Industrial Development Corporation Limited

Consolidated financial statements
31 December 2018

Industrial Development Corporation Limited

Consolidated financial statements
for the year ended 31 December 2018

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Corporate Information

Name of Director

His Excellency the President of Republic of Zambia	President of Republic of Zambia	Chairman
Honourable Dr Musokotwane Situmbeko	Ministry of Finance	Director
Honourable Chipoka Mulenga	Ministry of Commerce, Trade & Industry	Director
Honourable Reuben Phiri	Ministry of Agriculture	Director
Mr. Nkulukusa Felix	Ministry of Finance	Director
Mrs. Chapel P.M. Chuulu	Ministry of Commerce Trade and Industry	Director
Mr. Edson M Hamakowa	Farmer and freelance Consultant	Director
Mr. Nitesh Patel	Business Turnaround, Restructuring and Insolvency Professional	Director
Mr. Arthur Ndhlovu	Finance & Business Transformation Professional	Director
Mr. Windu.C. Matoka	Entrepreneurship and Business Development Coach	Director
Mrs. Beatrice Nkanza	Entrepreneur and Performance Coach	Director
Ms Lynda Mataka	Legal Practitioner	Director

Company Secretary

Mrs. Leya M Ngoma		Company Secretary

Principal place of business and registered office

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

Bankers

Zambia National Commercial Bank PLC
P.O. Box 30226 Lusaka

Indo - Zambia Bank Limited
P.O. Box 35411 Lusaka

Auditor

KPMG Chartered Accountants
6th Floor, Sun Share House
Cnr Katima Mulilo Road & Lubumbashi Road
Lusaka

Management

Mr. Henry Sakala	Acting Group Chief Executive Officer
Mrs. Pamela S Musepa	Chief Corporate Services Officer
Mrs. Chearyp M Sokoni	Chief Finance Officer
Mrs. Leya M Ngoma	Chief Legal Officer
Mr. Muchindu Kasongola	Chief Investment Officer
Mrs. Lizzie Mukwasa	Chief Human Capital
Mr. Phinias Lupaka	Chief Internal Audit and Risk
Mr. Chimuka Nketani	Acting Chief Portfolio Officer

Directors' report

The Directors of the Industrial Development Corporation limited ("IDC" or "the Group") submit their report together with the audited consolidated financial statements for the year ended 31 December 2018 which discloses the state of affairs of the Group.

1. Company activities and principal place of business

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

The Industrial Development Corporation Limited (IDC) is an investment holding company for 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. IDC's mandate is to play a catalytic role in deepening and supporting Zambia's industrialization capacity to support job creation and domestic wealth formation across key economic sectors. The IDC plays its role through co-investing alongside private sector investors. In addition to being a holding company for previously state-owned enterprises that were transferred to IDC, the corporation also makes 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 IDC are reinvested to fund new projects or advanced as shareholder loans to its subsidiaries and paid out to its shareholder, the Minister of Finance as dividends.

2. Shareholding in investee companies

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

Energy and resources	ZCCM-IH Plc (60.28%) Zambia Electricity Supply Corporation Limited (100%) Zambia Forestry & Forest Industries Plc (100%) Indeni Petroleum Refinery Limited (100%) Kagem Mining Limited (25%) Zampalm Limited (90%)
Financial services	Zambia State Insurance Corporation Group (100%) Indo Zambia Bank Limited (40%) Zambia National Commercial Bank PLC (25%) Zambia Industrial Commercial Bank (100%)
Industrial markets	Nitrogen Chemicals of Zambia (100%) Zambia China Mulungushi Textiles Zambia (33%) Zamcapital Enterprises Limited (100%) Agro - Luswishi Limited (100%) Pelidic Zambia Limited (51%) Superior Milling Company limited 76%
Telecommunications and media	Zambia Telecommunications Company (100%) Times Printpak (Z) Limited (100%) Zambia Printing Company Limited (100%) Zambia Daily Mail Limited (100%)
Tourism, real estate, and others	Mulungushi Village Compl ex Limited (100%) Mulungushi International Conference Centre (MICC) (100%) NIEC Business School Trust (100%) Mupepetwe Development Company (100%) Medical Services Limited (100%) Zambia International Trade Fair (100%) Mukuba Hotel Limited (100%) Lusaka Trust Hospital (50%) Lusaka South Multi Facility Economic Zone Limited (100%)

2. Shareholding in investee companies *(continued)*

Transport and logistics	Zambia Railways Limited (100%)
	Engineering Services Corporation (100%)
	Mpulungu Harbour Corporation Limited (100%)
	Zamcargo Logistics Limited (100%)

3. Share capital

The Industrial Development Corporation Limited is wholly owned by the Minister of Finance, on behalf of the Government of the Republic of Zambia ("GRZ") pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia. The authorized and issued share capital as at 31 December 2018 is ZMW20,000,000 and ZMW10,000,000 respectively (2017: ZMW20,000,000 and ZMW10,000,000 respectively).

4. Financial results

The financial results for the year under review are as reported in the consolidated financial statements set out on pages 11 to 95 as summarized below:

In thousands of Zambian Kwacha

	2018	2017
Turnover	**12,568,485**	10,223,153
Profit/(loss) before taxation	**405,197**	(618,831)
Tax credit	**3,915,868**	735,464
Profit for the year	**4,321,065**	116,633

5. Dividends

The Directors during the year did not declare a dividend (2017: ZMW10 million)

6. Directorate

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

Name of Director		
His Excellency Mr. Hakainde Hichilema	President of the Republic of Zambia [12.08.21]	Chairman
His Excellency Dr Edgar Chagwa Lungu	President of the Republic of Zambia [Resigned 12.08.21]	Chairman
Honourable Dr Situmbeko Musokotwane	Minister of Finance [Appointed 09.03.22]	Director
Honourable Chipoka Mulenga	Minister of Commerce, Trade & Industry [Appointed 09.03.22]	Director
Honourable Reuben Phiri	Minister of Agriculture [Appointed on 09.03.22]	Director
Mr. Felix Nkulukusa	Secretary to the Treasury [Appointed 09.03.22]	Director
Mrs. Chapel P.M. Chuulu	Ministry of Commerce Trade and Industry [Appointed 09.03.22 and Resigned 30.09.22]	Director
Honourable Dr Bwalya Ng`andu	Minister of Finance [Resigned 09.03.22]	Director
Honourable Christopher Yaluma	Minister of Commerce, Trade & Industry [Resigned 12.08.21]	Director
Honourable Michael Katambo	Minister of Agriculture [Resigned 12.08.21]	Director
Mr. Alexander B Chikwanda	Director - Apollo Enterprises Limited [Resigned 12.08.21]	Director
Mr. Fredson Yamba	Secretary to the Treasury [Resigned 12.08.21]	Director
Mr. Mushuma Mulenga	Permanent Secretary, Ministry of Commerce Trade, and Industry [Resigned 12.08.21]	Director
Mr. Edson M Hamakowa	Farmer and freelance consultant [Appointed 09.03.22]	Director
Mr. Nitesh Patel	Business Turnaround, Restructuring and Insolvency Professional [Appointed 09.03.22]	Director
Mr. Arthur Ndhlovu	Finance & Business Transformation Professional [Appointed 09.03.22]	Director
Mr. Windu.C. Matoka	Entrepreneurship and Business Development Coach [Appointed 09.03.22]	Director

Industrial Development Corporation Limited

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for the year ended 31 December 2018

Directors' report *(continued)*

6. Directorate *(continued)*

Mrs Betrice Nkanza	Entrepreneur and Performance Coach [Appointed 09.03.22]	Director
Ms Lynda Mataka	Legal Practioner [Appointed 09.03.22]	Director
Mr. David Kombe	Executive Chairman-Blackdot Media Limited [Resigned 12.08.21]	Director
Mr. Isaac Ngoma	Development Specialist [Resigned 12.08.21]	Director
Mr. Geofrey Sakulanda	Director - Spirit Insurance [Resigned 12.08.21]	Director
Mrs. Silvia Banda	Chief Executive - Sylva University [Resigned 12.08.21]	Director
Mr. Ben Shoko	Consultant – Banking [Resigned 12.08.21]	Director
Fr. Leonard Chiti	Director - Jesuit Centre for Theological Reflection Resigned 12.08.21]	Director
Company Secretary		
Mrs. Leya M Ngoma	Industrial Development Corporation Ltd	Company Secretary

7. Directors' fees

The remuneration of the Directors during the year as disclosed in note 48 (b) (i) was ZMW1.548 billion (2017: ZMW2.170 billion).

8. Property, plant, and equipment

The total addition to Group's property, plant and equipment during the year disclosed in note 5 was **ZMW15.217 billion** (2017: ZMW4.878 billion).

9. 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 has 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.

10. 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.

11. Human Resources

The total remuneration for employees during the year amounted to **ZMW3.851 billion** (2017: ZMW3.758 billion) for the Group as disclosed in note 41. The average number of employees in the Group during the year was 13,040 respectively.

Month	
January	13,034
February	13,191
March	13,232
April	13,264
May	13,355
June	13,283
July	12,940
August	12,946
September	12,862
October	12,829
November	12,706
December	12,832

12. Events after the reporting period

a) Coronavirus ("COVID - 19") pandemic

Subsequent to the year end, on 30 January 2020, the World Health Organisation announced the outbreak of a strain of the novel coronavirus ("COVID -19") pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Since then, the virus had spread to over 120 countries, including Zambia. The global pandemic resulted in significant governmental measures being implemented to control the spread of the virus, including restrictions on work and travel, factory closures, restricted production and logistics in many regions of the world.

b) Russia's invasion of Ukraine

On the 24 February 2022, Russian troops started the invasion of Ukraine causing the greatest humanitarian crisis in Europe since the Second World War. Multiple Governments in response have imposed initial tranches of economic sanctions on Russia and in certain cases Belarus. The war in Ukraine and related events took place at a time of significant global economic uncertainty and volatility, resulting in worsening market conditions. Many Governments were impacted by the increased commodity prices and raw material costs, as a result of surging consumer demand. Supply-chain bottlenecks, arising from effects of the pandemic, continue to persist. These conditions may be significantly intensified by the wider effects of the war in Ukraine weakening the global post-pandemic recovery.

The Directors are monitoring the developments of the situation closely and remain confident that the business is resilient enough to withstand the impact of the pandemic and the war in Ukraine and remain a going concern.

13. Going Concern

Financial position and turnaround measures

As at 31 December 2018, the Group 's current liabilities exceeded its current assets by **ZMW16.528 billion** (2017: ZMW8.819 billion). As at the reporting date, the total borrowings amounted to **ZMW25.406 billion** (2017: ZMW14.978 billion) on which some of the loan covenants were breached. Subsequent to year end, the Group continues to be in a net current liability deficit which is largely impacted by the value of ZESCO the Group's largest subsidiary's trade payables and Zamtel. Including a reported material uncertainty over ZCCM Investment Holdings.

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

- Debt restructuring 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 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 maximise value for the shareholders.

For subsidiaries:

ZESCO Limited

ZESCO, which is a significant subsidiary within the IDC Group, the Government of the Republic of Zambia provided a letter of comfort to the ZESCO's auditors affirming the Government's commitments to continue providing support to the company for a period of at least 12 months from the date on which the financial statements of ZESCO, for the year ended 31 December 2022, are approved. At the date of approval of the IDC group financial statements the ZESCO financial statements have not been approved by the board.

At the date of signing the 2018 consolidated financial statements, per the latest audited financial statement of ZESCO, the current liabilities as at 31 December 2021 of **ZMW38.9 billion** (2020: ZMW46.7 billion) exceeded current assets of **ZMW29.0 billion** (2020: ZMW32.3 billion). The carrying amounts of the total assets of the entity of **ZMW92.0 billion** (2020: ZMW97.2 billion) exceeded the total liabilities of **ZMW78.4 billion** (2020: ZMW94.0 billion).

13 Going Concern *(continued)*

ZESCO Limited *(continued)*

Financial position and turnaround measures *(continued)*

The Group has put in place the following turnaround measures covering debt restructuring, tariff renegotiations and revenue enhancements as outlined below:

Debt restructuring

The long-term debt as at 30 June 2023 stood at **ZMW 22.9 billion or USD 1.1 billion**, mainly borrowed for capital infrastructure investment.

The long-term debt is split into the following categories;

- Government guaranteed loans USD 620.4 million
- Government on-lent concessional loans to be converted to equity USD 371.5 million
- Government on-lent concessional loans USD 39.8 million
- Commercial loans USD 141.1 million

As part of the debt restructuring the Group is engaged the Government of Zambia through the Ministry of Finance to convert the Government guaranteed and on-lent concessional loans to equity amounting to US$371.3 million. The engagement process has reached an advanced stage. Once the loans have been converted, it is expected to reduce the levels of gearing and improve the equity.

