciation impairment	2,014	(6,204)	5,970	4,060	-	5,840
Closing net book value	12,486,818	55,597,062	968,352	(276,612)	35,448,139	104,223,759
At 31 December 2022						
Cost	14,721,783	69,616,566	2,133,171	877,456	34,595,219	121,944,195
Accumulated depreciation	(2,234,965)	(14,019,504)	(1,164,819)	(1,154,068)	852,920	(17,720,436)
Net book value	12,486,818	55,597,062	968,352	(276,612)	35,448,139	104,223,759

Valuation Methods

The following subsidiaries revalued their assets during the year: IDC Limited, ZESCO Limited, Infratel Limited, ZSIC Life Insurance Plc,ZSIC insurance General Limited, Mulungushi International Conference Centre, Mulungushi Village, ZCCM-IH, ZAMTEL, and Zambia Railways. The Group has disclosed the valuation techniques for ZESCO, Mulungushi International Conference Centre, Zambia Railways,Infratel Limited and ZSIC Life given their significance.

Figures in thousands of Zambian Kwacha

Notes to the annual financial statements (continued)

10 Property, plant and equipment (continued)

Valuation Methods (continued)

i) As at 31 December 2022, IDC Limited 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.

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

iii) **ZSIC Life Insurance PLC**
An independent valuation of the company's leasehold properties was performed by Sherwood Greene Property Consultants, Independent Registered Valuation Surveyors as of 31 December 2022. The fair values of the Company's property as of 31 December 2022 were based at their market value.

The additions to property and equipment are largely under the National Health Insurance Project that the company is managing. The larger component relates to the development of the system being used in the administration of the National Health Insurance Scheme. The component relating to the development of software is being carried as work in progress (WIP) and its completion has been deferred to 2022 from the initial 2021 target.

iii) **ZSIC General Limited**
The value of leasehold buildings of the Company at 31 December 2022 have been arrived at on the basis of valuation carried out by Messrs Sherwood Greene Property Consultants, independent valuers not related to the Company. Sherwood Greene Property Consultants are members of the Surveyors Institute of Zambia (SIZ) and the Zambia Institute of Estate Agents (ZIEA) and they have appropriate qualifications and recent experience in the valuation of properties in relevant locations. The valuation which was carried out on an open market basis conforms to international valuation standards. (Royal Institution of Chartered Surveyors Appraisal and Valuation Standards).

iv) **Infratel Limited**
The Company's Data Centre land, buildings and ICT equipment are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation. The fair value measurement of the Company's Data Centre land, buildings and ICT equipment as at 31 December 2022 were performed by Sandridge Associates, independent valuers not related to the Company.

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

Property, plant and equipment	**Valuation technique**	**Description of valuation technique**	**Observable inputs**
Land and buildings	Depreciated Replacement Cost (DRC)	The DRC method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration. The Current Market Value is built up from the Land and improvement Values of the buildings derived from comparable transactions. Considerations were made with reference to: Location, Demand for and supply of such properties and Time of Sale.	Not applicable

Notes to the annual financial statements (continued)

10 Property, plant and equipment (continued)

Valuation Methods (continued)

v) ZESCO

The Group's civil engineering works, generation plants and transmission and distribution systems and leasehold buildings are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation. The fair value measurement of the Group's civil engineering works and buildings and generation plants and transmission and distribution systems as at 31 December 2022 were performed by Messrs Multiconsult United Kingdom and Upmarket Property Consultants respectively, independent valuers not related to the Group.

Property, plant and equipment	Valuation technique	Description of valuation technique	Observable inputs
Leasehold land and buildings	Market based approach - Direct Comparable Method (DCM) and Depreciated Replacement Cost (DRC)	Direct comparable method renders an estimate of value through comparison with other similar available properties which have recently transacted in the vicinity in an attempt to discern the actions of buyers and sellers active in the marketplace. The current market value is built up from the Land and improvement values of the buildings derived from comparable transactions. Considerations were made with reference to; Location factor, time of sale, accessibility, quality, prevailing economic property trends. The Depreciated Replacement Cost method determines the present market value of the subject property by estimating the present cost of replacing the building(s) by estimating the total amount of accrued depreciation from all causes, namely physical deterioration, functional obsolescence and external obsolescence, subtracting the accrued depreciation from the present replacement costs, estimating the value of minor improvements and adding the site value to the depreciated cost of the building(s).This method was used where there was no market-based evidence of fair value because of the specialized nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business.	Not applicable

Notes to the consolidated annual financial statements (continued)

10 Property, plant and equipment (continued)

v) ZESCO

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

Property, plant and equipment	Valuation technique	Description of valuation technique	Observable inputs
Transmission and distribution systems	Depreciated Current Replacement Value (DCRV)	The DCRV method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration. Transmission line asset prices were obtained from recent ZESCO transmission line projects pricing schedules. An additional 3% on-costs was added to account for the Owner's costs. Line costs were priced per unit length and according to terrain type (flat, hilly and swampy). Distribution equipment pricing data was obtained from recent ZESCO in-house pricing data. Unit installed prices (material and labour) per length of overhead line and underground cable was calculated from these data and a further 100% on-costs were added.	Market prices, exchange rates, discounted rate
Civil engineering works and generation plants (Hydro stations, diesel stations and HV stations)	Depreciated Current Replacement Value (DCRV)	The Depreciated Current Replacement Cost (DRCV) method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration. The current replacement value (CRV) of electrical and mechanical equipment was established using ZESCO data for recent projects. For the civil work structures, a bill of quantities was prepared covering the major work items for each hydro scheme section (e.g. embankments, power intakes, canals, forebays, power tunnels, pressure shafts, powerhouses etc.). The DCRV has been calculated in the Asset Register on a linear basis, a minimum value of 10% CRV was allocated if the asset is still in service. A scrap value has also been allocated where it is ZESCO's current practice to sell scrap materials.	Market prices, exchange rates, discounted rate

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

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

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

11 Leases

a) Right of use assets

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

	Tower space	Office equipment	Motor vehicles	Buildings	Total
As at 31 December 2020					
Cost	289,628	36,546	1,529	459,844	787,547
Accumulated depreciation	(234,795)	(44,474)	(1,309)	(28,937)	(309,515)
Net book value	54,833	(7,928)	220	430,907	478,032
Year ended 31 December 2021					
Opening net book value	54,833	(7,928)	220	430,907	478,032
Additions	84,503	22,488	-	746	107,737
Depreciation charge	(40,594)	(12,541)	(220)	(211,798)	(265,153)
Net book value	98,742	2,019	-	219,855	320,616
As at 31 December 2021					
Cost	374,131	59,034	1,529	460,590	895,284
Accumulated depreciation	(275,389)	(57,015)	(1,529)	(240,735)	(574,668)
Net book value	98,742	2,019	-	219,855	320,616
Year ended 31 December 2022					
Opening net book value	98,742	2,019	-	219,855	320,616
Additions	24,117	11,517	26,821	-	62,455
Remeasurement	-	(4,672)	-	(135,031)	(139,703)
Termination of lease	-	(3,084)	(56)	-	(3,140)
Depreciation charge	(11,504)	(3,417)	(4,503)	(33,955)	(53,379)
Net book value	111,355	2,363	22,262	50,869	186,849
Cost	398,248	62,795	28,294	325,559	814,896
Accumulated depreciation	(286,893)	(60,432)	(6,032)	(274,690)	(628,047)
Net book value	111,355	2,363	22,262	50,869	186,849

b) Lease liabilities

		2022	2021
i)	Current	215,880	277,674
	Non-current	44,175	61,437
		260,055	339,111

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

	2022	2021
At the start of the year	339,111	450,186
Additions	62,455	107,737
Interest charged	73,019	55,505
Foreign currency losses	3,605	4,086
Remeasurements	-	7,669
Derecognition	(399)	(3,135)
Principal and interest payments	(217,736)	(282,937)
At the end of the year	260,055	339,111

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

11 Leases (continued)

b) Lease liabilities (continued)

	2022	2021
iii) *Amounts recognised in the statement of profit or loss*		
Foreign currency losses	3,605	4,086
Depreciation charge	53,379	265,153
Interest expense on lease liabilities	73,019	55,505
	130,003	324,744
iv) *Maturity analysis of contractual lease payments outstanding*		
Within 1 year	111,277	161,075
Between 1 and 2 years	97,800	120,388
Later than 5 years	73,452	85,321
Minimum lease payment	282,529	366,784
Finance charge	(22,474)	(27,673)
Net present value	260,055	339,111

12 Investment properties

	2022	2021
At the start of the year	4,929,149	4,975,395
Additions	52,086	35,609
Reclassification from current assets	91,605	-
Transfer to assets held for sale	(179,090)	-
Disposals	-	(147,583)
Revaluation surplus	7,447	22,429
Change in fair value	50,522	43,299
At the end of the year	4,951,719	4,929,149

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

Measurement of fair value

(i) Fair value hierarchy

The fair value of investment properties determined on 31 December 2022 by external, independent property valuers and the Government valuation department, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the entities' Investment property Portfolio.

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

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

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

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

13 Exploration and evaluation assets

	2022	2021
Cost		
Balance at 1 January	49,367	22,428
Additions	3,794	26,939
As at 31 December	53,161	49,367
Depreciation		
Balance at 1 January	(10,378)	(1,724)
Depreciation adjustment	17,308	-
Charge for the year	(8,654)	(8,654)
As at 31 December	(1,724)	(10,378)
Carrying amount	51,437	38,989

Exploration and evaluation assets represent costs capitalized by the Group in relation to diamond drilling, laboratory analysis of drilling core samples, geochemical and geophysical studies as well as costs incurred in acquisition of rights to explore the license area in Kasenseli, Mwinilunga district. The site has been deemed to possess commercial reserves. A total of 128 kilograms of gold has been recovered since commencement of exploration in June 2020. The project is still in its exploration stage and is yet to reach its full commercial production level. The Group classifies exploration and evaluation assets as tangible assets. The depreciation adjustment relates to a reversal of overstated depreciation in prior years for the exploration and evaluation asset for Zambia Gold Limited. The error has been adjusted in the current year at group level as the amount is not significant for the group.