Further, the Group is re-negotiating the terms of the existing long-term debt under the commercial loans category. The process of engagement with various lenders is still on going. The strategy being employed is to engage individual lenders with the agenda 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 debt restructuring also includes re-negotiating with Lenders to reduce the Debt Reserve account, which holds cash cover for the debt repayment for certain loans. This will free up cash to assist in liquidating the long outstanding arrears for Independent Power Producers IPPs and other Suppliers of goods and services.

Independent Power Producers (IPPs) tariff re-negotiations

The IPPs tariff re-negotiations have been concluded with Maamba Collieries Limited and Itezhi Tezhi Power Corporation Limited. The new tariff has been implemented for Maamba Collieries Limited while the tariff for ITPC is yet to be implemented pending the finalisation of agreement of conditional precedence. This will improve the liquidity and reduce the cost of power from IPPs and subsequently improve financial performance. Currently the power purchase tariff from IPPs averages 11 cents/Kwh against the selling average tariff of about US$ 7.5 cents/Kwh. The amounts payable to the IPPs, Government has provided a letter of support covering twelve (12) months from the signing of the financial statements. Payment plans agreement with key IPPs have been signed and ZESCO management has subsequently fulfilled the obligations as committed.

Revenue enhancement

This includes engagement with Mining customers with long outstanding invoices with a view to agree payment plans. Further, the option to settle long outstanding disputed tariff issues through arbitration is considered rather than the lengthy and costly litigation process.

In addition, management is engaging with Government of Zambia and Water Utilities to conclude debt swap with long outstanding electricity bills.

Migration to cost reflective tariffs for Domestic customers through tariff application to Energy Regulation Board. The Tariff application for domestic tariff adjustment has been submitted to the Regulator and was approved on 21 April 2023.

Capital contribution for new customer connection has been implemented. This has significantly reduced the cost of subsidies on the part of ZESCO.

The Group finalised the New Bulk Supply Agreement (BSA) with Copperbelt Energy Corporation Plc. This is expected to provide stability in the relationship with the major customer and provide guaranteed revenue for future working capital and impacting the provisions for doubtful debt in line with IFRS 9 – Financial Instruments.

13. Going Concern *(continued)*

ZCCM Investment Holdings (ZCCM- IH)

Further, ZCCM Investment Holdings (ZCCM IH), a subsidiary of the IDC Group comprising 12.5% of total assets at 31 December 2018, in its most recent audited consolidated financial statements for the year ended 31 December 2022 reported that its significant subsidiary, Mopani Copper Mines Plc" has operating losses and needs funding to meet working capital and core capital requirements.

Mopani Copper Mines Plc, a significant subsidiary of ZCCM IH Group has a material uncertainty on going concern on account of operating losses and the need for funding to meet working capital and core capital requirements. The borrowings of Mopani Copper Mines Plc are guaranteed by ZCCM IH. To mitigate the going concern surrounding the mine, ZCCM IH has secured working capital funding amounting to ZMW930 million from various financial institutions.

To ensure sustainability and continued development of the mine, Management and Board of ZCCM – IH have been working with a team of consultants, Rothschild & Co., South Africa (Pty) Ltd (Rothschild & Co.") to assist with the strategic review of Mopani Copper Mine Plc. Subsequent to the various announcements relating to engaging a strategic equity partner ("SEP"), on 30 November 2023, ZCCM IH management and the Zambian Government announced selection of the preferred strategic equity partner (SEP), International Resources Holding RSC Limited ("IRH"), an affiliated company of Abu Dhabi conglomerate International Holding Company PJSC ("IHC"). IRH is critical to ensure expansion projects at Mopani are completed and production ramped up to achieve profitable, efficient and sustainable operations and resolve material uncertainty with regards to Mopani's going concern assumption.

Zambia Telecommunications Company Limited (ZAMTEL)

Additionally, Zamtel a 100% owned subsidiary of IDC was insolvent and illiquid in its most recent audited financial statements for the year ended 31 December 2022. Management has devised a plan to ensure business continuity of the company which is threatened by the continued liquidity challenges. Steps taken include the engagement with the Ministry of Science and Technology, the Ministry of Finance who released USD4 million towards the part liquidation of the Huawei legacy debt.

To significantly address the indebtedness of the Company, Zamtel has applied to the Secretary to the Treasury for reimbursement of US$38.2 million incurred in maintaining the loss making GRZ social sites supporting various Government programs over a period of three years ended 30th April 2023. The proceeds from the application will be utilised to settle suppliers such as ZICTA, Huawei, and ZTE .As at the date of this report the agreement was signed by both parties and has been honoured with the government directly making payments to creditors on behalf of Zamtel as and when they fall due.

To manage its liquidity Zamtel has entered into several payment plans with key suppliers in 2023 which have been adhered to thus far.

Directors overall assessment on Going concern

The financial statements are 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 subsidiary does not receive the financial support of the government and does not meet the turnaround strategy, a material uncertainty exists which may cast significant 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.

By Order of the Board

Company Secretary

Consolidated financial statements

for the year ended 31 December 2018

Statement of Director's responsibilities in respect of the preparation of consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements which give a true and fair view of Industrial Development Corporation Limited and its subsidiaries comprising of the consolidated statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and cashflows for the year then ended. In preparing such financial statements, the Directors are responsible for:

- designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error:
- selecting appropriate accounting policies and applying them consistently;
- making judgements and accounting estimates that are reasonable in the circumstances; and
- preparing the financial statements in accordance with International Financial Reporting Standards, and on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act of Zambia. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that in their opinion:

- the consolidated financial statements give a true and fair view of the financial position of the Industrial Development Corporation Limited and its subsidiaries as at 31 December 2018, and of its financial performance and its cashflows for the year then ended;
- the Directors have assessed the ability of the Group to continue as a going concern and have no reason to believe that the Group will not be in existence in the foreseeable future; and
- at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

Approval of financial statements

The consolidated financial statements of the Industrial Development Corporation Limited as identified in the first paragraph, were approved by the board of directors on 29 December/2023 and signed on its behalf by

Director

Director

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

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

Independent auditor's report

Industrial Development Corporation Limited

Report on the audit of the Consolidated financial statements

Opinion

We have audited the financial statements of Industrial Development Corporation Limited (the Group") set out on pages 13 to 95, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Industrial Development Corporation Limited as at 31 December 2018, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Standards) and in compliance with the requirements of the Companies Act of Zambia.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 1.1 to the consolidated financial statements, which indicates that the Group's current liabilities, as at 31 December 2018, exceeded its current assets by ZMW 16 528 233 000. As stated in Note 1.1, these events or conditions, along with other matters as set forth in Note 1.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter-comparative information

We draw attention to Note 46 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2017 has been restated. Our opinion is not modified in respect of this matter.

KPMG

Other matter relating to comparative information

The consolidated financial statements of the Group as at and for the years ended 31 December 2017 and 31 December 2016 (from which the statement of financial position as at 1 January 2017 has been derived), excluding the adjustments described in note 46 to the consolidated financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 July 2021 .

As part of our audit of the separate financial statements as at and for the year then ended 31 December 2018, we audited the adjustments described in note 46 that were applied to restate the comparative information presented as at and for the year then ended 31 December 2017 and the statement of financial position as at 1 January 2017 .

We were not engaged to audit, review, or apply any procedures to the financial statements for the comparative financial statements for the years ended 31 December 2017 or 31 December 2016 (not presented herein) or to the statement of financial position as at 1 January 2017, other than with respect to the adjustments described in note 46 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in note 46 are appropriate and have been properly applied.

Key audit matter

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

Other information

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

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

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

Responsibilities of the Directors for the financial statements

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

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

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Companies Act of Zambia

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

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

KPMG Chartered Accountants 14 March, **2024**

Maaya Chipwayambokoma **AUD/F000861**
Partner signing on behalf of the Firm

Industrial Development Corporation Limited

Consolidated financial statements
as at 31 December 2018
Statement of financial position

Figures in thousands of Zambian Kwacha

	Note(s)	31 December 2018	31 December 2017* Restated	1 January 2017* Restated
Assets				
Non-current assets				
Property, plant, and equipment *	5	**64,826,654**	51,369,260	24,626,242
Investment property	6	**4,644,017**	1,863,261	1,830,770
Plantation in formation	7	**545,873**	412,790	311,944
Intangible assets	8	**103,524**	69,393	87,139
Investments in joint ventures	9	**1,098,613**	664,720	424,446
Investments in associates*	10	**10,671,217**	8,373,249	7,639,829
Loans to related parties	11	**407,530**	515,404	638,620
Financial assets at fair value through profit & loss	12	**5,250**	335,790	529,057
Financial assets at FVOCI	13	**50,058**	57,428	39,043
Held to maturity financial assets	14	**132,697**	67,376	60,872
Other long-term assets*	15	**52,335**	191,679	79,137
Reinsurance receivables	16	**90,648**	126,663	58,763
Insurance receivable	17	**83,039**	114,083	101,604
Deferred tax asset*	18	**10,485,203**	6,915,484	2,716,175
		93,196,658	71,076,580	39,143,641
Current assets				
Held to maturity financial assets	14	**898,488**	602,618	278,217
Insurance receivable	17	**98,823**	32,322	105,539
Inventories	19	**2,029,214**	1,442,102	1,753,198
Amounts due from related parties	20	**3,162,806**	2,263,721	1,538,224
Trade and other receivables	21	**5,100,354**	4,359,007	3,631,703
Assets held for sale	22	**11,854**	33,187	11,804
Cash and cash equivalents	23	**3,226,739**	2,563,094	2,416,950
		14,528,278	11,296,051	9,735,635
Total assets		**107,724,936**	82,372,631	48,879,276

*The balances were restated as a result of a prior period error. Refer to note 46 for impact on restatement.

The notes on pages 19 to 95 are integral part of these financial statements.

Consolidated financial statements *(continued)*

as at 31 December 2018

Statement of financial position

Figures in thousands of Zambian Kwacha

	Notes	31 December 2018	31 December 2017* Restated	1 January 2017* Restated
Equity and Liabilities				
Equity Attributable to Owners				
Share capital	24	**10,000**	10,000	10,000
Capital and other reserves*		**15,026,679**	13,130,004	12,955,476
Revaluation reserve*		**15,888,685**	15,914,776	689,474
Retained earnings*		**3,879,615**	(407,770)	(401,747)
		34,804,979	28,647,010	13253,203
Non-controlling interest		**4,496,523**	3,736,406	3,456,028
		39,301,502	32,383,416	16,709,231
Non-current liabilities				
Deferred tax liabilities*	18	**10,781,188**	11,694,665	178,618
Capital grants and Contribution*	25	**3,463,009**	3,437,781	2,214,780
Borrowings*	26	**20,018,865**	11,296,231	11,468,327
Retirement benefit obligation	27	**2,357,021**	2,427,795	2,099,035
Life assurance funds	28	**312,339**	303,341	345,180
Finance lease liabilities	29	**850**	515	164,870
Deferred income	30	**160,143**	114,003	139,503
Provisions	31	**180,020**	122,558	25,201
Outstanding claims	32	**14,132**	106,984	78,781
Unearned premiums	33	**71,302**	76,039	76,042
Other long-term payables	34	**8,054**	294,097	211,730
		37,366,923	29,874,009	17,002,067
Current liabilities				
Trade and other payables	35	**20,714,803**	12,927,989	8,839,143
Amounts due to related parties	36	**2,436,166**	1,286,012	610,680
Current tax payable *	45	**1,784,826**	1,738,154	1,828,748
Capital grant and contribution*	25	**192,846**	171,997	227,708
Borrowings*	26	**5,387,177**	3,682,129	3,040,140
Retirement benefit obligation	27	**264,885**	199,243	532,762
Finance lease liabilities	29	**240**	443	3,663
Provisions	31	**186,629**	-	-
Bank overdraft	23	**88,939**	109,239	85,134
		31,056,511	20,115,206	15,167,978
Total Liabilities		**68,423,434**	49,989,215	32,170,045
Total Equity and liabilities		**107,724,936**	82,372,631	48,879,276

The consolidated financial statements and the notes on pages 11 to 91, were approved by the Board of Directors for issuance on 29 December 2023 and were signed on its behalf by:

Director **Director**

*The balances were restated as a result of a prior period error. Refer to note 46 for impact on restatement.

The notes on pages 19 to 95 are integral part of these financial statements.

Industrial Development Corporation Limited

Consolidated financial statements

for the year ended 31 December 2018

Statement of profit or loss and other comprehensive income

Figures in thousands of Zambian Kwacha

	Note	2018	2017 Restated
Revenue	37	12,098,439	9,841,680
Premiums, claims and reinsurance commissions	37	470,046	381,473
		12,568,485	10,223,153
Other income	38	1,407,429	1,105,182
Change in fair value of investment property and inventories	39	3,154,710	17,990
Cost of materials	40	(3,623,055)	(4,700,652)
Premiums ceded to reinsurers	40	(270,113)	(294,693)
Employee costs	41	(3,851,229)	(3,758,312)
Depreciation expense	5	(2,442,821)	(1,451,471)
Amortization expense	8	(8,043)	(17,746)
Operating and other expenses	42	(7,044,722)	(2,106,999)
Operating (loss)		(109,359)	(983,548)
Finance income *	43	460,176	235,666
Finance costs *	44	(1,565,702)	(753,259)
Net finance costs		(1,105,526)	(517,593)
Share of profit from joint venture*	9	439,918	239,119
Income from equity accounted investments*	10	1,180,164	643,191
Profit/(loss) before taxation		405,197	(618,831)
Tax credit	45	3,915,868	735,464
Profit for the year		4,321,065	116,633
Other comprehensive income:			
Gains on property revaluation*	5	635,921	23,385,488
Income tax on revaluation		(222,572)	(8,091,803)
Total items that will not be reclassified to P&L		413,349	15,293,685
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	10	1,131,869	102,330
Share of other comprehensive income of associates	10	169,832	43,144
Remeasurements on net defined benefit liability/asset	27	(27,008)	(627)
Total items that may be reclassified to profit or loss		1,274,693	144,847
Other comprehensive income for the year net of taxation		1,688,042	15,438,532
Total comprehensive income for the year		6,009,107	15,555,165
Total comprehensive income attributed to:			
Non – controlling interest		763,628	280,378
Owners of the parent		5,245,479	15,274,787
		6,009,107	15,555,165
Earnings per share			
Basic earnings per share		432.107	11.663

*The amounts were restated as a result of a prior period error. Refer to note 46.

The notes on pages 19 to 95 are integral part of these financial statements.

Consolidated financial statements

for the year ended 31 December 2018

Statement of changes in equity

Figures in thousands of Zambian Kwacha

	Share Capital	Capital reserve	Translation reserve	Revaluation reserve	Retained earnings	Non-controlling interest	Total equity
Balance as at 31 December 2016	10,000	16,780,655	-	-	(401,747)	3,456,028	19,844,936
Impact of correction of Goodwill (note 46 a)	-	(2,549,492)	-	-	-	-	(2,549,492)
Impact of correction of fair value (note 46 b)	-	(586,213)	-	-	-	-	(586,213)
Impact of correction of reclassification (note 46 c)	-	(4,495,466)	3,805,992	689,474	-	-	-
Restated balance as at 1 January 2017*	10,000	9,149,484	3,805,992	689,474	(401,747)	3,456,028	16,709,231
Profit for the year	-	-	-	-	(106,924)	223,557	116,633
Revaluation gain net of deferred tax	-	-	-	15,293,685	-	-	15,293,685
Dividend declared (note 46 g)	-	-	-	-	(10,000)	-	(10,000)
Transactions with owners*	-	129,020	-	-	-	-	129,020
Amortization of revaluation reserve	-	-	-	(68,383)	68,383	-	-
Total items that may be reclassified to profit or loss	-	-	45,508	-	42,518	56,821	144,847
Total comprehensive income for the year*	-	129,020	45,508	15,225,302	(6,023)	280,378	15,674,185
Balance as at 31 December 2017*	10,000	9,278,504	3,851,500	15,914,776	(407,770)	3,736,406	32,383,416
Balance at 1 January 2018 *	**10,000**	**9,278,504**	**3,851,500**	**15,914,776**	**(407,770)**	**3,736,406**	**32,383,416**
Adjustment on initial application of IFRS 9, net of tax	**-**	**-**	**-**	**-**	**(611,140)**	**(3,510)**	**(614,650)**
Restated balance at 1 January 2018*	**10,000**	**9,278,504**	**3,851,500**	**15,914,776**	**(1,018,910)**	**3,732,896**	**31,768,766**
Profit for the year	**-**	**-**	**-**	**-**	**4,079,639**	**241,426**	**4,321,065**
Revaluation surplus	**-**	**-**	**-**	**413,349**	**-**	**-**	**413,349**
Amortization of revaluation reserve	**-**	**-**	**-**	**(676,062)**	**676,062**	**-**	**-**
Deferred tax on revaluation	**-**	**-**	**-**	**236,622**	**-**	**-**	**236,622**
Transactions with owners	**-**	**1,287,007**	**-**	**-**	**-**	**-**	**1,287,007**
Total items that may be reclassified to profit or loss	**-**	**-**	**609,668**	**-**	**142,824**	**522,201**	**1,274,693**
Total comprehensive income for the year	**-**	**1,287,007**	**609,668**	**(26,091)**	**4,898,525**	**763,627**	**7,532,736**
Balance as at 31 December 2018	**10,000**	**10,565,511**	**4,461,168**	**15,888,685**	**3,879,615**	**4,496,523**	**39,301,502**

. *The amounts were restated as a result of a prior period error. Refer to note 46

Statement of changes in equity *(continued)*

Figures in thousands of Zambian Kwacha

Capital reserves
The capital reserves represents the net assets value of State-Owned Enterprise (SOE) transferred by the Government of the Republic of Zambia through the Minister of Finance pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia to Industrial Development Corporation Limited (IDC) and subsequent capital raised form non-operating activities.

Translation reserves
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.

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*.

Retained earnings
Accumulated losses are the brought forward recognised income net of expenses, plus current year loss attributable to shareholders, less dividends paid and transfers to other reserves.

The notes on pages 19 to 95 are integral part of these financial statements.

Industrial Development Corporation Limited

Consolidated financial statements

for the year ended 31 December 2018

Statements of cash flows

Figures in thousands Zambian Kwacha

	Notes	2018	2017 Restated
Cash flows from operating activities			
Profit/(loss) before taxation*		**405,197**	(618,831)
Adjustments for			
Depreciation	5	**2,442,821**	1,451,471
Amortization	8	**8,043**	17,746
Gain on disposals of assets		**(474)**	(34,960)
Exchange gains on cash and cash equivalent		**(63)**	-
Loss on foreign exchange on borrowings *	26	**4,559,035**	53,775
Loss on disposal of investments		**1,149**	-
Amortisation of capital grants and contributions		**(356,285)**	(109,699)
Income from equity accounted investments *		**(1,180,164)**	(643,191)
Share of profit from joint venture *		**(439,918)**	(239,119)
Interest income*	43	**(460,176)**	(239,119)
Finance costs*	44	**1,565,702**	756,712
Fair value gains on investment property	6	**(2,780,756)**	(17,990)
Impairment adjustment upon adoption of IFRS 9		**614,690**	-
Fair value through P&L		**-**	118,085
Other non- cash movements		**(86,069)**	182,349
Changes in working capital			
Inventories		**(587,112)**	311,096
Trade and other receivables		**(776,804)**	(666,566)
Movements in retirement benefits & obligation		**(5,132)**	(4,759)
Trade and other payables		**7,500,771**	4,157,575
Deferred income		**46,140**	(25,500)
Movements in provisions		**155,500**	97,357
Loans to related parties		**107,874**	123,216
Amounts due from related parties		**(899,085)**	(725,497)
Amounts due to related parties		**1,150,154**	675,332
Short term assets and other long-term assets		**(184,617)**	-
Tax paid	45	**(118,437)**	(105,795)
Net cash from operating activities		**10,681,984**	4,513,688
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(15,217,071)**	(4,878,012)
Sale of property, plant and equipment		**2,593**	36,221
Purchase of investment property	6	**-**	(14,501)
Purchase of other intangible assets	8	**(42,174)**	-
Movement in other long-term assets and plant formation		**(133,083)**	(371,885)
Movements in financial assets		**330,540**	(171,412)
Investments in Associates*		**(155,572)**	-
Proceeds from disposal of investments		**51,050**	-
Interest received		**406,162**	183,168
Net cash used in investing activities		**(14,757,555)**	(5,216,421)
Cash flows from financing activities			
Proceeds from borrowing *	26	**8,136,606**	1,868,849
Interest paid		**(1,511,688)**	(700,761)
Repayment of long-term portion of borrowings *	26	**(2,330,626)**	(1,349,907)
Finance lease payments		**132**	(167,575)
Capital grant and contribution	25	**465,029**	1,174,166
Net cash from financing activities		**4,759,453**	824,772
Total cash movement for the year		**683,882**	122,039
Cash at the beginning of the year		**2,453,855**	2,331,816
Effects of movements in exchange rates on cash held		**63**	-
Total cash at end of the year	23	**3,137,800**	2,453,855
Presented by:			
Bank balance and cash		**3,226,739**	2,563,094
Bank overdraft		**(88,939)**	(109,239)
		3,137,800	2,453,855

* The amount were restated as a result of a prior period error refer to note 46

The notes on pages 19 to 95 are integral part of these financial statements.

1. General information

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

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

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

Financial position and turnaround measures

As at 31 December 2018, the Group 's current liabilities exceeded its current assets by **ZMW16.528 billion** (2017: ZMW8.819 billion). As at the reporting date, the total borrowings amounted to **ZMW25.406 billion** (2017: ZMW14.978 billion) on which some of the loan covenants were breached. Subsequent to year end, the Group continues to be in a net current liability deficit which is largely impacted by the value of ZESCO the Group's largest subsidiary's trade payables and Zamtel. Including a reported material uncertainty over ZCCM Investment Holdings.

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

- Debt restructuring 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 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 maximise value for the shareholders.

For subsidiaries:

ZESCO Limited

ZESCO, which is a significant subsidiary within the IDC Group, the Government of the Republic of Zambia provided a letter of comfort to the ZESCO's auditors affirming the Government's commitments to continue providing support to the company for a period of at least 12 months from the date on which the financial statements of ZESCO, for the year ended 31 December 2022, are approved. At the date of approval of the IDC group financial statements the ZESCO financial statements have not been approved by the board.

At the date of signing the 2018 consolidated financial statements, per the latest audited financial statement of ZESCO, the current liabilities as at 31 December 2021 of **ZMW38.9 billion** (2020: ZMW46.7 billion) exceeded current assets of **ZMW29.0 billion** (2020: ZMW32.3 billion). The carrying amounts of the total assets of the entity of **ZMW92.0 billion** (2020: ZMW97.2 billion) exceeded the total liabilities of **ZMW78.4 billion** (2020: ZMW94.0 billion).

1. General information *(continued)*

1.1 Basis of preparing the financial statements – going concern assumption. *(continued)*

Financial position and turnaround measures *(continued)*

The Group has put in place the following turnaround measures covering debt restructuring, tariff renegotiations and revenue enhancements as outlined below:

Debt restructuring
The long-term debt as at 30 June 2023 stood at Z**MW 22.9 billion or USD 1.1 billion**, mainly borrowed for capital infrastructure investment.

The long-term debt is split into the following categories;
- Government guaranteed loans USD 620.4 million
- Government on-lent concessional loans to be converted to equity USD 371.5 million
- Government on-lent concessional loans USD 39.8 million
- Commercial loans USD 141.1 million

As part of the debt restructuring the Group is engaged the Government of Zambia through the Ministry of Finance to convert the Government guaranteed and on-lent concessional loans to equity amounting to US$371.3 million. The engagement process has reached an advanced stage. Once the loans have been converted, it is expected to reduce the levels of gearing and improve the equity.

Further, the Group is re-negotiating the terms of the existing long-term debt under the commercial loans category. The process of engagement with various lenders is still on going. The strategy being employed is to engage individual lenders with the agenda 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 debt restructuring also includes re-negotiating with Lenders to reduce the Debt Reserve account, which holds cash cover for the debt repayment for certain loans. This will free up cash to assist in liquidating the long outstanding arrears for Independent Power Producers IPPs and other Suppliers of goods and services.

Independent Power Producers (IPPs) tariff re-negotiations
The IPPs tariff re-negotiations have been concluded with Maamba Collieries Limited and Itezhi Tezhi Power Corporation Limited. The new tariff has been implemented for Maamba Collieries Limited while the tariff for ITPC is yet to be implemented pending the finalisation of agreement of conditional precedence. This will improve the liquidity and reduce the cost of power from IPPs and subsequently improve financial performance. Currently the power purchase tariff from IPPs averages 11 cents/Kwh against the selling average tariff of about US$ 7.5 cents/Kwh. The amounts payable to the IPPs, Government has provided a letter of support covering twelve (12) months from the signing of the financial statements. Payment plans agreement with key IPPs have been signed and ZESCO management has subsequently fulfilled the obligations as committed.

Revenue enhancement
This includes engagement with Mining customers with long outstanding invoices with a view to agree payment plans. Further, the option to settle long outstanding disputed tariff issues through arbitration is considered rather than the lengthy and costly litigation process.

In addition, management is engaging with Government of Zambia and Water Utilities to conclude debt swap with long outstanding electricity bills.

Migration to cost reflective tariffs for Domestic customers through tariff application to Energy Regulation Board. The Tariff application for domestic tariff adjustment has been submitted to the Regulator and was approved on 21 April 2023.

Capital contribution for new customer connection has been implemented. This has significantly reduced the cost of subsidies on the part of ZESCO.