14 Other assets

	2022	2021
Non-current assets		
ZCCM-IH & Scaling solar project/other short-term assets	549,781	478,181
Environmental protection fund	-	87,130
Trade and other receivables	2,931,539	1,330,438
Unconsolidated entities*	266,148	31,562
	3,747,468	1,927,311

Other long-term assets relate to:

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

(b) Unconsolidated entities*

	2022	2021
Zambia International Trade Fair	52,242	-
Zambia Airways Limited	182,344	-
Agro-Luswishi	31,562	31,562
	266,148	31,562

* Agro - Luswishi is a project and therefore is not consolidated in the group financial statements.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

15 Intangible assets

	Goodwill	Other intangibles	Total
As at 31 December 2020			
Cost	119,818	512,696	632,514
Accumulated amortisation	(119,818)	(315,306)	(435,124)
Closing net book value	-	197,390	197,390
Year ended 31 December 2021			
Opening net book value	-	197,390	197,390
Additions	-	185,113	185,113
Mineral rights	-	3,281,457	3,281,457
Transfer from PPE (Note 10)	-	27,317	27,317
Revaluation*	-	67,802	67,802
Derecognition of assets	-	(42,361)	(42,361)
Impairment depreciation	-	(12,976)	(12,976)
Elimination on revaluation	-	19,469	19,469
Acquistion through business combination amortisation	-	(71,692)	(71,692)
Amortisation charge	-	(39,726)	(39,726)
Closing net book value	-	3,611,793	3,611,793
As at 31 December 2021			
Cost	119,818	4,032,029	4,151,847
Accumulated amortisation	(119,818)	(420,236)	(540,054)
Closing net book value	-	3,611,793	3,611,793
Year ended 31 December 2022			
Opening net book value	-	3,611,793	3,611,793
Additions	-	65,059	65,059
Transfer from PPE (Note 10)	-	234,951	234,951
Impairment depreciation	-	(25,230)	(25,230)
Amortisation charge	-	(170,358)	(170,358)
Closing net book value	-	3,716,215	3,716,215
As at 31 December 2022			
Cost	119,818	4,332,039	4,451,857
Accumulated amortisation	(119,818)	(615,824)	(735,642)
Closing net book value	-	3,716,215	3,716,215

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

15 Intangible assets (continued)

Infratel Valuation

*The Company's Data Centre intangible assets are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated amortisation. The fair value measurement of the Company's intangible assets as of 30th September 2021 were performed by Sandridge associates. The information below shows the valuation techniques used as well as the significant inputs used.

Intangibles	Valuation technique	Description of valuation techinique	Observable inputs
ICT equipment Software	The net current cost approach	The method determines the amount that Infratel would have to pay to replace an asset at the present time, according to its current worth of the software on the market.	Replacement cost, economic life, nature of software, foreign exchange rate, inflation

Goodwill is monitored by management at the Group level and management considers the whole business (investee company) to be one cash generating unit (CGU).

The computation of the recoverable amounts for the purposes of Goodwill testing is done on the higher of fair value less cost to sell basis or value in use calculations using a discounted cashflow. Market participants in the mining industry generally use Discounted Cashflows (DCF) to determine fair value. The key assumptions for the discounted cashflow method calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

Mopani Copper Mines CGU

On 31 March 2021, the ZCCM-IH Shareholders approved the ZCCM-IH's acquisition of the remaining 90% interest in Mopani held by Carlisa Investments Corp ("Carlisa") for a USD1 consideration and K33.1billion (USD 1.50 billion) in Transaction Debt. The acquisition of 90% of the issued shares in Mopani Copper Mines Plc will result in ZCCM-IH being the holder of 100% of the issued shares in the Company.

As at 31 March 2021, Goodwill amounting to K14.86 billion was recognized. The goodwill is attributable to Mopani's strong position as a Grade A copper producer in the mining industry and other factors such as assembled workforce.

i) Identifiable assets acquired and liabilities assumed.

The following table summarises the recognised fair value amounts of assets acquired, and liabilities assumed at the date of acquisition:

	2022	2021
Cash and cash equivalents	-	6,337
Trade and other receivables	-	2,152,412
Environmental Protection Fund	-	115,506
Deferred tax asset on fair value uplift regarding business combination	-	(1,185,160)
Deferred tax liability (DTL) on fair value uplift regarding business combination	-	1,185,160
Inventories	-	3,720,319
Property, plant and equipment	-	13,341,318
Mineral Rights	-	3,281,457
Trade and other payables	-	(1,931,889)
Provisions	-	(976,753)
Borrowings	-	(33,121,500)
Retirement benefits	-	(223,990)
Provisions for environmental rehabilitation	-	(1,215,007)
Net identifiable liabilities acquired	-	**(14,851,790)**
Consideration	-	**(14,851,790)**
Goodwill	-	**(14,851,790)**

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

15 Intangible assets (continued)

Mopani Copper Mines CGU (continued)

ii) Below are the key assumptions used in the calculation of the CGU recoverable value:

Cash Generating Unit	Method Used and Assumptions
Mopani Copper Mines Plc	Method Used to determine recoverable amount: Fair Value less cost to Sell using discounted cashflow method (DCF) Assumptions as at 31 March 2021. • WACC impact Excluding SRP -computations for the assets under consideration implied a WACC ranging from 13.71% to 15.96%. The WACC applied for the analysis had been based on the low range of 13.71% to determine the high end of our valuation range. • WACC impact including SRP -Included 1.5-2% specific risk premium to cater for risk of inferred resources being included in LOM valuation and capex funding uncertainty. • CAPEX of K 7.8billion (USD355.3million) was used which was aligned with the status of expansion projects at valuation date. • Copper prices were obtained from Glencore publications. • Tax adjustments which had been adjusted for the impact of disallowed interest expenses. • Outside (Life of Mine) LoM Resources- Included outside LoM resources as a terminal value in the model. • The resources used for the outside LoM is the reserves in the competent person report

As as 31 December 2021, an impairment test was conducted by comparing the carrying amount with the recoverable amount. The recoverable amount was computed by discounting the CGU's free cashflows using a WACC range of 15% - 16.7% adjusted for market and specific risk over the life of mine. The recoverable amount significantly dropped to nil.

Several economic factors deteriorated during the intervening period to year end caused by the country default on its national debt. An impact of this deterioration was a change in the country risk premium from around 8.31% to around 16.11%. As a result, the directors determined that the carrying amount of goodwill for Mopani Copper Mines Plc exceeded the recoverable amount. Accordingly, the full amount of K14,851,790,000 was impaired.

Mopani Copper Mines Plc	Method Used to determine recoverable amount: Fair Value less cost to Sell. The Fair Value of Mopani Copper Mines Plc was determined using a discounted cashflow method. Key Assumptions Commodity price assumptions and Mineral Royalty Tax For the period between 2022 and 2024, the average copper and gold price used were obtained from a sample of investment banks. From 2025 onwards, a flat rate of USD3.95 /lb copper and USD1,631/oz gold was used. • The Mineral Royalty Tax (MRT) for copper (a sliding scale – between 10% - 5.5%, with the higher bands being: 10% for Cu price over USD4.08/lb, 8.5% for price between USD4.08/lb – US$3.4/lb and 7.5% for prices between USD3.4 – USD2.72/lb) is assumed to be 8.5% over the LOM. • The MRT for cobalt revenue, which is fixed, remains at 8.0%. Cash flow period Life of mine (LOM) was estimated to be 19 years.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

15 Intangible assets (continued)

Mopani Copper Mines CGU (continued)

Cash Generating Unit	Method Used and Assumptions
Mopani Copper Mines Plc	**Growth Rate** The growth rate was based on the spread of the proven and probable mineral ore reserves as determined by the mine plan which incorporates mining methods applicable at each stage of the cashflow. **Net working capital** The forecast net working capital movements were from 2022 to 2045. **Depreciation** Forecast depreciation for Mopani from 2022 to 2045. **Operating costs and profitability** Operating cost forecasts for Mopani were obtained from the Mopani LOM. The operating costs were categorised as mining, processing, technical, corporate, general administration, royalties and other costs. **Net debt** As at 31 December 2021, Mopani had K 86million (USD 3.9million) drawn in overdraft, a long-term obligation of K33billion (USD1.5 billion) to Glencore and cash amounting to K103.9million (USD4.7million). **Free Cash Flow** The free cash flow for Mopani is the cash generated from operations, less capex and adjusted for working capital movements. **WACC** Capital structure Mopani's equity value was nil, with significant long-term debt of K 33billion (USD1.5 billion). To calculate a levered beta for Mopani, a target debt-to-equity ratio derived from a peer group of mining companies was applied. This ratio was utilized when determining the relevered beta for the cost of equity calculation. **WACC** The cost of equity has been calculated based on: A risk-free rate of 1.5%, which is the yield on the ten-year U.S. treasury-bond. An equity market risk premium of 16.1% for Zambia, comprised of a country risk premium and a market premium. Target capital structure assumes 85.7% equity, and 14.3% debt; • Unlevered beta of 0.95 based on a peer group of mining companies remains the same

Foreign Exchange Effects on Goodwill

As goodwill was recognized and fully impaired in the same financial year, there was no recognized effects of changes in foreign exchange rate at the end of the reporting period.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

15 Intangible assets (continued)

Kariba Minerals Limited CGU

As at 31 December, 2021, The Directors established impairment indicators which triggered an impairment assessment to derive a recoverable amount. This was due to the impact of COVID 19 pandemic, limited market for amethyst products and other economic challenges. Further, Kariba Minerals Limited recorded a loss of K11.2 million for the year ended 31 December 2020 and its liabilities exceeded its assets by K6.9 million as at 31 December 2020.

The recoverable amount was computed by discounting the Company's free cashflows using an 16.5% discount rate adjusted for market risk and specific company/segment risk. And as such, goodwill impairment relating to the subsidiary of K119.82 million was recorded, as the recoverable amount was less than the total carrying value plus goodwill recorded as of 31 December 2021.

Cash Generating Unit	Method Used and Assumptions
Kariba Minerals Limited	**cashflow method (DCF)** The Fair Value less cost to Sell using discounted cashflow method (DCF) of the Kariba Minerals Limited was determined using a discounted cashflow method. This discounted cashflow method considered the present value of net cash flows from the CGU and the expected growth rate. **Key assumptions:** - Discount rate: A discount rate of 16.5% was used. If the discount rate used changed by 0.5%, the value of the CGU would be (lower)/higher than 16.5% the value of CGU would have been higher/ (lower) by K5.3million; - Growth rate: A 5% growth rate was used in extrapolating cashflow forecasts. If the growth rate used was (lower)/higher than 5% the value of CGU would have been (lower)/higher by K1.607m; and - Cashflow period: A 5-year cashflow from financial budgets approved by management for the five years and extrapolated for the next five years based on an estimated growth rate of 5%.

16 Reinsurance receivables

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

	2022	2021
Gross reinsurance receivables	191,530	137,741
Provision for bad and doubtful debts	(18,060)	(8,293)
	173,470	129,448

The year end balances included amounts that have been outstanding beyond the period of cover of the treaties and agreements signed with various Reinsurance Companies.
An amount of K173.47 million (2021: K129.45 million) relates to receivables outstanding for over 365 days. The treaties and agreements provide for a right of set-off of liabilities against assets subject to agreement by both parties. The Company is in the process of agreeing the balances to be offset. In addition, due to the nature of reinsurance transactions, the period of settlement of balances extends beyond the expiry of the agreements and treaties entered into.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

17 Insurance receivables

	2022	2021
Gross insurance receivable	223,783	211,999
Allowance for bad debts	(54,423)	(32,616)
	169,360	179,383
Less than 1 year	135,220	145,322
Between 1 and 5 years	34,140	34,061
Net insurance receivable	169,360	179,383

The Group is owed a significant amount by various Government Ministries. In line with its normal practice, every three years, the Group and Government through the Ministry of Finance carry out a reconciliation exercise to agree on the total debt owed to the Group. The last verification was done for the period 2020 - 2022. Due to the time taken to recover these Government debts, management has reclassified this Government debt as non- current in the statement of financial position.

18 Interest in other entities

a. *Joint ventures*

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

Name of joint ventures	2022	2021
Itezhi Tezhi Power Corporation Limited	1,936,415	150,325
Emerged Railways Properties Private Limited	173,207	166,743
	2,109,622	317,068
Share of profit/(loss) from joint venture		
Itezhi Tezhi Power Corporation Limited	1,797,665	(25,556)
Emerged Railways Properties Private Limited	(4,917)	(7,108)
	1,792,748	(32,664)

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

i) *Summarised financial information for the associates*

Name of joint ventures	Place of incorporation	Ownership interest	
		2022	2021
Itezhi Tezhi Power Corporation Limited	Zambia	50%	50%
Emerged Railways Properties Private Limited	Zimbabwe	50%	50%

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

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

18 Interest in other entities (continued)

a. *Joint ventures (continued)*

i) *Summarised financial information for the associates (continued)*

	Itezhi Tezhi Power Corporation Limited		Emerged Railways Properties Private Limited	
	2022	2021	2022	2021
Statement of profit or loss:				
Revenue	1,066,685	1,934,936	14,563	18,390
Profit/(loss) for the year	3,595,329	(51,112)	(9,833)	(14,215)
Total comprehensive income	3,595,329	(51,112)	(9,833)	(14,215)
Statement of financial position:				
Non-current assets	1,546,023	1,614,015	342,176	324,812
Current assets	5,355,160	2,846,906	28,574	17,720
Total assets	6,901,183	4,460,921	370,750	342,532
Capital and reserves	3,872,830	300,650	346,414	333,486
Non-current liabilities	1,717,434	2,481,912	-	-
Current liabilities	1,310,919	1,678,359	24,336	9,046
Total equity and liabilities	6,901,183	4,460,921	370,750	342,532
ii) *Reconciliation of carrying amounts:*				
At the start of the year	150,325	-	166,743	220,992
Impairment (charge)/reversal during the	(11,575)	175,881	5,672	(186)
Currency translation adjustment	-	-	5,709	(46,955)
Share of profit/ (loss) for the year	1,797,665	(25,556)	(4,917)	(7,108)
At the end of the year	1,936,415	150,325	173,207	166,743

b. *Investment in associates*

Reconciliation of carrying amounts

	2022	2021
At the start of the year	19,181,639	20,722,417
Share of profit of equity accounted associates	2,400,075	3,610,692
Share of OCI	55,139	130,889
Dividend received	(5,036,041)	(1,023,228)
Additions	501	40,696
Transfer from subsidiaries	-	105,761
Currency translation adjustment	1,404,512	(4,405,588)
At the end of the year	18,005,825	19,181,639

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

18 Interest in other entities (continued)

b. Investment in associates 31 December 2022	Country of incorporation	% interest held	Total assets	Total liabilities	Net asset value	Share of net assets	Revenues	Profit/(loss)	Share of profit/(loss)	Share of profit/(loss) not recognised
Konkola Copper Mines Plc	Zambia	20.6%	-	-	-	-	-	-	-	-
Kansanshi Mining Plc	Zambia	20.0%	67,111,703	(12,254,615)	54,857,088	10,971,418	25,982,597	2,624,472	524,894	-
Copperbelt Energy Corporation Plc	Zambia	24.1%	11,956,207	(5,970,864)	5,985,343	1,442,468	6,384,202	866,413	208,805	-
CNMC Luanshya Copper Mine Plc	Zambia	20.0%	6,481,841	(3,499,748)	2,982,093	596,419	7,949,648	1,683,023	336,604	-
Maamba Collieries Limited	Zambia	35.0%	20,861,973	(14,813,060)	6,048,913	2,117,120	4,751,431	1,533,668	536,783	-
Lubambe Copper Mines Limited	Zambia	20.0%	5,577,890	(16,263,519)	(10,685,629)	-	2,382,201	(1,826,317)	-	(365,263)
Rembrandt Properties Limited	Zambia	49.0%	150,319	(78,944)	71,375	34,974	-	-	-	-
Zambia Consolidated Gold	Zambia	45.0%	37,075	(9,380)	27,695	12,463	50,810	(8,768)	(3,945)	-
Elsewedy Electric Limited	Zambia	40.0%	3,169,783	(3,028,353)	141,430	56,572	198,303	5,865	2,346	-
Zambia Electrometer Limited	Zambia	40.0%	6,338	(123,187)	(116,849)	-	-	-	-	-
Indo Zambia Bank Limited	Zambia	40.0%	14,086,362	(12,304,426)	1,781,936	712,774	1,235,348	508,951	203,580	-
ZANACO PLC	Zambia	25.0%	35,851,960	(33,000,137)	2,851,823	712,956	3,925,697	1,166,997	291,749	-
Kagem Mining Limited	Zambia	25.0%	3,339,789	(1,388,587)	1,951,202	487,801	3,991,280	978,420	244,604	-
Bangweulu Power	Zambia	20.0%	801,043	(817,657)	(16,614)	-	86,257	(13,495)	-	(2,699)
Ngonye Power	Zambia	20.0%	755,575	(660,129)	95,446	19,089	77,902	23,116	4,623	-
Lusaka Trust Hospital	Zambia	45.0%	171,659	(45,374)	126,285	56,828	64,529	7,186	3,233	-
Zambia Reinsurance Plc	Zambia	28.2%	125,375	(27,096)	98,279	27,518	95,872	6,063	1,697	-
Zepre	Zambia	0.5%	13,143,070	(5,091,163)	8,051,907	45,896	3,432,514	563,803	3,213	-
Marcopolo	Zambia	22.6%	2,784,822	(569,507)	2,215,315	553,829	574,145	151,851	37,962	-
ZICB	Zambia	30.2%	3,174,025	(2,652,013)	522,012	157,700	145,352	12,993	3,925	-
			189,586,809	(112,597,759)	76,989,051	18,005,825	61,328,088	8,284,241	2,400,073	(367,962)

The Group's share of accumulated unrecognized losses from associates who are in net liability position was K367.96 million (2021: K2.36 billion) at the year end. Where the equity accounted value is zero, no further losses are recognised by IDC as there is no legal obligation to settle any liabilities.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

18 Interest in other entities (continued)

b. Investment in associates	Country of incorporation	% interest held	Total assets	Total liabilities	Net asset value	Share of net assets	Revenues	Profit/(loss)	Share of profit/(loss)	Share of profit/(loss) not recognised
31 December 2021										
Konkola Copper Mines Plc	Zambia	20.6%	31,696,170	(53,131,536)	(21,435,366)	-	27,318,364	(9,825,055)	-	(2,023,961)
Kansanshi Mining Plc	Zambia	20.0%	84,810,384	(15,555,572)	69,254,812	13,850,962	39,569,003	12,086,497	2,417,299	-
Copperbelt Energy Corporation Plc	Zambia	24.1%	11,244,187	(5,753,555)	5,490,632	1,323,242	6,739,600	1,008,402	243,024	-
CNMC Luanshya Copper Mine Plc	Zambia	20.0%	5,491,146	(3,358,504)	2,132,642	426,528	10,166,621	2,132,644	426,528	-
Maamba Collieries Limited	Zambia	35.0%	17,904,627	(13,821,748)	4,082,879	1,429,008	3,968,892	(222,030)	(77,710)	-
Lubambe Copper Mines Limited	Zambia	20.0%	4,743,904	(14,927,788)	(10,183,884)	-	2,923,911	(1,810,259)	-	(362,051)
Rembrandt Properties Limited	Zambia	49.0%	142,676	(100,801)	41,875	20,519	-	-	-	-
Zambia Consolidated Gold	Zambia	45.0%	46,962	(9,406)	37,556	16,900	44,965	(10,221)	(4,599)	-
Elsewedy Electric Limited	Zambia	40.0%	377,136	(92,714)	284,422	113,769	247,077	68,357	27,342	-
Zambia Electrometer Limited	Zambia	40.0%	6,338	(123,187)	(116,849)	-	-	(17,159)	-	(6,863)
Indo Zambia Bank Limited	Zambia	40.0%	10,960,472	(9,611,243)	1,349,229	539,692	1,674,090	278,574	111,429	-
ZANACO PLC	Zambia	25.0%	26,104,104	(24,050,453)	2,053,651	513,413	3,537,273	990,283	247,570	-
Kagem Mining Limited	Zambia	25.0%	1,658,912	(947,378)	711,534	177,883	1,548,533	536,186	134,046	-
Bangweulu Power	Zambia	20.0%	787,055	(832,688)	(45,633)	-	105,058	150,916	-	30,183
Ngonye Power	Zambia	20.0%	720,200	(647,870)	72,330	14,466	89,885	79,100	15,819	-
Lusaka Trust Hospital	Zambia	45.0%	172,629	(145,049)	27,580	12,411	62,129	40,552	18,248	-
Zambia Reinsurance Plc	Zambia	28.2%	112,964	(20,684)	92,280	25,838	78,759	1,307	366	-
Zepre	Zambia	0.5%	8,011,999	(3,055,722)	4,956,277	28,251	2,672,829	361,066	2,058	-
Marcopolo	Zambia	22.6%	2,534,890	(394,963)	2,139,927	534,982	559,965	181,389	45,347	-
ZICB	Zambia	30.2%	1,625,991	(1,116,972)	509,019	153,775	145,352	12,993	3,925	-
			209,152,746	(147,697,833)	61,454,913	19,181,639	101,452,306	6,043,542	3,610,692	(2,362,692)

The Group's share of accumulated unrecognized losses from associates who are in net liability position was K2.36 billion (2020: K1.13 billion) at the year end. Where the equity accounted value is zero, no further losses are recognised by IDC as there is no legal obligation to settle any liabilities.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

19 Loans due from related parties

	2022	2021
At 1 January	35,416	49,507
Receipts	(58,012)	-
Additions	34,738	-
Interest accrued	396,118	-
Exchange differences	(377,665)	(14,091)
At 31 December	30,595	35,416

Breakdown analysis of the loans due from related parties

		2022	2021
Bangweulu Power Company Limited	Associate	26,365	31,186
Zambia China Mulungushi Textiles Limited	Subsidiary	2,628	2,628
Pelidic Zambia Limited	Project	1,602	1,602
		30,595	35,416

The terms of loans are disclosed below:

Bangweulu Power Company Limited
Unsecured shareholding loan of USD1.77 million with a 4 years tenor to Bangweulu for the start up capital . The rate of interest is at 10 .40 % p.a.