The Group finalised the New Bulk Supply Agreement (BSA) with Copperbelt Energy Corporation Plc. This is expected to provide stability in the relationship with the major customer and provide guaranteed revenue for future working capital and impacting the provisions for doubtful debt in line with IFRS 9 – Financial Instruments.

1. General information *(continued)*

1.1 Basis of preparing the financial statements – going concern assumption *(continued)*

ZCCM Investment Holdings (ZCCM- IH)

Further, ZCCM Investment Holdings (ZCCM IH), a subsidiary of the IDC Group comprising 12.5% of total assets at 31 December 2018, in its most recent audited consolidated financial statements for the year ended 31 December 2022 reported that its significant subsidiary, Mopani Copper Mines Plc" has operating losses and needs funding to meet working capital and core capital requirements.

Mopani Copper Mines Plc, a significant subsidiary of ZCCM IH Group has a material uncertainty on going concern on account of operating losses and the need for funding to meet working capital and core capital requirements. The borrowings of Mopani Copper Mines Plc are guaranteed by ZCCM IH. To mitigate the going concern surrounding the mine, ZCCM IH has secured working capital funding amounting to ZMW930 million from various financial institutions.

To ensure sustainability and continued development of the mine, Management and Board of ZCCM – IH have been working with a team of consultants, Rothschild & Co., South Africa (Pty) Ltd (Rothschild & Co.") to assist with the strategic review of Mopani Copper Mine Plc. Subsequent to the various announcements relating to engaging a strategic equity partner ("SEP"), on 30 November 2023, ZCCM IH management and the Zambian Government announced selection of the preferred strategic equity partner (SEP), International Resources Holding RSC Limited ("IRH"), an affiliated company of Abu Dhabi conglomerate International Holding Company PJSC ("IHC"). IRH is critical to ensure expansion projects at Mopani are completed and production ramped up to achieve profitable, efficient and sustainable operations and resolve material uncertainty with regards to Mopani's going concern assumption.

Zambia Telecommunications Company Limited (ZAMTEL)

Additionally, Zamtel a 100% owned subsidiary of IDC was insolvent and illiquid in its most recent audited financial statements for the year ended 31 December 2022. Management has devised a plan to ensure business continuity of the company which is threatened by the continued liquidity challenges. Steps taken include the engagement with the Ministry of Science and Technology, the Ministry of Finance who released USD4 million towards the part liquidation of the Huawei legacy debt.

To significantly address the indebtedness of the Company, Zamtel has applied to the Secretary to the Treasury for reimbursement of US$38.2 million incurred in maintaining the loss making GRZ social sites supporting various Government programs over a period of three years ended 30th April 2023. The proceeds from the application will be utilised to settle suppliers such as ZICTA, Huawei, and ZTE .As at the date of this report the agreement was signed by both parties and has been honoured with the government directly making payments to creditors on behalf of Zamtel as and when they fall due.
To manage its liquidity Zamtel has entered into several payment plans with key suppliers in 2023 which have been adhered to thus far.

Directors overall assessment on Going concern
The financial statements are 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 subsidiary does not receive the financial support of the government and does not meet the turnaround strategy, a material uncertainty exists which may cast significant 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. Changes in significant accounting policies

2.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2018

Amendments to IFRSs that is mandatorily effective for the current year.

a) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a line item in the statement of profit or loss and other comprehensive income (OCI). Previously, the Company's approach was to include the impairment of trade receivables in other expenses. Additionally, the has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans, and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

2. Changes in significant accounting *(continued)*

2.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2018. *(continued)*

Amendments to IFRSs that is mandatorily effective for the current year. *(continued)*

a) IFRS 9 Financial Instruments *(continued)*

(ii) Classification and measurement of financial assets and financial liabilities

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original Carrying amount under IAS 39	New Carrying amount under IFRS9
Financial assets					
Trade and other receivables	21	loans and receivables	amortised cost	4,359,007	4,359,007
Amounts due from related parties	20	loans and receivables	amortised cost	2,263,721	2,263,721
Reinsurance receivables	16	loans and receivables	amortised cost	126,663	126,663
Insurance receivables	17	loans and receivables	amortised cost	146,405	146,405
Other long-term assets	14	Other assets	amortised cost	318,342	318,342
Loans due from relate parties	11	loans and receivables	amortised cost	938,408	938,408
Financial assets at amortized c	13/14	Other assets	amortised cost	515,404	515,404
Cash and cash equivalents	23	loans and receivables	amortised cost	2,563,094	2,563,094
Total financial assets				11,231,044	11,104,381

	Note	Original classification under IAS 39	New classification under IFRS 9	Original Carrying amount under IAS 39	New Carrying amount under IFRS9
Financial Liabilities					
Trade and other payables	35	Other financial liabilities	amortised cost	13,421,772	13,421,772
Amounts due to related parties	36	Other financial liabilities	amortised cost	1,286,012	1,286,012
Bank overdraft	23	Other financial liabilities	amortised cost	109,239	109,239
Loans and borrowings	26	Other financial liabilities	amortised cost	15,922,236	15,922,236
Total financial liabilities				30,739,259	30,739,259

2. Changes in significant accounting *(continued)*

2.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2018. *(continued)*

Amendments to IFRSs that is mandatorily effective for the current year. *(continued)*

a) IFRS 9 Financial Instruments *(continued)*

(ii) Impairment of financial instruments

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. Following the application of IFRS 9's impairment requirements at 1 January 2018 by the Group, this has resulted in an additional allowance for impairment. The following table summarises the impact of transition to IFRS 9 on the opening balance of the liability credit reserve, retained earnings and NCI. There is no impact on other components of equity.

Retained earnings	**Impact of adopting IFRS 9 at 1 January 2018**
Recognition of expected credit losses under IFRS	(614,650)
Related tax	-
Net of tax adjustment under IFRS 9 (1 January 2018)	**(614,650)**

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

b) IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients) with the effect of initially applying this standard recognised at the date of initial application (i.e., January 2018). Accordingly, the information presented for 2017 has not been restated — i.e., it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

In line with IFRS 15, the Group ensures that revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. This is done through having signed contracts with customers detailing the terms of business.

Transition approach used and effects of transition.

The Group has adopted IFRS 15 effective 1 January 2018 but not restated the comparatives for the 2018 reporting period. As permitted under specific transition provisions in the standard, the day one adjustment has appropriately been disclosed in the statement of changes to equity. It is expected that this standard will not have a material impact on how the Group account and records its revenues which will have to be in line with the business model across the portfolio.

2. Changes in significant accounting *(continued)*

2.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2018. *(continued)*

Amendments to IFRSs that is mandatorily effective for the current year. *(continued)*

b) IFRS 15 Revenue from contracts with customers *(continued)*

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

Revenue is shown net of value-added tax (VAT), rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities across its portfolio as described below.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.
Revenue is recognised as follows:

Sales of goods/services are 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/services, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

Interest income is recognised on a time proportion basis using the effective interest method.

2.2 New Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

a) IFRS 16 *Leases*

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because: –

- the Group has not finalised the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

i. Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of buildings. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

2. Changes in significant accounting *(continued))*

2.2 New Standards issued but not yet effective *(continued*

a) IFRS 16 *Leases* *(continued)*

i. Leases in which the Group is a lessee (continued)

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

No significant impact is expected for the Group's finance leases.

The Group has decided to adopt this standard when it becomes effective. Management is still assessing the potential impact of this new standard and still needs to make a decision on the transition method to be applied as well as the practical expedients to be used, if elected

ii. Leases in which the Group is a lessor

The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available, the Group expects that it will reclassify one sub-lease as a finance lease, resulting in recognition of a finance lease receivable are immaterial as at 1 January 2019.

No significant impact is expected for other leases in which the Group is a lessor

iii. Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

b) Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts

3. Summary of accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zambia

3. Summary of accounting policies (*continued*)

3.2 Basis of preparation

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

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

3.3 Functional and presentation currency

These consolidated financial statements are presented in Zambian kwacha (ZMW), which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3.4 Basis of consolidation

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

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

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

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

Common control transaction are accounted for as:

The group treats transactions where the group reorganises itself by transferring subsidiaries around the group as common control transactions. The pre-combination carrying amounts of assets and liabilities are incorporated without fair value uplift by the transferee because there is no substantive economic change. The combination of the two entities reflects the results and financial position of the existing business.

No new goodwill is recorded. Any difference between the cost of the transaction and the carrying value of the net assets is recorded in equity. This applies whether the consideration was for shares or cash.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

3. Summary of accounting policies *(continued)*

3.5 Revenue recognition

3.5.1 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.

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

3.5.3 Revenue

Revenue from holding certificate contracts is recognised when goods have been delivered to a distribution warehouse, have been inspected by a nominee of the buyer and cash has been received. Under these arrangements, revenue is recognised once legal title has passed and all significant risks and rewards of ownership of the asset sold are transferred to the customer.

Revenues from sale of material by-products are included in revenue.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.6 Foreign currencies

3.6.1 The financial statements are presented in thousands of Zambian Kwacha, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss in the period in which they arise.

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

3.6.2 Financial statements of foreign operations

All foreign operations have been accounted for as foreign operations. Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation are translated into Zambian kwacha at foreign exchange rates ruling at the reporting date. Income and expenses are translated at the average foreign exchange rates, provided these rates approximate the actual rates for the year. Exchange differences arising from the translation of foreign operations are recognised in other comprehensive income. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

3. Summary of accounting policies *(continued)*

3.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.8 Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit 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 retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

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

The retirement benefit obligation recognised in the consolidated 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.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

3.9 Taxation

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

3.9.1 Current tax

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

3. Summary of accounting policies *(continued)*

3.9 Taxation *(continued)*

3.9.2 Deferred tax

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

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

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

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

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

3.9.3 Current and deferred tax for the year

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

3.10 Property, plant and equipment

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

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated under the heading of properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's Accounting Policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

3. Summary of accounting policies *(continued)*

3.10 Property, plant and equipment *(continued)*

Leasehold land is not depreciated.

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

The principal annual rates used for this purpose are:

Description	Energy	Transportation	Telecom	Other
Land and Buildings	2 %	2%	3%	2%
Equipment and furniture	13 - 33%	25%	-	25%
Motor vehicles	13 - 33%	25%	20 - 33%	25%
IT Equipment	4 - 7%	33%	6 - 10%	25%

Capital work in progress is not depreciated.

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

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

3.11 Plantation in formation

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

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

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

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

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

3. Summary of accounting policies *(continued)*

3.12 Intangible assets

An intangible asset is recognised when:

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

13.12.1 Intangible assets acquired separately

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

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

13.12.2 Intangible assets acquired in a business combination

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

13.12.3 Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

3. Summary of accounting policies *(continued)*

3.13 Leasing

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

3.13.1 The Group as lessee

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

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

3.13.2 Finance leases – lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see note 3.7 above). Contingent rentals are recognised as expenses in the periods in which they are incurred. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.14 Investment property

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

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

3.15 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.

3. Summary of accounting policies *(continued)*

3.16 Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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

3.17 Financial assets-Policy applicable from 1 January 2018

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

3.17.1 Financial assets at FVTPL -Policy applicable from 1 January 2018

Financial assets are carried as FVTPL are initially recorded at fair value with all transaction costs expensed in the consolidated statement of operations. Realised and unrealized gains and losses arising from changes in fair value of the financial asset held at FVTPL are included in the consolidated statement of operations in the period in which they arise.

3.17.2 Financial assets at FVTOCI-Policy applicable from 1 January 2018

Investments in equity instruments as FVTOCI are initially recognised at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit and loss following the recognition of the investment.

3.17.3 Financial assets at amortized cost-Policy applicable from 1 January 2018

Financial assets at amortised cost are initially recognised at fair value and subsequently carried at amortised cost less any impairment.

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

3. Summary of accounting policies *(continued)*

3.18 Loans and receivables

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

3.18.1 Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

3.18.2 Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

3.19 Impairment of financial assets-Policy applicable from 1 January 2018

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

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

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

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

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

3. Summary of accounting policies *(continued)*

3.19 Impairment of financial assets-Policy applicable from 1 January 2018 *(continued)*

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

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

3.20 Derecognition of financial assets-Policy applicable from 1 January 2018

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

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

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

3. Summary of accounting policies *(continued)*

3.21 Financial liabilities and equity instruments - Policy applicable from 1 January 2018

3.21.1 Classification as debt or equity

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

3.21.2 Equity instruments

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

3.21.3 Financial liabilities and equity instruments

Financial liabilities at FVTPL

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

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.
On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.21.4 Borrowings

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

3.21.5 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.

3. Summary of accounting policies *(continued)*

3.21 Financial liabilities and equity instruments policy applicable before 1 January 2018 *(continued)*

3.21.6 Other financial liabilities *(continued)*

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

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

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

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

3.21.7 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.