Zambia China Mulungushi Textiles Limited
K5 million unsecured shareholder loan at an annual interest rate of 10% for a period of 3 years. The purpose of the loan was to settle all staff related obligations.

Pelidic Zambia Limited
This is unsecured shareholding loan of K1 million with a 3 years tenure. The rate of interest is at 24.63 % p.a.

20 Financial assets at fair value through profit or loss

Reconciliation of carrying amounts

	2022	2021
At 1 January	1,458,000	292,000
Changes in fair value	(205,600)	1,166,000
At 31 December	1,252,400	1,458,000

2022		**% Holding**	**At 1 January**	**Valuation movement**	**Valuation 31 December**
NFC Africa Mines Plc	Zambia	15.0%	1,458,000	(205,600)	1,252,400
2021					
NFC Africa Mines Plc	Zambia	15.0%	292,000	1,166,000	1,458,000

Measurement of fair value

Fair value hierarchy
The fair value for the Group's financial investments at fair value through profit or loss was determined by IMARA Corporate Finance, an external independent valuer, having appropriate recognised professional qualifications and recent experience of the financial investments being valued.The independent valuers provide the fair value of these investments annually.

The fair value measurement for the Groups's investments of K1.25 billion (2020: K1.46 billion) has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

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

Levels 2 and 3 fair value

2022	**Level 2**	**Level 3**	**Total**
Balance at 1 January	-	1,458,000	1,458,000
Net change in fair value	-	(205,600)	(205,600)
Balance at 31 December	-	1,252,400	1,252,400

2021			
Balance at 1 January	-	292,000	292,000
Net change in fair value	-	1,166,000	1,166,000
Balance at 31 December	-	1,458,000	1,458,000

i) Valuation Technique

Level 3 fair value

The following table shows the valuation technique used in measuring the fair value of investment in fair value through profit or loss, as well as the significant unobservable inputs used. Financial Assets at FV through Profit and loss.

Investee name	**Valuation technique**	**Significant unobservable inputs and assumptions**	**Inter-relationship between Key unobservable inputs and fair value measurement**
NFC Africa Mines Plc	It is an income approach to valuation and the most widely used valuation methodology. It computes the value of a business by calculating the present value of anticipated future cash flows generated by the business. The expected net cash flows are discounted using risk adjusted discount rates. There has been no changes to the valuation technique applied in the prior year. The relative valuation methodology values a company using market-based multiples, including operational and asset-based met.	Target participation capital structure Debt to total capitalisation (2022: 21.0%, 2021: 14.3%%). Equity to total capitalisation (2022: 79.0%, 2020: 85.7%%). Cost of debt - Cost of debt (2022: 10.0%, 2021: 13.4%) - Effective tax rate (2022:30 %, 2021: 30%) - After tax cost of debt (2022: 7.0 %, 2021: 9.4%). Cost of equity - Risk free rate (2022:3.90 %, 2021: 1.51%) - Market risk premium (2022:13.2%, 2021:16.1%) - Levered beta (2022: 1.16, 2021: 1.06) - Cost of equity (2022: 19.2%, 2021: 18.5%) - WACC: (2022: 16.6%, 2021: 17.2%). - Mineral Royalty tax is assumed as follows for copper (a sliding scale – from 4% to 10%, with the higher bands being: 10% for Cu price over USD9,000/t. Mineral royalty is treated as deductible from income tax from 2023 onwards.	The estimated fair value would increase/ decrease if: • Equity to total capitalisation were lower/ higher. • Cost of debt were lower/ higher. • The cost of equity were lower/higher. • If the copper price reduced/ increased the fair value would be lower/higher.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

21 Financial assets at amortised cost and fair value through OCI

a) Financial assets at amortised cost

	2022	2021
Non current		
Government securities (i)	17,542	27,379
Bank fixed term deposits (ii)	2,508	3,508
Corporate bonds (iv)	3,680	7,188
COMESA yellow card reinsurance	-	552
Collective investment scheme	336	254
Treasury bills (iii)	568	20,686
	24,634	59,567
Less : Provision for impaired investment	(2,508)	(3,508)
At 31 December	22,126	56,059

The financial assets at amortized costs comprise:

	2022	2021
i) Government Bonds		
Five year maturity	10,741	3,900
Seven year maturity	1,743	6,846
Ten year maturity	2,039	5,109
Fifteen year maturity	3,019	11,524
	17,542	27,379
ii) Bank fixed deposits		
Two year maturity	2,508	3,508
Less:Provision	(2,508)	(3,508)
	-	-
iii) Treasury bills		
91 days	-	5,481
182 days	-	5,459
364 days	568	9,746
	568	20,686
iv) Corporate bonds		
Ten year maturity	-	3,508
Fifteen year maturity	3,680	3,680
	3,680	7,188

b) Other financial assets at amortised cost

Term deposits relate to fixed deposits placed in various banks.

The movement in term deposits is as follows:

	2022	2021
At the start of the year	800,262	306,355
Matured during the period	(800,262)	(306,355)
Additions	5,415,472	800,262
At the end of the year	5,415,472	800,262

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

21 Financial assets at amortised cost (continued)

A lien/charge in the sum of USD550,000 was created over the term deposit as security for the payment of an overdraft facility and a balance is included in the total of K5.42 billion (2021: K800.26 million). The Company performs the Expected Credit loss (ECL) on term deposits. Based on the assessment, the ECL was considered immaterial for both 2022 and 2021.

c) Financial assets at fair value through OCI

Investment in shares listed on LUSE

The details and carrying amounts of financial assets at FVOCI are as follows:

	2022	2021
At the beginning of the year	67,899	110,794
Disposals	(40,694)	(40,704)
Fair value adjustments	51,187	(2,191)
At the end of the year	78,392	67,899

	Number of shares	Market share price Kwacha	Market value 2022	Market value 2021
Commerce Bank Plc	381,140	1.00	381	381
Development Bank of Zambia	7,000	0.14	2	2
First Quantum Minerals Limited	1,063,830	3.70	3,723	3,723
Lafarge Cement Zambia Plc	307,604	1.95	4,260	4,260
National Breweries Plc	39,253	9.20	361	511
Pamodzi Hotels Plc	37,400	0.60	22	22
Zambia Privatization Trust Fund	124	500	62	62
Zanaco Bank Plc	6,250	3.19	19,937	11,876
ZAFFICO Plc	8,000	1.95	15,600	15,600
Zambian Breweries Plc	2,307	6.75	16	16
ZEP-Re Insurance	267,315	0.12	34,028	31,446
			78,392	67,899

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

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

22 Biological assets - plantation in formation

The Group's biological assets comprise of pine,tea plantation, palms and eucalyptus.

	2022	2021
At 1 January	2,964,618	936,686
Changes in fair value	2,908,652	2,211,511
Capitalized operating expenses	-	(183,579)
	5,873,270	2,964,618
Eliminated in respect of thinning	(68,124)	(65,772)
Volume gain	645	939
At 31 December	5,805,791	2,899,785
Impairment loss		
At the start of the year	65	(52,556)
Write back of impairment	-	52,556
Charge for the year	(63)	65
At the end of the year	2	65
Net book value	5,805,793	2,899,850

Capitalisation of expenses

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

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

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

Tea plantation	50 years
Pine	25 years
Palms	4 years
Eucalyptus	15 years

23 Inventories

	2022	2021
Fuel	23,656	17,685
Goods in transit	49,427	9,049
Materials	5,956,166	5,375,642
Other inventories	1,329,517	1,642,259
Loss allowance for slow moving inventory	(217,871)	(219,120)
	7,140,895	6,825,515

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

	2022	2021
At 1 January	219,120	3,162
Impairment (reversal)/charge	(1,249)	215,958
At 31 December	217,871	219,120

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

24 Trade and other receivables

	2022	2021
Trade receivables	15,857,753	20,482,436
Loss allowance	(12,179,924)	(18,450,201)
Trade receivables-net	3,677,829	2,032,235
Prepayments	211,643	2,492,620
Other receivables	1,245,542	1,886,634
	5,135,014	6,411,489

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

25 Assets held for sale

	2022	2021
Property,plant and equipment	17,956	17,956
Unsold shares in Zaffico*	71,732	347,535
Government bonds**	2,103,761	1,478,611
Investment in subsidiaries (a)	179,090	-
Investment property	2,372,539	1,844,102

*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 13.81 million valued at K17.96 million.

**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.

(a) Investment in subsidiaries - asset held for sale

	2022	2021
At 1 January		
Investrust Bank Plc	2,097,750	1,456,954
Mushe Milling Company Limited	6,011	21,657
At 31 December	2,103,761	1,478,611

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

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

	2022	2021
At 1 January		
Investrust Bank Plc	2,249,997	1,606,593
Mushe Milling Company Limited	58,497	71,985
At 31 December	2,308,494	1,678,578

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

25 Assets held for sale (continued)

(c) Financial performance and cash flow information

The financial performance and cash flow information presented for Investrust Bank Plc and Mushe Milling Limited are for the year ended 31 December 2022 and 2021.

	At 31 December 2022			At 31 December 2021		
	Mushe Milling Company Limited	Investrust Bank Plc	Consolidated	Mushe Milling Company Limited	Investrust Bank Plc	Consolidated
Financial performance						
Revenue / interest income	38,925	206,224	245,149	38,145	217,309	255,454
Cost of sales /interest expense and operating expenses	(55,338)	(260,818)	(316,156)	(66,211)	(250,008)	(316,219)
Gross loss	(16,413)	(54,594)	(71,007)	(28,066)	(32,699)	(60,765)
Other income	18	53,471	53,489	483	47,772	48,255
(Loss)/profit before tax	(16,395)	(1,123)	(17,518)	(27,583)	15,073	(12,510)
Income tax charge	-	(1,485)	(1,485)	(20,427)	-	(20,427)
(Loss)/profit for the year	(16,395)	(2,608)	(19,003)	(48,010)	15,073	(32,937)
(Loss)/profit attributable to non-controlling interest	-	(746)	(746)	-	4,311	4,311
Cashflow information						
Net cash (outflow)/inflow from operating activities	(1,569)	(4,874)	(6,443)	(27,703)	301,528	273,825
Net cash outflow from investing activities	-	(342)	(342)	(57)	(5,104)	(5,161)
Net cash inflow / (outflow) from financial activities	1,969	-	1,969	51,711	(16,089)	35,622
Net cash movement	400	(5,216)	(4,816)	23,951	280,335	304,286

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

25 Assets held for sale (continued)

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

The following assets and liabilities were reclassified as held for sale in relation to Investrust Bank Plc and Mushe Milling Company Limited as at 31 December 2022 and 31 December 2021.

	At 31 December 2022			At 31 December 2021		
	Mushe Milling Company Limited	Investrust Bank Plc	Consolidated	Mushe Milling Company Limited	Investrust Bank Plc	Consolidated
Assets classified as held for sale						
Property, plant and equipment	5,296	51,327	56,623	5,469	51,669	57,138
Intangible assets	-	1,603	1,603	-	1,603	1,603
Financial assets through profit or loss	-	584	584	-	584	584
Term deposits	-	829,211	829,211	-	653,818	653,818
Trade and other receivables	-	811,725	811,725	1,060	416,097	417,157
Inventories	144	51,077	51,221	402	51,077	51,479
Other assets	-	74,907	74,907	-	74,907	74,907
Cash and cash equivalents	571	277,316	277,887	14,726	207,199	221,925
Total assets of the disposal group held for sale	6,011	2,097,750	2,103,761	21,657	1,456,954	1,478,611
Liabilities directly associated with assets classified as held for sale						
Borrowings	(32,387)	-	(32,387)	(44,749)	-	(44,749)
Trade and other payables	(26,110)	(2,249,997)	(2,276,107)	(27,236)	(1,606,593)	(1,633,829)
	(58,497)	(2,249,997)	(2,308,494)	(71,985)	(1,606,593)	(1,678,578)
Total liabilities directly associated with assets classified as held for sale	(58,497)	(2,249,997)	(2,308,494)	(71,985)	(1,606,593)	(1,678,578)
Net liabilities held for sale	(52,486)	(152,247)	(204,733)	(50,328)	(149,639)	(199,967)

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

26 Cash and cash equivalents

	2022	2021
Cash and cash equivalents	4,904,638	3,783,074
Fixed deposits	32,236	14,210
	4,936,874	3,797,284

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:

	2022	2021
Balances as above	4,936,874	3,797,284
Bank overdrafts	(717,834)	(85,069)
Balances per statement of cash flows	4,219,040	3,712,215

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

27 Share capital

	2022	2021
Issued and fully paid ordinary shares of K1 each	10,000	10,000
Conversion	1,490,000	-
	1,500,000	10,000
Authorised ordinary share of K1 each	1,500,000	20,000

The authorised share capital of the Company is K1,500 billion (2021: K20 million) comprising 1,500,000,000 (2021: 20,000,000) ordinary shares at a par value of K1.00 each. The issued and fully paid-up share capital is at K1,500 billion (2021: K10 million) comprisng 1,500,000,000 (2021:10,000,000) ordinary shares at a par value of K1.00 each. Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

28 Capital and other reserves

31 December 2022	Capital reserve	Revaluation reserve	Translation reserve	Total
At the start of the year	15,426,744	16,272,315	16,977,579	48,676,638
Transactions with owners	612,088	-	-	612,088
Gains on properties revaluation	-	67,613	-	67,613
Deferred tax on properties revaluation	-	(4,779)	-	(4,779)
Amortization on revaluation reserve	-	(673,936)	-	(673,936)
Currency translation	-	-	(1,204,919)	(1,204,919)
At the end of the year	16,038,832	15,661,213	15,772,660	47,472,705
31 December 2021				
At the start of the year	15,426,744	15,946,788	12,562,362	43,935,894
Transactions with owners	-	-	-	-
Gains on properties revaluation	-	414,622	-	414,622
Deferred tax on property revaluation	-	(89,095)	-	(89,095)
Currency translation	-	-	4,415,217	4,415,217
At the end of the year	15,426,744	16,272,315	16,977,579	48,676,638

i) *Capital reserve*

The capital reserves represents the net assets value of State-Owned Enterprise (SOE) transferred by the Government of the Republic of Zambia through the Minister of Finance pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia to the Company and subsequent capital raised from non-operating activities.K612.09 billion relates to the capitalization incurred on Mulungushi Conference Centre Limited new building by the Ministry of Housing and Infrastructure Development.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

28 Capital and other reserves (continued)

ii) *Translation reserve*

The foreign currency translation reserve contains the accumulated foreign exchange differences from the translation of the financial statements of the Group's foreign operations that are not considered integral to the operations of the parent Company, arising when the Group's entities are consolidated. Subsidiary translation reserve for the year were as follows:

	2022	2021
Cash and cash equivalents	(28,538)	(2,816)
Trade and other receivables	230,243	(841,427)
Environmental Protection Fund	7,303	(28,376)
Borrowings	(2,172,561)	8,193,471
Retirement benefits	(25,167)	80,568
Provisions for environmental rehabilitation	(86,118)	314,215
Trade and other payables	(511,192)	973,936
Provisions	(29,110)	178,189
Total	(2,615,140)	8,867,760

iii) *Revaluation reserve*

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

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

29 Deferred income tax

The balances have been measured using the substantively enacted rate of 30% for 2021 (2021; 35%). The movement on the deferred income tax account is as follows:

	2022	2021
At the start of the year	(85,364)	(1,514,773)
Credit recongised in other comprehensive income	(4,779)	89,095
Over provision	-	1,259,865
Charge to profit or loss	290,788	80,449
At the end of the year	200,645	(85,364)

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

	At the start of the year	Recognised in profit or loss	Recognised in OCI	Under / (over) provision	At the end of the year	Deferred tax assets	Deferred tax liabilities
Year ended 31 December 2022							
Net unutilised tax losses	(4,391,810)	35,092	-	-	(4,356,718)	(4,356,718)	-
Accelerates capital allowances	12,591,567	(62,913)	-	-	12,528,654	-	12,528,654
Revaluation surplus and excess	(136,986)	6,760	(4,779)	-	(135,005)	(135,005)	-
Provision and other	(8,475,847)	254,926	-	-	(8,220,921)	(8,220,921)	-
Change in financial assets at fair	110,252	-	-	-	110,252	-	110,252
Unrealised exchange losses	(102,020)	13,717	-	-	(88,303)	(88,303)	-
Unrealised exchange gains	319,480	43,206	-	-	362,686	-	362,686
Total	(85,364)	290,788	(4,779)	-	200,645	(12,800,947)	13,001,592
Year ended 31 December 2021							
Net unutilised tax losses	(4,712,241)	(50,683)	-	371,114	(4,391,810)	(4,391,810)	-
Accelerates capital allowances	4,360,024	(129,111)	-	8,360,654	12,591,567	-	12,591,567
Revaluation surplus and excess	7,936,294	206,746	89,095	(8,369,121)	(136,986)	(136,986)	-
Provision and other	(9,505,744)	194,500	-	835,397	(8,475,847)	(8,475,847)	-
Change in financial assets at fair	110,252	-	-	-	110,252	-	110,252
Unrealised exchange losses	196,680	(104,255)	-	(194,445)	(102,020)	(102,020)	-
Unrealised exchange gains	99,962	(36,748)	-	256,266	319,480	-	319,480
Total	(1,514,773)	80,449	89,095	1,259,865	(85,364)	(13,106,663)	13,021,299

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

29 Deferred income tax (continued)

*The amount includes deferred tax on revaluation surplus of K4.78 million (2021 K89.10 million).

Subject to agreement with the Zambia Revenue Authority, the Group had estimated tax losses of K10.62 billion which are available for carry forward for a period of 10 years from the year in which they arose and for set off against future taxable profits. The cumulative tax losses comprise:

Year of Tax Loss	Expiry years of tax loss carry forward	Total Balance of 31 December 2022	Utilised	Tax Loss Carried Forward
2017	2027	(3,084,293)	3,084,293	-
2018	2028	(9,249,269)	9,249,269	-
2019	2029	(9,195,007)	9,195,007	-
2020	2030	(3,133,334)	3,133,334	-
2021	2031	(23,676,482)	13,057,588	(10,618,894)
Total		**(48,338,385)**	**37,719,491**	**(10,618,894)**

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

30 Capital grants

	2022	2021
At the start of the year	3,447,784	4,950,092
Grants received during the year	355,788	731,558
Transfer from REA	-	(174,751)
Amortization	(217,938)	(473,493)
Transfer to amounts awaiting allotment	(274,600)	-
Fair value reversal arising on concessioned loans	-	(1,585,622)
At the end of the year	3,311,034	3,447,784

Maturity analysis		
Non-current liability	3,170,851	3,302,214
Current liability	140,183	145,570
	3,311,034	3,447,784

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

Analysis of mark to market of balances included in capital grants and contribution

	2022	2021
At 1 January	-	1,585,622
Amortisation of mark to market adjustment arising on concessioned loans	-	(1,585,622)
Foreign exchange loss	-	-
At 31 December	-	-

31 Borrowings

At the start of the year	62,069,924	46,803,088
Received during the year	1,371,890	4,077,108
Payments during the year	(1,939,430)	(5,076,280)
Glencore GIAG and Carlisa facility	-	25,712,934
Exchange loss/(gain)	4,782,471	(11,032,548)
Fair value adjustment arising on concessioned loans	-	1,585,622
At the end of the year	66,284,855	62,069,924
Amounts due within one year	3,146,883	3,072,083
Amounts due after one year	63,137,972	58,997,841
	66,284,855	62,069,924

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

31	**Borrowings (continued)**	**2022**	**2021**
31.1	ZTE Corporation – Rural	194,282	194,282
31.2	ZTE Corporation – GSMIII	42,705	42,705
31.3	Huawei – National Fiber	136,907	136,907
31.4	Industrial Commercial Bank of China & Export Import Bank	15,705,085	15,647,358
31.5	China Machinery Engineering Corporation Limited	213,232	213,232
31.6	Industrial Commercial Bank of China	3,134,025	3,134,025
31.7	China Exim Bank	1,786,434	1,786,434
31.8	Nordea Stanbic Bank	1,572,442	1,572,442
31.9	China Exim Bank	814,048	751,827
31.10	National Pensions Scheme Authority (Kafue Gorge Lower)	4,970,209	4,231,259
31.11	National Pensions Scheme Authority (Marcopolo Tiles Company)	123,055	154,987
31.12	African Development Bank	677,295	605,644
31.13	Industrial Commercial Bank of China Facility-Chipata-Lundazi	410,198	410,198
31.14	Industrial Commercial Bank of China Facility Loan - Musonda Falls	422,724	422,724
31.15	Industrial Commercial Bank of China Facility -Mpika Transmission	443,039	443,039
31.16	GRZ/Agency Francaise De Development	485,396	485,396
31.17	Mpande Limestone Limited - Bridging Finance	-	12,138
31.18	GRZ/International Development Agency	1,402,169	1,339,167
31.19	DBSA - Kafue George Hydro Power Station	1,450,708	1,412,365
31.20	European Investment Bank 1	747,025	689,927
31.21	CNMC Industrial Zone Development	24,736	24,736
31.22	GRZ/World Bank Facility 2	58,486	54,016
31.23	GRZ/International Development Association- Kafue Muzuma	751,304	693,879
31.24	GRZ/World Bank	79,711	73,619
31.25	GRZ/Japan International Cooperation Agency	300,336	300,336
31.26	Nigeria Trust Fund	155,405	134,636
31.27	European Investment Bank	254,661	235,196
31.28	China Exim Bank-Ii Kabwe-Pensulo	131,424	127,448
31.29	Agence Francaise de Development	57,704	56,617
31.30	EIB - LTDRP Loan Facility	777,816	718,365
31.31	India Exim Bank Loan 2	280,388	280,388
31.32	Geria International Investments Llc	233,329	233,329
31.33	ABSA Lease	65,219	65,219
31.34	Glencore GIAG and Carlisa facility	28,341,270	25,343,996
31.35	ZICB BOZ Stimulus Loan	17,193	17,193
31.36	ZICB Infratel Facility	3,230	3,230
31.37	Reload Logistics	21,665	21,665
		66,284,855	62,069,924

31.1 ZTE Corporation – Rural

The loan obtained by Zamtel is denominated in US Dollars.The loan was obtained to finance the supply, delivery and installation and commissioning of the Rural Telecommunication Network. Interest is at 6 months USD libor+ 4% p.a. The effective interest rate is 4.5%. The loan is payable over a period of three (3) years with a grace period of 6 months from May 2010. Vendor financing liabilities are secured by a third-party guarantee by the Government of the Republic of Zambia. The balance as at the reporting date was K194.28 million.