3.21.8 Outstanding claims

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

3.21.9 Derecognition of financial liabilities

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

3.22 Financial instruments policy applicable before 1 January 2018

The Group classifies non-derivative financial assets into the following categories; financial assets at fair value through profit or loss; held to maturity financial assets; loans and receivables; and available for sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Summary of accounting policies *(continued)*

3.22` Financial Instruments policy applicable before 1 January 2018 *(continued)*

Non-derivative financial assets - measurement

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

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

Loans and receivables

Loans and receivables 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.

Cash and cash equivalents

In the statement of cash flows cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

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.

3.23 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.

3. Summary of accounting policies *(continued)*

3.24 Retirement benefits and other employee benefits

Defined benefit plan

The Group maintains a defined benefit scheme to provide pensions to employees. Payments to the defined contribution retirement plan are recognised as an expense when the employees have rendered service entitling them to the contributions. Costs relating to the scheme are charged against income 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.

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

3.25 Termination benefits

The Group recognizes a liability for a termination benefit at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

3.26 Other entitlements

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

3.27 National Pension Scheme

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

4. Summary of accounting policies *(continued)*

3.28 Actuarial valuation

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

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

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

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

3.29 Claims incurred

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

3.30 Contingencies and commitments

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Group.

Where the potential liabilities have a low probability of crystalizing or are very difficult to quantify reliably, they are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the financial statements.

Although there can be no assurance regarding the outcome of the legal proceedings, management does not expect them to have a materially adverse impact on the financial position or profitability.

4. Critical accounting judgements and estimates

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

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

4. Critical accounting judgements and estimates *(continued)*

4.1 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 2018.

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

4.2 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.

4.3 Unearned premium reserves (UPR)

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

4.4 Outstanding claims

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

4.5 Post-employment obligations

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

4.6 Environmental rehabilitation liability

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

4. Critical accounting judgements and estimates *(continued)*

4.7 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.

4.8 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.

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

4.9 Asset residual values, useful lives and asset componentizing

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

4.10 Provisions

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

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

Figures in thousands of Zambian Kwacha thousand

5. Property, plant and equipment

	Land and Buildings	Equipment and furniture	Motor vehicles	IT Equipment	Capital Working in progress*	Total
Cost/Revaluation assets						
At 1 January 2017	4,641,581	6,778,637	327,579	7,883,697	10,328,490	29,959,984
Additions	17,552	698,715	39,616	13,878	4,108,251	4,878,012
Transfer to investment in property	28,213	-	-	-	-	28,213
Transfer to other assets	-	-	-	-	(6,274)	(6,274)
Disposals	-	(24,327)	(11,880)	(14)	-	(36,221)
Transfer from CWIP	211,900	5,212,939	798	-	(5,425,637)	-
Reclassifications	(1,624,017)	10,775,208	(80,222)	(7,813,892)	(966,099)	290,978
Revaluation surplus /(deficit)*	10,821,262	8,716,348	-	-	-	19,537,610
At 31 December 2017 [Restated]	14,096,491	32,157,520	275,891	83,669	8,038,731	54,652,302
At 1 January 2018	**14,096,491**	**32,157,520**	**275,891**	**83,669**	**8,038,731**	**54,652,302**
Additions	**101,971**	**1,350,528**	**165,797**	**13,226**	**13,585,549**	**15,217,071**
Disposals	**(668)**	**(338)**	**(12,922)**	**(38)**	-	**(13,966)**
Transfer from plantation in formation	-	**131,940**	-	-	-	**131,940**
Transfer from CWIP	**8,430**	**416,186**	**2,871**	-	**(427,487)**	-
Reclassifications	**(3,043,729)**	**(1,105,424)**	**4,149,153**	-	-	-
Adjustment	-	-	-	-	**(76,493)**	**(76,493)**
Revaluation surplus /(deficit)	**360,239**	**66,319**	**(3,205)**	-	**(195)**	**423,158**
At 31 December 2018	**11,522,734**	**33,016,731**	**4,577,585**	**96,857**	**21,120,105**	**70,334,012**
Cost	**3,075,170**	**23,930,433**	**367,796**	**96,857**	**19,959,804**	**44,892,707**
Revaluation	**8,447,564**	**9,086,298**	**4,209,789**	-	**1,160,301**	**25,441,305**
	11,522,734	**33,016,731**	**4,577,585**	**96,857**	**21,120,105**	**70,334,012**
At 31 December 2017						
Cost	3,075,170	17,269,559	275,891	83,669	8,038,731	44,892,707
Revaluation	11,021,321	14,887,961	-	-	-	9,759,595
	14,096,491	32,157,520	275,891	83,669	8,038,731	54,652,302

* Amounts were restated due to a prior period misstatement. Refer to note 46

Figures in thousands of Zambian Kwacha

5. Property, plant and equipment *(continued)*

	Land and Buildings	Equipment and furniture	Motor vehicles	IT Equipment	Capital Working in progress	Total
Deprecation						
At 1 January 2017	1,178,320	1,340,745	256,037	2,558,570	-	5,333,672
Depreciation	381,334	986,827	68,594	14,716	-	1,451,471
Disposals	(4,204)	(22,096)	(8,639)	(21)	-	(34,960)
Elimination on revaluation	(200,059)	(3,647,819)	-	-	-	(3,847,878)
Reclassification	(1,096,120)	4,151,523	(121,321)	(2,553,345)		380,737
Balance at 31 December 2017	259,271	2,809,180	194,671	19,920	-	3,283,042
At 1 January 2018	**259,271**	**2,809,180**	**194,671**	**19,920**	**-**	**3,283,042**
Depreciation	**386,812**	**1,794,412**	**260,085**	**1,512**	**-**	**2,442,821**
Disposals	**(417)**	**(338)**	**(11,048)**	**(44)**	**-**	**(11,847)**
Impairment	**-**	**-**	**-**	**-**	**6,105**	**6,105**
Elimination on revaluation	**(20,488)**	**(166,529)**	**(25,746)**	**-**	**-**	**(212,763)**
Balance at 31 December 2018	**625,178**	**4,436,725**	**417,962**	**21,388**	**6,105**	**5,507,358**
Carrying amounts						
At 31 December 2018	**10,897,556**	**28,580,006**	**4,159,623**	**75,469**	**21,114,000**	**64,826,654**
At 31 December 2017	13,837,220	29,348,340	81,220	63,749	8,038,731	51,369,260

5. Property, plant and equipment *(continued)*

The Group's Civil engineering works, generation plants and transmission and distribution systems and leasehold buildings are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation. The fair value measurement of the Group's civil engineering works and buildings and generation plants and transmission and distribution systems as at 31 December 2018 were performed by Messrs Multiconsult United Kingdom and Upmarket Property Consultants respectively, independent valuers not related to the Group.

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

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

Figures in thousands of Zambian Kwacha

5. Property, plant and equipment *(continued)*

Property, plant and equipment	Valuation technique	Description of valuation technique	Observable inputs
Civil engineering works and generation plants (Hydro stations, diesel stations and HV stations)	Depreciated Current Replacement Value (DCRV)	The Depreciated Current Replacement Cost (DRCV) method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration. The current replacement value (CRV) of electrical and mechanical equipment was established using ZESCO data for recent projects. For the civil work structures, a bill of quantities was prepared covering the major work items for each hydro scheme section (e.g. embankments, power intakes, canals, fore bays, power tunnels, pressure shafts, powerhouses etc.). The DCRV has been calculated in the Asset Register on a linear basis, a minimum value of 10% CRV was allocated if the asset is still in service. A scrap value has also been allocated where it is ZESCO's current practice to sell scrap materials.	'Market prices, exchange rates, discounted rate

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

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

In accordance with Section 193 of the Companies Act, 1994, the register of Land and Buildings is available for inspection by members and their duly authorized agents at the Registered records office of the Group.

6. Investment property

	2018	2017
Carrying amount at 1 January	**1,873,474**	1,869,196
Additions	-	14,501
Transfer to property, plant and equipment *(note 5)*	-	(28,213)
Change in fair value *(note 38)*	**2,780,756**	17,990
Carrying amount at 31 December	**4,654,230**	1,873,474
Current assets	**10,213**	10,213
Non – current assets	**4,644,017**	1,863,261
	4,654,230	1,873,474

Measurement of fair value

(i) Fair value hierarchy

The fair value of investment properties determined on 31 December 2018 by external, independent property valuers, 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.

Figures in thousands of Zambian Kwacha

6. Investment property *(continued)*

(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.

7. Plantation in formation

	2018	2017
At 1 January	**412,790**	311,944
Capitalized Operating expenses	**133,545**	129,110
	546,335	441,054
Eliminated in respect of thinning	**(34,944)**	(13,355)
Impairment loss	**(65)**	(28,329)
	(35,009)	(41,684)
Total	**511,326**	399,370
At 31 December		
Cost	**511,326**	399,370
Valuation	**34,547**	13,420
	545,873	412,790

Capitalization of expenses

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

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

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

Pine	25 years
Eucalyptus	15 years

8. Intangible assets

Cost	2018	2017
Balance at 1 January	146,829	146,829
Addition	42,174	-
Balance at 31 December	189,003	146,829
Amortization		
At 1 January	77,436	59,690
Amortization	8,043	17,746
	85,479	77,436
Balance at December	103,524	69,393

Figures in thousands of Zambian Kwacha

9. Investments in joint ventures

	2018	2017
Itezhi Tezhi Power Corporation Limited	**971,761**	531,697
Emerged Railways Properties Private Limited	**126,852**	133,023
	1,098,613	664,720
Profit and loss		
Itezhi Tezhi Power Corporation Limited	**440,063**	235,124
Emerged Railways Properties Private Limited	**(145)**	3,995
	439,918	239,119

Itezhi Tezhi Power Corporation Limited (ITTPC)

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

Emerged Railways Properties Private Limited

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

Summary of financial information

	2018		2017	
	Itezhi Tezhi Power	**Emerged Railways**	Itezhi Tezhi Power	Emerged Railways
Non-current assets	**2,601,797**	**239,114**	1,722,948	240,974
Current assets	**1,657,898**	**37,444**	1,459,476	27,831
Total assets	**4,259,695**	**276,558**	3,182,424	268,805
Non-current liabilities	**1,883,791**	**-**	1,784,369	-
Current liabilities	**432,383**	**22,855**	334,661	2,759
Total liabilities	**2,316,174**	**22,855**	2,119,030	2,759
Net assets	**1,943,521**	**253,703**	1,063,394	266,046
Group's share of net assets	**971,761**	**126,852**	531,697	133,023
Revenue	**1,044,896**	**35,457**	891,090	17,939
Profit and total comprehensive income for the year	**880,127**	**(290)**	470,248	6,966
Proportion of ownership interests held	**440,063**	**(145)**	235,124	3,995
by the Group %	**50%**	**50%**	50%	50%

10. Investments in associates

	2018	2017
Balance at 1 January	**8,373,249**	7,639,829
Share of profit*	**1,180,164**	643,191
Share of OCI	**169,832**	43,144
Dividend received*	**(273,562)**	(82,693)
Additions	**155,572**	-
Disposal	**(30,746)**	-
Transfer to subsidiaries	**(35,161)**	-
Adjustment	**-**	27,448
Currency translation adjustment	**1,131,869**	102,330
Balance at 31 December	**10,671,217**	8,373,249

* Amounts were restated due to a prior period misstatement. Refer to note 46

Figures in thousands of Zambian Kwacha

10. Investments in associates *(continued)*

	Country	% Interest held	Assets Current	Non-Current Assets	Liabilities Current	Liabilities Non-Current	Net asset value	Share of net Assets	Revenues	Profit /(loss)	Share of profit /(loss)	Share of profit/ (loss) not recognised
31 December 2018												
Kansanshi Mining Plc	Zambia	20.0%	16,915,282	34,277,684	2,441,052	7,959,928	40,791,985	8,158,397	17,402,590	3,561,727	712,345	-
Konkola Copper Mines Plc	Zambia	20.6%	4,768,283	19,119,505	9,793,686	15,942,677	(1,848,575)	-	1,642,776	(1,251,633)	-	(257,836)
Maamba Collieries Limited	Zambia	35.0%	2,432,558	7,542,152	1,543,299	6,403,742	2,027,669	709,684	2,395,832	653,007	228,552	-
Copperbelt Energy Corporation Plc	Zambia	24.1%	2,389,606	5,277,994	1,246,387	1,962,644	4,458,570	1,074,515	4,128,289	591,966	142,663	-
CNMC Luanshya Copper Mine Plc	Zambia	20.0%	1,546,576	3,027,355	5,059,291	142,014	(627,374)	-	2,847,046	359,648	-	71,930
Kariba Minerals Limited	Zambia	50.0%	8,415	8,872	4,052	90,851	(77,616)	-	19,306	(17,009)	-	(8,505)
Lubambe Copper Mines Limited	Zambia	20.0%	614,732	2,464,009	767,401	9,655,161	(7,343,821)	-	653,901	(534,284)	-	(106,857)
CEC Africa	Mauritius	20.0%	1,969,713	4,930,291	11,874,695	1,106,056	(6,080,747)	-	2,297,355	(3,113,418)	-	(622,684)
Elsewedy Electric Limited	Zambia	40.0%	194,045	79,903	132,868	7,047	134,033	53,613	107,355	39,010	15,604	-
Zambia Electrometer Limited	Zambia	40.0%	20,839	7,284	107,940	2,219	(82,036)	-	45,193	16,608	-	6,645
Indo Bank Zambia PLC	Zambia	40.0%	4,441,154	-	3,568,051	-	873,103	349,241	547,641	139,760	55,904	-
ZANACO PLC	Zambia	25.0%	10,614,067	-	9,793,159	-	820,908	205,227	879,590	183,733	45,933	-
Kagem Limited	Zambia	25.0%	656,914	329,554	400,597	330,402	255,469	63,867	768,495	(113,633)	(28,408)	-
Bangweulu Power	Zambia	20.0%	545,593	465,034	295,302	598,570	116,755	23,351	-	22,368	4,473	-
Ngonye	Zambia	20.0%	178,161	164,675	7,375	168,850	166,611	33,322	-	15,492	3,098	-
			47,295,938	**77,694,312**	**47,035,155**	**44,370,161**	**33,584,934**	**10,671,217**	**33,735,369**	**553,342**	**1,180,164**	**(917,307)**

The Group's share of accumulated unrecognized losses from associates who are in net liability position was **ZMW 917.307 million** (2017: ZMW 538.874 million) at year end. Where the equity accounted value is zero, no further losses are recognised by IDC as there is no obligation to settle any liabilities.

Figures in thousands of Zambian Kwacha

10. Investments in associates *(continued)**

	Country	% Interest held	Assets Current	Non-Current Assets	Liabilities Current	Liabilities Non-Current	Net asset value	Share of net Assets	Revenues	Profit/(loss)	Share of profit/(loss)	Share of profit/(loss) not recognised
31 December 2017												
Kansanshi Mining Plc	Zambia	20.0%	12,361,978	29,214,253	3,092,124	6,858,155	31,625,952	6,325,190	15,678,716	3,735,417	747,083	-
Konkola Copper Mines Plc	Zambia	20.6%	4,587,987	16,694,899	7,731,903	12,244,253	1,306,730	269,186	1,480,045	(1,303,336)	(268,487)	-
Maamba Collieries Limited	Zambia	35.0%	1,555,219	6,625,081	767,597	6,359,562	1,053,141	368,599	627,147	7,642	2,674	-
Copperbelt Energy Corporation Plc	Zambia	20.0%	1,815,549	4,354,448	964,363	1,713,290	3,492,344	698,469	3,719,347	461,925	92,385	-
CNMC Luanshya Copper Mine Plc	Zambia	20.0%	2,306,016	3,031,097	4,150,835	2,083,424	(897,146)	-	2,565,022	359,148	-	71,830
Kariba Minerals Limited	Zambia	50.0%	124,523	77,558	341,641	404,121	(543,681)	-	19,306	(3,454)	-	(1,727)
Lubambe Copper Mines Limited	Zambia	20.0%	465,556	1,868,873	445,901	7,841,716	(5,953,188)	-	589,127	(32,693)	-	(6,539)
CEC Africa	Mauritius	20.0%	957,805	3,151,917	7,237,674	43,302	(3,171,254)	-	2,069,783	(2,987,665)	-	(597,533)
Investrust Bank	Zambia	45.4%	1,189,965	-	-	1,112,518	77,447	35,161	148,096	(37,998)	(17,251)	-
Elsewedy Electric Limited*	Zambia	40.0%	180,010	66,948	109,395	42,541	95,022	38,009	79,897	13,253	5,301	-
Zambia Electrometer Limited*	Zambia	40.0%	15,296	7,703	86,209	2,218	(65,428)	-	4,262	(12,263)	-	(4,905)
Indo Bank Zambia PLC*	Zambia	40.0%	3,612,040	-	2,835,860	-	776,180	310,472	547,641	108,918	43,567	-
ZANACO PLC*	Zambia	25.0%	9,543,088	-	8,519,036	-	1,024,052	256,013	879,590	114,119	28,530	-
Kagem Limited*	Zambia	20.0%	656,913	329,555	400,597	330,401	255,470	51,094	1,025,013	22,456	4,491	-
Afrox Limited*	Zambia	30.0%	50,914	67,880	39,710	8,897	70,187	21,056	130,172	16,325	4,898	-
			39,422,859	**65,490,212**	**36,722,845**	**39,044,398**	**29,145,828**	**8,373,249**	**29,563,164**	**461,794**	**643,191**	**(538,874)**

The Group's share of accumulated unrecognized losses from associates who are in net liability position was **ZMW 538.874 million** (2016: ZMW 292.327 million) at year end. Where the equity accounted value is zero, no further losses are recognised by IDC as there is no obligation to settle any liabilities.

* Amounts restated due to prior period error. Refer to note 46

Figures in thousands of Zambian Kwacha

11. Loans to related parties

	2018	2017
Opening balances	**515,404**	638,620
Payments	**4,812**	-
Receipts	**(112,686)**	(123,216)
Closing balance	**407,530**	515,404

Breakdown analysis of the loans due from related parties:

Bangweulu Power Company Limited	Associate	**21,911**	18,201
Zambia China Mulungushi Textiles Limited	Subsidiary	**5,140**	5,140
Pelidic Zambia Limited	Project	**1,102**	-
Mukuba Hotel	Subsidiary	**-**	1,834
Maamba Collieries	Associate	**379,377**	490,229
		407,530	515,404

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

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respective of the amounts due from related parties, as they were all assessed as recoverable.

12. Financial assets at fair value through profit or loss

(a) Reconciliation of carrying amounts

	2018	2017
At 1 January	**335,790**	529,057
Changes in fair value	**(330,540)**	(193,267)
At 31 December	**5,250**	335,790

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

			At 1 January 2017	Valuation Movement	Valuation 31 December 2017
Chibuluma Mines Plc	Zambia	15.00%	64,577	(64,407)	170
NFC Africa Mines Plc	Zambia	15.00%	196,048	139,572	335,620
Nanga Farm	Zambia	14.30%	26,705	(26,705)	-
Mopani Copper Mines Plc	Zambia	15.00%	229,510	(229,510)	-
Chambishi Mines Plc	Zambia	10.00%	12,217	(12,217)	-
Total			**529,057**	**(193,267)**	335,790

(b) Measurement of fair value

Fair value hierarchy

The fair value for the Company's financial investments at fair value through profit or loss was determined by Deloitte Advisory Limited an external independent valuer, having appropriate recognised professional qualifications and recent experience of the financial investments being valued. The independent valuers determine the fair value of these investments annually.

The fair value changed from ZMW335.79 million in 2017 to ZMW5.250 million in 2018. The decrease is attributed to reduced production and performance of Chibuluma Mine Plc whose life of mine is coming to an end in two years' time coupled with huge debt financed capex investments for Mopani Copper Mines in recent years, which will only yield positive results in the period beyond the cashflow projections period.

Figures in thousands of Zambian Kwacha

12. Financial assets at fair value through profit or loss *(continued)*

(b) Measurement of fair value *(continued)*

The fair value measure for the company's investments of ZMW5.250 million (2017: ZMW335.79 million) has been categorized as level 3 fair value based on the inputs to the valuation techniques used

Levels 2 and 3 fair value **2018**	**Level 2**	**Level 3**	**Total**
Balance at 1 December 2018	-	335,790	335,790
Net change in fair value	-	(330,540)	(330,540)
Balance at 31 December 2018	**-**	5,250	5,250
2017			
Balance at 1 December 2017	-	529,057	529,057
Net change in fair value	-	(284,681)	(284,681)
Transfer to assets held for sale	-	(26,705)	(26,705)
Additions	-	118,119	118,119
Balance at 31 December 2017	-	335,790	335,790

12. Financial Assets at FV through Profit and loss *(continued)*

(b) Measurement of fair value *(continued)*

Valuation technique and significant unobservable inputs

Level 3 fair value

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

Investee name	Valuation technique	Significant unobservable inputs and assumptions	Inter-relationship between Key unobservable inputs and fair value measurement
Chibuluma Mines Plc	Discounted cash flows: It is an income approach to valuation and the most widely used valuation methodology. It computes the value of a business by calculating the present value of anticipated future cash flow generated by the business. The expected net cash flows are discounted using risk adjusted discount rates. There has been no changes to the valuation technique applied in the prior year.	*Target capital structure* Debt to total capitalisation (2018:3%, 2017: 38%). Equity to total capitalisation (2018:97%, 2017: 62%) ▪ *Cost of debt* Cost of debt (2018:2.23%, 2017: 4.1%) Tax rate (2018:30%, 2017:30%). After tax cost of debt (2018: 1.56%, 2017: 2.9). ▪ *Cost of equity* Risk free rate (2018:8.0%, 2017: 11.5%) Market risk premium (2018: 6.1%, 2017: 5.2%) *Levered beta (2018: 1.05, 2017:0.9).* *The assumptions considered are as follows:* ▪ Revenue expected to decrease from USD66.8million in FY18P to USD 53.4 million in FY19P. ▪ Copper price of USD/Tonne 5,500 has been projected for FY18 to increase to USD 5,200 in FY19P. ▪ Projected production of 11,332 MT in FY17P, 9,973 MT in FY18P and 7,795 MT in FY19P. ▪ Life of mine: 3 years	The estimated fair value would increase/(decrease) if: ▪ Equity to total capitalisation were higher/(lower) ▪ Cost of debt were lower/ (higher) ▪ The cost of equity were higher/ (lower) ▪ Target capital structure of debt to total capitalisation.

12. Financial Assets at FV through Profit and loss *(continued)*

(b) Measurement of fair value *(continued)*

Valuation technique and significant unobservable inputs *(continued)*

Investee name	Valuation technique	Significant unobservable inputs and assumptions	Inter-relationship between Key unobservable inputs and fair value measurement
NFC Africa Mines Plc	Discounted cash flows: It is an income approach to valuation and the most widely used valuation methodology. It computes the value of a business by calculating the present value of anticipated future cash flow generated by the business. The expected net cash flows are discounted using risk adjusted discount rates. There has been no changes to the valuation technique applied in the prior year.	• *Target capital structure* Debt to total capitalization (2018:28.8%). Equity to total capitalisation (2018: 71.2%) • *Cost of debt* Cost of debt (2018: 10.60%) Tax rate (2018: 35%). After tax cost of debt (2018: 6.90%). • *Cost of equity* Risk free rate (2018:9.4%) Market risk premium (2018:7.50%) Levered beta (2018: 1.43). • *The assumptions consideredwere as follows:* - Projects copper prices to be at USD/tonne 5,500 for the period FY18P and 6,000 for the rest of the projection period - Net income is projected to increase from negative US$98.8 million in FY18P to a positive US$51.5 million in FY22P. - Projects to repay the long-term loan over the projection period - Projects to produce 33,000MT of copper cathodes per annum over the projection period.	The estimated fair value would increase/(decrease) if: ▪ Equity to total capitalisation were higher/(lower) ▪ Cost of debt were lower/(higher) ▪ The cost of equity were higher/(lower) ▪ Target capital structure of debt to total capitalisation. ▪ Copper prices higher/(lower) ▪ Capital expenditure (higher)/lower ▪ Copper prices higher/(lower)

Figures in thousands of Zambian Kwacha

13. Financial assets at FVOCI

The details and carrying amounts of financial assets at FVOCI in 2018 as are follows:

	2018	2017
At beginning of the year	**57,428**	55,044
Additions	**-**	22,927
Disposals	**(10,486)**	(14,584)
Exchange gains	**(6,066)**	(5,836)
Fair value adjustments	**9,245**	258
Provision for impaired investment	**(63)**	(381)
At beginning of the year	**50,058**	57,428

The available for sale financial assets in 2018 totaling **ZMW50,058 million** (2017 ZMW57,428 million) are in respect of equity investment held in the following companies.