Notes to the consolidated annual financial statements (continued)

31 Borrowings (continued)

31.2 ZTE Corporation – GSMIII

The loan obtained by Zamtel is denominated in US Dollars. The loan was obtained to finance the supply, delivery and commissioning of GSM Cellular Telephone Systems. Interest is at 6 months USD libor + 4%p.a. The effective interest rate is 4.5%. Repayment is three (3) years beginning two (2) years grace period from the May 2010. Vendor financing liabilities are secured by a third-party guarantee by the Government of the Republic of Zambia.The balance as at the reporting date was K42.71 million.

31.3 Huawei – National Fibre

The financings were obtained to finance the supply, delivery, and installation and commissioning of the SDH Optical Fibre Network by Zamtel. The loans are denominated in US Dollars and bear interest at 6 months USD libor + 4% p.a. The effective interest rate is 4.5%. Repayment is three (3) years beginning two (2) years grace period from November 2010. Vendor financing liabilities are secured by a third-party guarantee by the Government of the Republic of Zambia. The balance as at the reporting date was K136.91 million.

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

On 13 November 2018, a facility agreement of up to USD1.53 billion was signed between Kafue Gorge Lower Power Development Corporation Limited, Industrial and Commercial Bank of China Limited and The Export-Import Bank of China. Drawdowns had only begun after the financial close was achieved in June 2019. As at 31 December 2021 the total outstanding was K15.71 billion.

31.5 China Machinery Engineering Corp. Limited

This is a USD15 million facility (Bridging finance) obtained from China Machinery Engineering Corporation (CMEC) by ZESCO Limited on the 31 May 2019. The facility was obtained for the construction of Lusiwasi Upper Hydropower Station. The tenure of the facility is 18 months from the date when the agreement came into effect to the date when the funds are available from the financial institutions. Funds and Interest shall be repaid at once after ZESCO Limited obtains financing or in Twelve equal instalments whichever comes earlier. The interest is charged at 6% fixed per annum. The balance at the reporting date was K213.23 million.

31.6 Industrial Commercial Bank of China

This is a USD285 million loan facility obtained by Zesco from Industrial Commercial Bank of China on 30 May 2011 to finance the Pensulo-Msoro-Chipata West 330 KV and Pensulo-Kasama 330 kV Transmission lines. Interest is 2.5% Margin plus LIBOR (Screen Rate), the Loan will be repaid over 10 years. The loan is denominated in United States Dollar and the balance at the reporting date was K3.13 billion.

31.7 China Exim Bank

This is a USD315.6 million loan facility obtained by Zesco from China Exim Bank in October 2008 with tenure of 15 years. Interest is computed at LIBOR plus 2% per annum. The facility is secured by receivables from Copperbelt Energy Corporation and Chambeshi Mining Company. The loan is denominated in United States Dollar and as at reporting date, the loan balance was K1.79 billion.

31.8 Nordea Stanbic Bank

This is a USD133 million loan facility obtained by ZESCO from Nordea bank on 14 August 2014. The loan was obtained to finance the connection of Northwestern Province to the National Grid. The loan shall be repaid over a 14-year period including a grace period of 2 years. The interest rate is 3.69% per annum payable semi annual. The loan facility is in United States Dollar and the balance at the reporting date was K1.57 billion.

31.9 China Exim Bank

This is a USD45 million facility obtained by ZESCO from China Exim bank through the Ministry of Finance on 13 October 2014. The loan was obtained to Finance the Kariba North Bank- Kafue west 330KV transmission project. The interest rate is 2%. The facility is in United States Dollar and the balance as at the reporting was K814.05 million.

Notes to the consolidated annual financial statements (continued)

31 Borrowings (continued)

31.10 National Pensions Scheme Authority (Kafue Gorge Lower)

The loan facility of USD190 million from National Pension Scheme Authority (NAPSA) denominated in United States Dollars was issued to Industrial Development Corporation Limited as the principle 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 disbursement 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. The facility is in United States Dollar and the amount as at the reporting date was K4.97 billion.

31.11 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.The balance at the reporting date was K123.06 million.

31.12 African Development Bank

This is a USD30 million loan facility obtained from the African Development Bank (AFDB) by the Government of the Republic of Zambia on 19 December 2012. The loan was obtained to finance the transmission line for the Itezhi-Tezhi Hydro Power and Transmission Line Project. The loan facility is in United States Dollars and the balance at the reporting date was K677.30 million.

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

This is a USD 36.84 million facility obtained from Industrial and Commercial Bank of China by Zesco Limited on 10th August 2017. The loan facility was obtained to finance the connection of Lundazi and Chama to the National Grid. This loan shall be repaid over a 15 year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollars and the balance at the reporting date was K410.20 million.

31.14 Industrial and Commercial Bank of China Loan - Musonda Falls

This is a USD35.25 loan facility obtained from Industrial and Commercial Bank of China by Zesco Limited on 26th January 2017. The loan facility was obtained to finance the rehabilitation and upgrading of Musonda Falls Hydro Power Plant. The loan shall be repaid over a 15 year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollars and the balance at the reporting date was K422.72 million

31.15 Industrial and Commercial Bank of China Loan - Mpika Transmission

This is a USD29.6 million facility obtained from Industrial ad Commercial Bank of China by Zesco Limited on 13th July 2016. The loan facility was obtained to finance the improvement of power supply in Mpika. The loan shall be repaid over a 15 year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollars and the balance at the reporting date was K443.04 million.

31.16 GRZ/Agence Francaise De Development

This is a USD34.4 million loan facility obtained from the Agence Francaise De Development (AFD)on 18th December 2012 by the Government of the Republic of Zambia and on-lent to ZESCO to finance the construction of Itezhi Tezhi Hydro Power Station. Interest is computed at 1.5% semi annum and the loan (principal plus interest) will be repaid over 25 years including 5 years grace period. The loan is denominated in United States Dollars. The total draw downs in the year under review were K54.9 million and the balance at the reporting date was K485.40 million.

31.17 Mpande Limestone Limited – Bridging Finance

The facility was obtained (Bridging Finance) for the power connection to Mpande Limestone (Z) Limited on 23 March 2018. It is to be paid in 45 months. The interest on this facility is at 4.5%. The balance at the reporting date was nil.

Notes to the consolidated annual financial statements (continued)

31 Borrowings (continued)

31.18 GRZ/International Development Agency

This is a USD105 million loan facility obtained from the International Development Association on 3 October 2013 by the Government of the Republic of Zambia and on lent to Zesco to finance the Lusaka Transmission and Distribution Rehabilitaion Project. Interest is charged at 1.5% semi- annum and the loan is denominated in United Sates Dollars and the balance at reporting date was K1.40 billion.

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

This is a ZAR210.4 million and USD104 million loan facility obtained from Development Bank of South Africa. The ZAR210.4 million loan was obtained to finance the Power Rehabilitation Projects. The duration of the loan is 20 years including a grace period of 5 years. The loan facility has a fixed interest rate of 15.25% per annum. The balance at the reporting date was K1.45 billion.

31.20 European Investment Bank

This is a EUR 50 million loan facility from the European Investment Bank (EIB) by the Government of the Republic of Zambia on the 10 December 2012. The facility was obtained for the purpose of financing the Itezhi-Tezhi Hydro Power plant, Mumbwa Substation and Lusaka West - Mumbwa Transmission Line Project. The facility shall be settled over a period of twenty-five (25) years including a grace period of five (5) years. The interest is charged at 1.2% per cent per annum. The loan facility is in Euros and the balance at the reporting date was K747.03 million.

31.21 CNMC Industrial Zone Development

The facility was obtained as capital contribution in 2009 on the Chambishi line from CNMC Industrial Zone Development who contributed 40% of the total project costs of USD27.8 million (i.e. USD11.1 million). It is to be paid in 180 equal instalments of USD61,778 per month. There is no interest on this amount and there is no security attached to the agreement. The balance at the reporting date was K24.74 million.

31.22 GRZ/World Bank Facility 2

This is a USD10 million loan facility obtained from World Bank by Government of Republic of Zambia on 21 March 2010. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 20-year period including a grace period of 5 years. The loan will have a 2% interest charge per annum. The loan facility is in United States Dollar and the balance at the reporting date was K58.49 million.

31.23 GRZ/International Development Association-Kafue Muzuma

This is a USD11 million loan facility obtained from the International Development Association on 6 December 2012 by the Government of the Republic of Zambia and on lent to ZESCO to finance the Kafue Muzuma Transmission Project. Interest shall be computed at 2% per annum and the loan (principal plus interest) will be repaid over 20 years including 5 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was 751.30

31.24 GRZ/World Bank

This is a USD16 million loan facility obtained from World Bank by Government of Republic of Zambia on 9 February 2009. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 20 year period including a grace period of 5 years. The loan will have a 2% interest charge per annum. The loan facility is in United States Dollar and the balance at the reporting date was K79.71 million.

31.25 GRZ/Japan International Cooperation Agency (JICA)

This is a Yens 5 billion loan facility obtained from JICA by Government of Republic of Zambia on 1 November 2010. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 15-year period including a grace period of 5 years. The interest is charged at 0.05% per annum. The loan facility is in Japanese Yen and the balance at the reporting date was K300.34 million.

Notes to the consolidated annual financial statements (continued)

31 Borrowings (continued)

31.26 Nigeria Trust Fund

This is a USD6.4 million loan facility obtained from the Nigerian Trust Fund by the Government of the Republic of Zambia on the 19 December 2012. The loan was lent to ZESCO Limited for the purpose of financing the Itezhi-Tezhi Hydro Power and Transmission Line project. The loan shall be repaid over a period of twenty-five (25) years including a grace period of five (5) years. The interest is charged at zero point seventy-five (0.75%) per annum fixed interest rate. The loan facility is in United States Dollars and the balance at the reporting date was K155.41 million.