	Number of Shares	Market Share price Kwacha	Market value 2018	Market value 2017
AELZ	-	-	-	12
CECA Pls	6,893,478	-	**1,379**	2,758
Commerce Bank Plc	381,140	-	**381**	381
Copperbelt Energy Corporation Plc	-	-	**-**	9,927
Development Bank of Zambia	7,000	-	**1**	1
First Quantum Minerals Limited	1,063,830	-	**3,936**	3,936
Investrust Bank Plc	40,453	-	**-**	546
Lafarge Cement Zambia Plc	307,604	-	**1,498**	1,924
National Breweries	39,253	12	**685**	696
Pamodzi Hotels Plc	37,400	-	**23**	23
Zambia Privatization Trust Fund	124	-	**62**	62
Zambia Sugar Plc	204,108	3	**551**	551
Zambian Breweries Plc	2,307	-	**17**	16
Zanaco Bank Pl	-	-	**-**	6,063
ZEP-Re Insurance	580,849	-	**41,969**	30,913
			50,502	57,809
Less : Impairment			**(444)**	(381)
			50,058	57,428

Investments in shares listed on LUSE

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

Figures in thousands of Zambian Kwacha

14. Held to maturity financial assets.

Non-current assets

	2018	2017
Government bonds (i)	**30,776**	37,409
Bank fixed term deposit (ii)	**17,342**	13,884
Corporate bonds (iii)	**10,082**	3,508
Commercial paper (iv)	**245**	245
COMESA Yellow Card Reinsurance	**552**	552
Collective investment scheme	**4,379**	4,048
Treasury bills	**73,074**	9,796
	136,450	69,442
Less: Provision for impaired investment	**(3,753)**	(2,066)
	132,697	67,376

(i) Government bonds		
Two - year maturity	-	10,511
Three-year maturity	-	5,746
Five-year maturity	**13,454**	19,604
Seven-year maturity	**462**	434
Ten-year maturity	**13,166**	595
Fifteen-year maturity	**3,694**	519
	30,776	37,409

(ii) Bank fixed deposits		
Two-year maturity	**5,015**	5,015
Five-year maturity	**6,458**	3,000
Ten-year maturity	**5,869**	5,869
	17,342	13,884

The financial assets at amortized costs comprise :

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

(iv) Commercial paper		
Kalunamu Farms Limited	**245**	245

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

Current assets

Banc ABC	**148,784**	37,500
Cavmont Bank Ltd	**4,000**	107,504
Ecobank	**47,768**	39,809
First Alliance (Z) Ltd	**27,467**	33,838
First Capital Bank	**47,768**	19,905
First National Bank	**129,493**	96,775
Investrust Bank Plc	**114,942**	67,952
Stanbic Bank	**65,000**	47,000
Government bonds and T. Bills	**192,980**	-
United Bank of Africa	-	39,962
ZANACO PLC	**85,982**	109,475
Others	**34,304**	2,898
At the end of the year	**898,488**	602,618

Investment securities held at amortised cost relate to fixed deposits placed in various banks and they mature within one (1) year.

Figures in thousands of Zambian Kwacha

15. Other long-term assets

	2018	2017
ZCCM-IH & Scaling solar project/other short-term assets (a)	**31,287**	9,247
ERB Strategic Reserve Fund (ZESCO) (b)	**19,580**	13,596
Zampalm (c)*	**-**	168,776
Unconsolidated entities**	**10**	60
	52,335	191,679

Other long-term assets relate to:

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

15. Other long-term assets *(continued)*

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

(c) Investment into Zampalm presents the amount paid for acquisition of the company and working capital injected in the entity.

****Unconsolidated entities**

	2018	2017
ZAFFICO Tea Company – *ZAFFICO*	**10**	10
ZAMTEL Mobile Money/Emerging	**-**	50
	10	60

The above subsidiaries are not consolidated in the Group financial statements.
* Amounts were restated due to a prior period misstatement. Refer to note 46

16. Reinsurance receivables

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

	2018	2017
Gross reinsurance receivables	**93,740**	128,571
Provision for bad and doubtful debts	**(3,092)**	(1,908)
	90,648	126,663

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

17. Insurance receivable

	2018	2017
Gross insurance receivable	**369,508**	345,713
Debt written off	**(13,324)**	(38,344)
	356,184	307,369
Allowance for bad debts	**(174,322)**	(160,964)
	181,862	146,405
Maturity analysis		
Less than 1 year	**98,823**	32,322
Between 1 and 5 years	**83,039**	114,083
Net insurance receivable	**181,862**	146,405

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

Figures in thousands of Zambian Kwacha

18. Deferred tax *

	Net balance at 1 January	Recognised in profit or loss	Recognised in OIC	Other	Net	Deferred tax assets	Deferred tax liabilities
31 December 2018							
Net unutilised tax losses	4,205,414	4,010,339	-	40,274	8,256,027	8,256,027	-
Accelerated capital allowances	(3,379,945)	603,450	122	-	(2,776,373)	-	(2,776,373)
Revaluation surplus	(8,307,445)	74,206	236,659	3,936	(7,992,644)	-	(7,992,644)
Provisions and other	2,544,120	(560,857)	-	79,985	2,063,248	2,063,248	-
Change in financial assets at fair value through profit or loss	160,570	-	-	-	160,570	160,570	-
Unrealised exchange losses	5,380	(22)	-	-	5,358	5,358	-
Unrealised exchange gains	(7,275)	(4,896)	-	-	(12,171)	-	(12,171)
Total	(4,779,181)	4,122,220	236,781	124,195	(295,985)	10,485,203	(10,781,188)
31 December 2017		-					
Net unutilised tax losses	1,834,325	2,294,370	-	76,719	4,205,414	4,205,414	-
Accelerated capital allowances	(2,725,626)	(655,719)	-	1,400	(3,379,945)	-	(3,379,945)
Revaluation surplus*	(218,863)	-	(8,091,803)	3,221	(8,307,445)	-	(8,307,445)
Provisions and other	3,545,443	(1,000,636)	-	(687)	2,544,120	2,544,120	-
Change in financial assets at fair value through profit or loss	102,274	58,296	-	-	160,570	160,570	-
Unrealised exchange losses	9,096	(3,716)	-	-	5,380	5,380	-
Unrealised exchange gains	(65,345)	58,070	-	-	(7,275)	-	(7,275)
Total	2,481,304	750,665	(8,091,803)	80,653	(4,779,181)	6,915,484	(11,694,665)

Deferred tax asset

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction.. The amounts presented in the statement of financial position have not been netted off but recognised at entity level as follows:

Recognition of deferred tax asset

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

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

* Amounts restated as a result of prior period error refer to note 46

Figures in thousands of Zambian Kwacha

19. Inventories

	Fuel	Goods in transit	Materials	Othe inventorie	Provision	Total inventories
At 1 January 2018	**10,770**	**157,470**	**1,062,118**	**227,145**	**(15,401)**	**1,442,102**
Movements	**38,942**	**(10,120)**	**350,877**	**217,585**	**(10,172)**	**587,112**
At 31 December 2018	**49,712**	**147,350**	**1,412,995**	**444,730**	**(25,573)**	**2,029,214**
At 1 January 2017	12,546	180,521	1,298,911	272,442	(11,222)	1,753,198
Movements	(1,776)	(23,051)	(236,793)	(45,297)	(4,179)	(311,096)
At 31 December 2017	10,770	157,470	1,062,118	227,145	(15,401)	1,442,102

20. Amounts due from related parties

	2018	2017
Itezhi-Tezhi Power Corporation	**458,282**	325,324
Zambia Electrometer Limited	**2,675**	2,211
Zambia State Insurance Pension Trust	**-**	30,405
Rural Electrification Authority	**14,531**	-
Other	**6,585**	-
Ministry of Finance	**23,133**	23,133
Government of the Republic of Zambia	**2,657,600**	1,882,648
	3,162,806	2,263,721

The amounts due from government of ZMW2.6 million relates to the provision of the electricity services to all government departments by Zambia Electricity Supply Corporation (ZESCO).

21. Trade and other receivables

	2018	2017
Trade receivables	**4,230,655**	6,993,354
Prepayments	**1,320,600**	273,829
Deposits	**-**	164
Staff and other receivables	**1,872,505**	2,172,511
	7,423,760	9,439,858
Provision for bad debts	**(2,323,406)**	(5,080,851)
	5,100,354	4,359,007

22. Assets held for sale

Property, plant and equipment	**1,591**	1,521
Investments in subsidiaries	**50**	-
Investment property	**10,213**	10,213
Investment in associate (a)	**-**	21,453
Assets held for sale	**11,854**	33,187

(a) Investment in associate - asset held for sale

At January	**21,453**	-
Transfer from investments in associates	**-**	24,736
Fair value loss	**-**	(3,283)
Disposal of investment in Nanga Farms Limited	**(21,453)**	-
At 31 December	**-**	21,453

IDC exited its equity investments in Nanga Farms in line with its divestiture plan.

Figures in thousands of Zambian Kwacha

23. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Bank balances	**3,216,389**	2,549,954
Fixed deposits	**10,238**	13,068
Petty cash	**112**	72
	3,226,739	2,563,024
Current assets	**3,226,739**	2,563,094
Bank overdraft	**(88,939)**	(109,239)
	3,137,800	2,453,855

Restricted cash balances are donor grants held to be applied on specific activities, therefore not available for pool operational funding. These amounts totalling ZMW0.971 million (2017: 52.62million) are included in the cash and cash equivalent above.

The overdraft facilities relate to the following banks.

i) Zesco Limited a subsidiary owed the following

a) Barclays Bank Zambia plc

An overdraft banking facility amounting to ZMW50 million. The overdraft was agreed in January 2017 with a 12-month tenor with interest payable monthly at three-month LIBOR plus 15.5%. the facilities are repayable strictly on demand. The amount drawn as on 31 December 2018 under this facility is ZMW15.3 million (2017: ZMW52 million). The facility is secured against unlimited collections held in the bank accounts from time to time.

b) Zambia National Commercial Bank Zambia Plc

An overdraft banking facility amounting to ZMW50 million. The overdraft was initially agreed in November 2014 of ZMW25 million, and in September 2017 the facility was increased to ZMW50 million with a 12-month tenor with interest payable monthly at three-month LIBOR plus 3.75%. The facilities are payable strictly on demand. The amount drawn as on 31 December 2018 under this facility was ZMW41 million (2017: ZMW14.8 million). The facility is secured against unlimited collections held in the bank accounts from time to time.

The Group had in the year a principal overdraft facility totaling ZMW7.6 million renewed, which is secured by a third- party mortgage over commercial property valued at ZMW6.4 million. The interest on the overdraft facility was charged at the rate of 33% per annum.

Figures in thousands of Zambian Kwacha

24. Share capital

	2018	2017
Authorized share capital	**20,000**	20,000
Shares issued and fully paid	**10,000**	10,000
At December	**10,000**	10,000

These represents the shares in state-owned companies incorporated under the Companies Act and the Banking and Financial Services Act which were transferred to IDC on 24 August 2015 by the Government of the Republic of Zambia at an amount of ZMW12,511 million. The amount was recognised as capital reserve as there was no cash consideration.

25. Capital grants and contribution

	2018	2017
At 1 January*	**3,609,778**	2,442,487
Grants received during the year	**465,029**	1,324,047
Amortisation of mark to market adjustment arising on concessioned loans*	**(62,667)**	(47,057)
Amortisation	**(347,632)**	(109,699)
At 31 December	**3,655,855**	3,609,778

Maturity analysis		
Non – current	**3,463,009**	3,437,781
Current liability	**192,846**	171,997
	3,655,855	3,609,778

Capital grants and contributions

The capital grants and contributions are related to the funds provided by the Government and Partners in funding various projects within the Group. 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

	2018	2017
At 1 January	**943,876**	841,052
Mark to market adjustment on Grants received during the year	**-**	149,881
Amortisation of mark to market adjustment arising on concessioned loans	**(71,320)**	(57,225)
Foreign exchange loss	**8,653**	10,168
At 31 December	**881,209**	943,876

* Amounts restated as a result of prior period error refer to note 46

26. Borrowings

At 1 January	**14,978,360**	14,508,467
Received during the year*	**8,136,606**	1,824,064
Payments during the year*	**(2,330,626)**	(1,305,122)
Net movement in fair valued loans (note 25)	**62,667**	(102,824)
Exchange loss*	**4,559,035**	53,775
31 December	**25,406,042**	14,978,360

Amounts due within one year	**5,387,177**	3,682,129
Amounts due after one year	**20,018,865**	11,296,231
	25,406,042	14,978,360