31.27 European Investment Bank

This is a EUR22 million loan facility obtained from the European Investment Bank (EIB) by the Government of the Republic of Zambia on the 4 of December 2012. The Government agreed to on-lend to ZESCO Limited on the terms and conditions set forth in the finance contract. The purpose of the facility was to finance the Kafue-Livingstone Transmission Line Project. The loan facility shall be repaid to the Government in equal semi-annual installments beginning five (5) years after the signature date of the on lending loan and ending ten (10) years after the date of such agreement. The interest is charged at one and half percent (1.5%). The loan balance at the reporting date was K254.66 million.

31.28 China Exim Bank - Ii Kabwe - Pensulo

This is a USD16.94 million facility (Bridging finance) obtained from China Jiangxi International Corporation (CJIC) by ZESCO Limited on the 20 August 2018. The facility was obtained for the construction of the second Kabwe Stepdown-Pensulo 330KV Transmission Line project. The tenure of the facility is 16 months. Funds and Interest shall be repaid in 16 successive instalments. The interest is charged at 10% fixed per annum. The balance at the reporting date was K131.42 million.

31.29 Agence Francaise de Development

This is a €40 million loan facility obtained from Agence Francaise de Development by GRZ and on lent to ZESCO Limited on the 23 June 2016 to finance the improvement of power supply in Southern Division. The loan shall be repaid over a 20-year period including a grace period of 5 years. The interest rate 5.00% per annum Fixed. The loan facility is in Euros and the balance at the reporting date was K57.70 million.

31.30 GRZ/European Investment Bank - LTDRP Loan Facility

This is a USD106 million loan facility obtained from European Investment Bank on 3 October 2013 by the Government of the Republic of Zambia and on lent to ZESCO to finance the Lusaka Transmission and Distribution Rehabilitation Project. Interest is charged at 1.2% semi annum and the loan principal plus interest will be repaid over 30 years including 10 years grace period. The loan is denominated in United States Dollars. The balance at the reporting date was K777.82 million

31.31 India Exim Bank Loan 2

This is a USD20.35 million loan facility obtained from India Exim Bank on 11th April 2018 to finance the construction of 142km 132kV transmission line from Leopards Hill to Chitope along the 33 kV distribution network. The interest rate is LIBOR plus 3%. The facility is in United States Dollars and the balance at the reporting date was K280.39 million.

31.32 Geria International Invetments Llc

This is a USD10 million loan facility obtained from Geria International Investment LLC on 2nd April 2019. The loan was obtained to finance the supply, delivery and commissioning of the Leopards Hill Switchyard, Mpashya and Chitope 132/33kV substations and construction of staff houses and offices. The loan tenure is 6 years. The interest rate is 9.85% fixed. The facility is in United States Dollars and the balance at the reporting date was K233.33 million.

Notes to the consolidated annual financial statements (continued)

31 Borrowings (continued)

31.33 ABSA Lease

This is a K100 million loan facility from ABSA Bank Zambia Plc for the purchase of 89 brand new motor vehicles from Toyota Zambia. Finance charges on this facility are at 10.5% plus Bank of Zambia Policy Rate (BPR). This credit agreement was signed on 3rd June 2021. Principal and interest are paid monthly and the loan tenure is for 3 years. The facility balance at the reporting date was K65.22 million.

31.34 Glencore GIAG and Carlisa facility

The facility amount is for K24.95 billion (USD1.5 billion) with repayment period ending 2035 or any such later date as agreed amongst the Parties in writing from time to time. ZCCM-IH has guaranteed the obligations of Mopani under the GIAG and Carlisa facility. Interest is capitalised for the first 3 years and thereafter payable quarterly at Libor plus 3%. The facility balance at the reporting date was K28.34 billion.

31.35 ZICB BOZ Stimulus Loan

In August 2021, an additional loan of K10 million was obtained for property maintenance, rehabilitation and modernisation of 10 Villas under phase 2 of the Mulungushi Village Rehabilitation Project. The loan repayment period is 5 years at an interest rate of 15.25% per annum against the Bank of Zambia stimulus package with a moratorium of 6 months. The loan balance at the reporting date was K17.19 million.

31.36 ZICB Infratel Facility

Infratel obtained an approved facility from the Zambia Industrial Commercial Bank for the purpose of financing the purchase of the Azure Stack. On 16th December 2021, a total of K3.06 million was drawn down at an interest rate of 22.75% plus the Bank of Zambia policy rate for a tenure of 60 months.The facility balance at the reporting date was K3.23 million.

31.37 Reload Logistics

On 7th February 2020, Zambia Cargo and Logistics Limited received an interest free loan amounting to USD1 million repayable over a 15 year period. The loan has been fair valued at an effective interest rate of 10%. No physical security is attached against this financing. The loan balance at the reporting date was K21.67 million.

Breach of loan agreements

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

(i) European Investment Bank

The Group was not in compliance with some covenants because the current ratio was less than 1, the Debt Service Cover ratio was less than 1, ratio of long-term debt to equity was more than1 and debt collection period was more than 45 days.

(ii) ABSA Bank Zambia Plc

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

(iii) Development Bank of South Africa

The Group was non-compliant with the DBSA loan covenants. The Group was in breach of the leverage ratio, debt service cover ratio and gearing ratio was more than 72%.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

31 Borrowings (continued)

Breach of loan agreements (continued)

(iv) Stanbic Bank

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

(v) Bank of China

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

(vi) Zanaco Bank

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

32 Retirement benefit obligations	**2022**	**2021**
Retirement benefits	4,306,142	3,765,983
Pensions - defined contribution plans	281,573	300,402
Pensions - defined benefit plans	-	7,574
	4,587,715	4,073,959
Non-current portion	4,228,373	3,581,750
Current portion	359,342	492,209
	4,587,715	4,073,959

Defined contribution plans

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

The Group's contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate. The Group has no further obligation once contributions have been paid.

The total expense recognised in the profit or loss of represents contributions payable to these plans by the Group.

Defined benefit plan

Under the plan, the employees are entitled to retirement benefits varying between 40% and 45% of final salary on attainment of a retirement age of 55. No other post – retirement benefits are provided to these employees.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for ZSIC General Insurance Limited, were carried out on 31 December 2022 by independent actuaries and consultants. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using projected unit credit method.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

32 Retirement benefit obligations (continued)

Defined benefit plan (continued)

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

	2022	2021
Expected return on plan assets	29.70%	26.00%
Expected rate of salary increase	20.30%	12.50%
Discount rate	15.30%	26.00%
Pension increase assumption	20.30%	17.50%
Long term price inflation	29.70%	12.50%

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

i) **Remeasurement on the defined liability**	2022	2021
Change in defined benefit obligation	26,939	-
Actuarial gains and losses arising from changes in financial	(203,886)	146,129
Return on plan assets (excluding amounts in net interest)	(176,947)	146,129

* There were no changes in the asset ceiling restrictions in the year.

The current service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.

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

	2022	2021
Current service cost	1,091,776	230,523
Interest cost	204,217	20,486
Total period costs included in staff costs	1,295,993	251,009

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

iii) **Amounts recognised in the statement of financial position are determined as follows:**	2022	2021
Present value of funded obligations	79,754	367,285
Net liability arising from defined benefit obligation	79,754	367,285

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

	2022	2021
Opening fair value of plan net liability	367,285	33,265
Interest income	15,922	59,132
Charge for the year expense	204,217	20,486
Contributions	(4,241)	(21,632)
Benefits paid	(33,349)	(20,050)
Translation	25,167	(80,568)
Actuarial gains	(203,886)	146,129
Current service costs	1,091,776	230,523
Closing fair value of plan net liability	1,462,891	367,285

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

33 Deferred income

	2022	2021
At January	14,012	19,497
Amortisation charge in profit or loss	(4,836)	(5,485)
Additions	1,636	-
At 31 December	10,812	14,012

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

34 Provisions

	2022	2021
Environmental Provision	1,221,068	1,198,814
Accrued legal costs*	176,111	72,097
Other provisions**	576,117	476,721
	1,973,296	1,747,632
Non-current portion	1,221,068	1,203,382
Current portion	752,228	544,250
	1,973,296	1,747,632

*Legal provision arises mainly from a number of legal cases involving the Group. These cases relate to various legacy matters of the old ZCCM Limited, mostly relating to employee cases and sale of houses. Legal provisions amounts are premised on claims against the Group before the courts of law and the likelihood of matter going in favour of the claimant as determined by the legal team. Legal provisions are payable within 12 months.

**Other provisions include provisions for consultancy fees regarding various investments projects, as well as staff related provisions which includes gratuity and leave pay. Other provisions are payable within 12 months. Gratuity disclosed as part of provisions is based on the employee contracts, and is fixed per contract as a rate of the total salary (known percentage of the agreed basic salary in the contract). The payment of the gratuity is also known (as end of contract). Therefore, both the timing and cost to the Group is known with certainty at every reporting date.

	2022	2021
Environmental Provision		
At the start of the year	1,198,814	173,522
Acquisition of subsidiary	-	1,215,007
Decrease in environmental provision charged to environmental assets	(42,887)	-
Charge for the year	(46,568)	128,771
Foreign exchange differences	6,699	(17,933)
Unwinding of discounts	18,892	14,271
Translation included in reserves	86,118	(314,215)
Payment	-	(609)
At the end of the year	1,221,068	1,198,814

The year-end balance represents restoration, rehabilitation and environmental provisions for the Company and its subsidiaries Mopani Copper Mines Plc, Limestone Company Limited (Limestone) and Kariba Minerals Limited (Kariba). The Group's provision is because of inherited environmental obligations from the old ZCCM Limited combined with environmental disturbances from mining operations at Mopani, Limestone and Kariba.

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

34 Provisions (continued)

Environmental Provision (continued)

The provisions have been assessed to cost K1.22 billion as at 31 December 2022 as compared to K1.19 billion as at 31 December 2021. The increase of K22.25 million is largely on account of exchange differences.

The provision represents the best estimate of the expenditure required to settle the obligations to rehabilitate environmental disturbances caused by mining operations. Mining companies are expected to make contributions to the Environmental Protection Fund, controlled by the Department of Mines and Mineral Development. Contributions made towards the fund reduces the environmental provision obligation. At the end of useful life of the mine, mining companies are obligated to rehabilitate the damage to the environment and all payments made to the Environmental Protection Fund will be reimbursed towards this rehabilitation.

The valuation for the environmental restoration provision on 31 December 2022 for the Company and subsidiaries were performed by independent consultants.

Assumptions
The following assumptions were taken into account: Inflation rate of 6.5% (2021: 7%), Discount rate of 3.99% (2021:1.26%) and time to settle of 5 to 25 years when cashflows are expected to be incurred.

Based on this assessment, there was an increase in the liability for ARO and remediation on an undiscounted basis after an inflation factor of 6.5% (2021: 7%) of approximately K1.22 billion (USD55.62 millionK.198 billion (2021: USD67.64 million). The discount factor of 3.99% was applied in 2022 (2021: 1.26%). The increase in the restoration provision in the current year is principally attributable to exchange movements. The changes in cash flow estimates result from new Net Present Value (NPV) estimates of the asset retirement obligation. An impact of a 10% movement in the inflation rate results into K356.54 million (2021: K371.50 million) change in the retirement and remediation liability while a 10% movement in the discount rate results into a K292.54 million (2021: K 85.41 million) change in the liability and corresponding mineral properties asset. For each mining area, the ARO cash outflows have been estimated to occur after the end of the mining over a period which is between 5 to 25 years.

35 Life Assurance Funds

	2022	2021
Opening balance	277,166	318,073
Transfer from policyholder liability (OCI)	23,612	(40,907)
At the end of the year	300,778	277,166
Analysis of policyholder liability		
Individual life - new series	-	(79)
Individual life - old series	156,966	129,802
Individual life - immediate annuities	120,907	89,883
Individual life - unit linked	18,730	31,203
Individual life - funeral	-	3,994
Company business (GLA, credit life and gratuity)	4,175	6,447
Medical	-	15,916
	300,778	277,166

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

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

36 Outstanding claims

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

	2022	2021
At 1 January	137,503	309,915
Additions during the year	303,776	133,901
Payments	(302,143)	(306,313)
At 31 December	139,136	137,503

37 Unearned premiums

Unearned premiums	15,140	94,901
	15,140	94,901

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

38 Trade and other payables

	2022	2021
Current		
Trade payables	32,110,188	28,146,803
Statutory liabilities	2,667,098	1,738,854
Accrued expenses	2,973,528	5,293,916
Other payables	2,740,076	1,185,264
	40,490,890	36,364,837
Non- current		
Other long-term payables		
Other payables and accrued expenses	260,270	54,228
	260,270	54,228

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

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

39 Change in fair value recognised in profit or loss

	2022	2021
Investment property (Note 12)	50,522	43,299
Fair value of plantations(Note 22)	2,908,652	2,211,511
Fair value of financial assets through profit or loss (Note 20)	(205,600)	1,166,000
	2,753,574	3,420,810

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

40 Cash flow information

a) Cash generated from operations

	Note	2022	2021
(Loss)/profit before income tax		(201,897)	200,880
Adjustments for:			
Gain on sale of property, plant and equipment	6	(2,420)	(908)
Interest income	8	(1,071,867)	(1,032,601)
(Profit)/loss from the sale of bonds	6	(150,401)	3,542
Change in fair value of plantation in formation	22	(2,908,652)	(2,211,511)
Change in fair value on financial assets at fair value through P/L	20	205,600	(1,166,000)
Interest expense on bank loans and overdrafts	8	4,737,005	2,932,765
Depreciation charge on right of use assets	11 (a)	53,379	265,153
Depreciation on property, plant and equipment	10	4,614,231	4,187,657
Depreciation charge on exploration and evaluation	13	8,654	8,654
Impairment of assets of property, plant and equipment	10	28,007	18,357
Net exchange losses on work in progress	10	(108,944)	3,730,816
Fair value gains on investment property	12	(50,522)	(43,299)
Impairment of goodwill	15	-	14,851,790
Impairment/(reversal) of joint ventures	18 (a)	5,903	(175,695)
Interest expense finance for lease liabilities	8	73,019	55,505
Foreign exchange losses on lease liabilities	8	3,605	4,086
Foreign exchange losses on loan due from related parties	8	377,665	14,091
Interest expense on loans due from related parties	8	396,118	-
Amortisation of intangible asset	15	170,358	39,726
Exchange differences on borrowings	31	4,782,471	(11,032,548)
Foreign exchange gains on cash and cash equivalents		(37,223)	(104,469)
Amortisation of grants and contributions	30	(217,938)	(473,493)
Income from equity accounted investments	18 (b)	(2,400,075)	(3,610,692)
Share of loss from joint venture	18 (a)	(1,792,748)	32,664
Changes in working capital			
- Trade and other receivables		1,276,475	(426,515)
- Inventories		(315,380)	(4,859,536)
- Trade and other payables		4,332,095	(2,134,939)
- Retirement benefits and obligations		513,756	1,168,424
- Movement in biological assets - Plantation in formation		-	183,579
- Deferred income		(3,200)	(5,485)
- Provisions		225,664	1,227,303
- Amount due from related parties		335,053	2,218,867
- Amount due to related parties		2,026,931	116,670
- Other assets		694,439	3,421,965
Cash generated from operations		15,599,161	7,404,803

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

40 Cash flow information (continued)

b) Net debt reconciliation

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

	2022	2021
Cash and cash equivalents (Note 26)	4,936,874	3,797,284
Borrowings (Note 31)	(66,284,855)	(62,069,924)
Bank overdrafts (Note 26)	(717,834)	(85,069)
Net debt	(62,065,815)	(58,357,709)

2021	Liabilities from financing activities (Borrowings)	Net Cash / (net of bank overdrafts)	Total
As at the start of year	(46,803,088)	5,104,823	(41,698,265)
Cashflows	(4,077,108)	-	(4,077,108)
Contracted during the year	(25,712,934)	(1,497,077)	(27,210,011)
Loan principal repayments	5,076,280	-	5,076,280
Exchange differences	9,446,926	104,469	9,551,395
At the end of the year	(62,069,924)	3,712,215	(58,357,709)
2022			
As at the start of year	(62,069,924)	3,712,215	(58,357,709)
Cashflows	(1,371,890)	469,602	(902,288)
Loan principal repayments	1,939,430	-	1,939,430
Exchange differences	(4,782,471)	37,223	(4,745,248)
At the end of the year	(66,284,855)	4,219,040	(62,065,815)

41 Related party transactions

The Industrial Development Corporation Limited (IDC) 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 Industrial Development Corporation Limited (IDC).

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

41 Related party transactions (continued)

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

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

	2022	2021
Receivables		
Government of the Republic of Zambia	2,685,373	3,014,049
Itezhi-Tezhi Power Corporation	883,548	819,831
Ministry of Finance	175,947	23,133
Zambia Power Company	2,182	-
Maamba Collieries	-	237,255
Rural Electrification Authority	3,898	8,418
Zambia Electrometer Limited	51,273	34,588
	3,802,221	4,137,274
Payables		
Itezhi-Tezhi Power Corporation	11,739,000	9,707,684
Elsewedy Electronic Zambia Limited	40,787	103,359
Kafue Gorge Power Development Limited	65,414	-
Government (Ministry of Home Affairs and others)	-	7,227
	11,845,201	9,818,270

ii) Loans due from related parties

		2022	2021
Bangweulu Power Company Limited	Associate	26,365	31,186
Zambia China Mulungushi Textiles Limited	Associate	2,628	2,628
Pelidic Zambia Limited	Subsidiary	1,602	1,602
		30,595	35,416

Refer to note 20 for more details

iii) Key management compensation

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

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

	2022	2021
Salaries and short-term emoluments	21,093	29,508
Director's fees	1,464	819
	22,557	30,327

Figures in thousands of Zambian Kwacha

Notes to the consolidated annual financial statements (continued)

42 Commitments

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

	2022	2021
Capital expenditure authorized but not yet contracted	5,900,065	5,207,279

43 Contingencies

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

44 Events occurring after the reporting period

a) Mopani Copper Mines Plc

On Friday 23 February 2024, ZCCM-IH held an extraordinary Meeting on where the shareholders approved a transaction amounting to USD1.1 billion investment by International Resources Holding RSC Limited ("IRH"), through its wholly owned subsidiary, Delta Mining Limited ("Delta"), for a 51% interest in Mopani Copper Mines plc ("Mopani"). This investment comprises of USD 620 million in new equity capital and shareholder loans (the "Transaction"). The execution of the transaction will be in accordance with the agreed upon terms of the Transaction Agreements.

- Mopani shall issue, and Delta shall subscribe for 7,181,633 ordinary shares in Mopani, comprising 51% of the entire issued share capital of Mopani, at a total price of USD620 million being a price per share of USD 86.33 of which USD 85.33 per share is share premium.

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

- Mopani shall repay USD19 million of the bridge facility agreement dated 20 January 2023, as amended, and restated from time to time, and presently between ZCCM-IH as lender and Mopani as borrower and this bridge loan agreement shall be amended and restated in accordance with the terms of the ZCCM-IH Amendment and Restatement Agreement into the ZCCM-IH Shareholder Loan Agreement
- Delta shall pay Glencore USD 400 million in accordance with the terms of the Glencore Payment Covenant resulting into full settlement of the debt that Mopani owes Glencore, and release of security over Mopani to be transferred to Delta in accordance with the Investor Loan Security Agreement.

Payment of USD150,000,000 Glencore Payment Covenant
After 31 December 2023 and following the finalisation of the Mopani Transaction, ZCCM-IH entered into an agreement with the Government of the Republic of Zambia (GRZ) for the settlement of USD150,000,000 plus interest to be paid by GRZ to Glencore on behalf of ZCCM IH. The USD150 million was a partial consideration for the write-down of the MCM's debt to Glencore. The loan agreement has zero interest with a repayment moratorium of five years and provides GRZ with an option to convert the loan into equity, subject to shareholders' and regulatory approvals.

Notes to the consolidated annual financial statements (continued)

44 Events occurring after the reporting period (continued)

(b) Mingomba Mining Limited- ZCCM -IH

Mingomba Mining Limited is a partnership between Mingomba Holdings Limited 52%, EMR Capital, 28%, and ZCCM-IH, 20%. MML was established in 2023 and is currently undertaking a drilling programme in the Mingomba license area in Chililabombwe, a tenement close to the Konkola Copper Mine ("KCM") and the Democratic Republic of Congo border area which was previously a part of the Lubambe mine licence area. Kobold is using Artificial Intelligence ("A.I") computer-based techniques in the exploration process, which will help fast track the process to orebody definition and thereafter, mine development. So far, Kobold has drilled a total of about 32,322 metres in sixteen drill holes as at end of December 2023.

(c) Konkola Copper Mines Plc- ZCCM IH

Konkola Copper Mines Plc (KCM) Court proceeding Winding Up Proceedings (Lusaka Proceedings). ZCCM-IH and Vedanta Resources Group have agreed to reset the relationship which resulted in the execution of an Implementation Agreement, and a New Shareholders Agreement on 6th November 2023. Subsequently, the parties entered into a Global Settlement Agreement which effectively resolved all disputes between the parties. The legal processes to withdraw the winding up petition in the Zambian Courts and the Arbitration proceedings in South Africa are currently being attended to.

(d) Strategic plan 2024 - 2035

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

(e) Investrust Bank Plc

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

(f) Other material facts or circumstances

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.