* Amounts restated as a result of prior period error refer to note 46

Figures in thousands of Zambian Kwacha

26. Borrowings *(continued)*

	2018	2017
26.1 ZTE Corporation – Rural	**139,017**	116,856
26.2 ZTE Corporation – GSMIII	**30,557**	25,686
26.3 Huawei – National Fiber	**100,216**	84,240
26.4 Export-Import Bank of China (Eximbank)	**1,303,231**	1,095,520
26.5 Industrial Commercial Bank of China & Export Import Bank	**6,509,369**	-
26.6 China Machinery Engineering Corp. Limited	**176,397**	543,055
26.7 Industrial Commercial Bank of China	**3,058,246**	2,834,097
26.8 China Exim Bank	**2,126,802**	2,013,293
26.9 Nordea Stanbic Bank	**1,455,484**	1,222,903
26.10 India Exim Bank	**484,156**	471,104
26.11 China Exim	**537,797**	448,542
26.12 Standard Chartered Bank	**1,164,749**	1,214,303
26.13 Zambia National Commercial Bank Plc	**43,915**	43,915
26.14 Standard Bank of South Africa	**277,326**	-
26.15 Stanbic Bank	**8,209**	151,469
26.16 Bank of China	**310,000**	-
26.17 African Development Bank	**217,077**	148,703
26.18 GRZ/Agency Franchise De Development	**296,846**	221,445
26.19 Stanbic Bank	**8,209**	97,722
26.20 Mpande Limestone Limited – Bridge Finance	**91,913**	-
26.21 Barclays Bank Zambia Plc	**4,546**	25,549
26.22 Development Bank of Southern Africa Bank	**1,846,283**	1,745,636
26.23 European Investment Bank	**294,590**	199,004
26.24 Standard Chartered Bank	**176,969**	206,010
26.25 CNMC Industrial Zone Development	**44,235**	44,272
26.26 European Investment Bank 2	**36,322**	38,710
26.27 GRZ/World Bank Facility 2	**23,397**	15,342
26.28 GRZ/International Development Association	**267,523**	158,522
26.29 GRZ/World Bank	**52,661**	43,921
26.30 GRZ/Japan International Cooperation Agency	**87,322**	36,471
26.31 Nigeria Trust Fund	**46,937**	33,491
26.32 European Investment Bank	**138,786**	107,217
26.33 The Export – Import Bank of China	**139,391**	-
26.34 Atlasmara (Z) Limited	**87,515**	-
26.35 Mpande Limestone (Z) Limited	**11,733**	-
26.36 Industrial and Commercial Bank of China	**1,220,548**	164,989
26.37 Zambia National Commercial Bank – Short term facility	**52,299**	-
26.38 Agency Franchise de Development	**40,920**	35,681
26.39 EIB - LTDRP LOAN FACILITY	**183,945**	22,578
26.40 Stanbic Bank Limited	**3,191**	2,579
26.41 Commercial Bank of Africa	**2,372**	3,436
26.42 Government loan	**1,702,227**	664,431
26.43 Other loan facilities	**602,820**	697,673
	25,406,048	14,978,365

26. Borrowings *(continued)*

The loan terms are as disclosed below:

26.1 ZTE Corporation – Rural

The loan was 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 was charged at 6 months USD libor+ 4% p.a. resulting into an effective interest rate of 4.5%. The loan was to be paid over a period of three (3) years with a grace period of 6 months from May 2010. At the reporting date the loan was still outstanding, and the company has engaged in discussion with the lender and the guarantor, "Ministry of Finance". Vendor financing liabilities are secured by a third-party guarantee by the Government of the Republic of Zambia.

26.2 ZTE Corporation – GSMIII

The loan was 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%. The repayments were to be made in three (3) years beginning with two (2) years grace period from the May 2010. At the reporting date the loan was still outstanding, and the company has engaged in discussion with the lender and the guarantor, "Ministry of Finance". Vendor financing liabilities are secured by a third-party guarantee by the Government of the Republic of Zambia.

26.3 Huawei – National Fibre

The financings were obtained to finance the supply, delivery, and installation and commissioning of the SDH Optical Fibre Network by Zamtel. The loans are denominated in US dollars borrowings bear interest at 6 months USD libor + 4% p.a. The effective interest rate is 4.5%. The repayments were to be made in three (3) years beginning with a two (2) years grace period from November 2010. At the reporting date the loan was still outstanding, and the company has engaged in discussion with the lender and the guarantor, "Ministry of Finance". Vendor financing liabilities are secured by a third-party guarantee by the Government of the Republic of Zambia

26.4 Export-Import Bank of China (Eximbank) – Equipment

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

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

On 13 November 2017, a facility agreement of up to USD 1, 530, 576, 039.16 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 2018. As at 31 December 2018 KGL had drawn down a total of $551,291,040 (ZMW 5,564,221).

26.6 China Machinery Engineering Corp. Limited

This is a US$15 million facility (Bridging finance) obtained from China Machinery Engineering Corporation (CMEC) by ZESCO Limited on the 31 May 2018. 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 US$14.78 million or K176.4 million.

26. Borrowings *(continued)*

26.7 Industrial Commercial Bank of China

This is a US$285 million loan facility obtained by Zesco from Industrial Commercial Bank of China on 30 May 2011 to finance the Pensulo-Msoro-Chipata West 330 KV and Pensulo-Kasama 330 kV Transmission lines. Interest is 2.5% Margin plus LIBOR (Screen Rate), the Loan will be repaid over 10 years. The loan is denominated in United States Dollar and the balance at the reporting date was US$272 million or ZMW3 billion.

26.8 China Exim Bank

This is a US$315.6 million loan facility was 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 US$268 million or ZMW3 billion.

26.9 Nordea Stanbic Bank

This is a US$133million loan facility obtained by ZESCO from Nordea bank on 14 August 2014. The loan was obtained to finance the connection of Northwestern Province to the National Grid. The loan shall be repaid over a 14-year period including a grace period of 2 years. The interest rate is 3.69% per annum payable semi-annual. The loan facility is in United States Dollar and the balance at the reporting date was US$66 million or ZMW726 million.

26.10 India Exim Bank

This is a US$63.39 million facility obtained by ZESCO from India Exim bank on 9 June 2012. The loan was obtained to finance the connection of Luangwa to the national grid. The loan will be repaid in seven equal installments. The interest rate is LIBOR plus 5.5%. The facility is in United States Dollar and the balance as at the reporting was US$47.3 million or ZMW520 million.

26.11 China Exim Bank

This is a US$45 million facility obtained by ZESCO from China Exim bank through the Ministry of Finance on 13 October 2014. The loan was obtained to Finance the Kariba North Bank- Kafue west 330KV transmission project. The interest rate is 2%. The facility is in United States Dollar and the balance as at the reporting was US$43.78 million or ZMW481 million.

26.12 Standard Chartered Bank

This is a US$40 million loan facility obtained by ZESCO from Standard Chartered Bank by ZESCO Limited on the 15 September 2015. The Loan facility was obtained towards the financing of the purchase of assets associated with ZESCO's generation, transmission, and distribution assets. The borrower shall repay each loan in full on the termination date (the date falling six months after the date of this agreement). The loan is in United States Dollars and at the reporting date the balance was US$40 Million or ZMW439.7 million.

26.13 Zambia National Commercial Bank Plc

This is a letter of credit facility of US$80 million from Zambia National Commercial Bank Zambia Limited, incorporated in Zambia with tenure of 70 months, and is repayable in monthly equal instalments of US$1.143 million. The loan is denominated in United States Dollar and as at reporting date the loan balance was US$32.8 million or K360 million. The facility is secured by Group's collections and guarantee from the Government of the Republic of Zambia.

26.14 Standard Bank of South Africa

This is a US$29.5 million facility obtained from Standard bank of South Africa. The loan was obtained to finance the connection of Northwestern Province to the National grid. The interest rate is LIBOR plus 5% per annum. The loan is to be repaid over a period of 7 years with a 2 year grace period. The facility is in United States Dollar and the amount as at the reporting date was US$29.6 million or ZMW325 million.

26. Borrowings *(continued)*

26.15 Stanbic Bank

This is a US$30 million Letter of Credit facility obtained from Stanbic Bank (Z) Limited meant to finance importation, mobilization, and installation of equipment by Elsewedy of Egypt. The Letter of Credit agreement was finalized on the 1 August 2013 for a period of 70 months, with a grace period of 15 months. The repayment will be US$545,455 in equal installments of 55 months. The Letter of Credit was secured against the Group's receivables. The facility is in United States Dollar and the balance at reporting date was US$28.7 million or ZMW316 million.

26.16 Bank of China

This is a US$43.9 million loan facility obtained from Bank of China on 20 May 2011. The loan was obtained to finance the extension of fibre network to other parts of the country. The facility is for duration of 6 years. The interest rate is LIBOR plus 3% per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$28.3 million or ZMW310 million.

26.17 African Development Bank

This is a US$30 million loan facility obtained from the African Development Bank (AFDB) by the Government of the Republic of Zambia on 19 December 2012. The loan was obtained to finance the transmission line for the Itezhi-Tezhi Hydro Power and Transmission Line Project. The loan facility is in United States Dollars and the balance at the reporting date was US$25.7 million or ZMW282.78 million.

26.18 GRZ/Agence Francaise De Development

This is a US$34.4 million loan facility obtained from the Agence Francaise De Development (AFD)on 18th December 2012 by the Government of the Republic of Zambia and on-lent to ZESCO to finance the construction of Itezhi Tezhi hydro Power Station. Interest is computed at 1.5% semi annum and the loan (principal plus interest) will be repaid over 25 years including 5 years grace period. The loan is denominated in United States Dollar. The total draw downs in the year under review were ZMW54.9 million and the balance at the reporting date was US$23.6 million or ZMW259 million.

26.19 Stanbic Bank Limited

This is a US$30 million Letter of Credit facility obtained from Stanbic Bank (Z) Limited meant to finance importation, mobilization and installation of equipment by Elsewedy of Egypt. The Letter of Credit agreement was finalized on the 1st of August 2013 for a period of 70 months, with a grace period of 15 (Fifteen) months. The repayment will be US$545,455 in equal installments of 55 months. The Letter of Credit was secured against the Company's receivables. The facility is in United States Dollar and the balance at reporting date was US$22.9 million or ZMW251.8million.

26.20 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 US$7.7 million or ZMW91.9 million.

26.21 Barclays Bank Zambia Plc

This is a letter of credit facility of US$15 million from Barclays Bank Plc Limited obtained on 7 November 2012, with tenure of 75 months and is repayable in $333,333 equal instalments over 55 months. The facility is secured by company's receivables deposited in Barclays Bank Accounts. The facility is in United States Dollar and the balance at reporting date was US$9.08 million or ZMW99.8 million.

26.22 Development Bank of Southern Africa

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

Figures in thousands of Zambian Kwacha

26. Borrowings *(continued)*

26.22 Development Bank of Southern Africa *(continued)*

The US104 million loan is used to finance the Kariba North Bank Extension Power Corporation project. The loan is to be repaid in equal instalments semi-annually commencing on 31 January 2013. The amount of repayments during the year was US$12,549,336."

26.23 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 US$8.45 million or ZMW92.8 million.

26.24 Standard Chartered Bank

This is a letter of credit facility of US$15 million from Standard Chartered Bank PLC, incorporated in Zambia with tenure of 84 months or 7 years, is repayable in equal instalments of US$178,571 in 84 months. The drawings will be made over 55 monthly instalments. The letter of credit is in United States Dollar and the balance at the reporting date was US$7.5 million or ZMW82.4 million.

26.25 CNMC Industrial Zone Development

The facility was obtained as capital contribution in 2009 on the Chambishi line from CNMC Industrial Zone Development who contributed 40% of the total project costs of US$27.8 million (i.e. US$11.1 million). It is to be paid in 180 equal instalments of US$61,778 per month. There is no interest on this amount and there is no security attached to the agreement. The balance at the reporting date was US$5.9 million or ZMW65.2 million.

26.26 European Investment Bank 2

This is a EUR7.5 million loan facility obtained from European Investment Bank by ZESCO Limited on 12 July 2005 to finance the Kariba North Bank Power Station Rehabilitation and Uprating Works under Power Rehabilitation Projects. The interest rate is 3.3% per annum. The loan facility is secured against Kansanshi receivables. The loan facility is in Euro and the balance at the reporting date was EUR4.4 million or ZMW53 million.

26.27 GRZ/World Bank Facility 2

This is a US$10 million loan facility obtained from World Bank by Government of Republic of Zambia on 21 March 2010. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 20-year period including a grace period of 5 years. The loan will have a 2% interest charge per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$4.7 million or ZMW51.8 million.

26.28 GRZ/International Development Association-Kafue Muzuma

This is a US$11 million loan facility obtained from the International Development Association on 6 December 2012 by the Government of the Republic of Zambia and on lent to ZESCO to finance the Kafue Muzuma Transmission Project. Interest shall be computed at 2% per annum and the loan (principal plus interest) will be repaid over 20 years including 5 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was US$4.7 million or ZMW51.8 million.

26.29 GRZ/World Bank

This is a US$16 million loan facility obtained from World Bank by Government of Republic of Zambia on 9 February 2009. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 20 year period including a grace period of 5 years. The loan will have a 2% interest charge per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$4.3 million or ZMW46.9 million.

26. Borrowing *(continued)*

26.30 GRZ/Japan International Cooperation Agency (JICA)

This is a Yens 5 billion loan facility obtained from JICA by Government of Republic of Zambia on 1 November 2010. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 15-year period including a grace period of 5 years. The interest is charged at 0.05% per annum. The loan facility is in Japanese Yen and the balance at the reporting date was Yens 416.4 million or ZMW38 million.

26.31 Nigeria Trust Fund

This is a US$6.4 million loan facility obtained from the Nigerian Trust Fund by the Government of the Republic of Zambia on the 19 December 2012. The loan was lent to ZESCO Limited for the purpose of financing the Itezhi-Tezhi Hydro Power and Transmission Line project. The loan shall be repaid over a period of twenty-five (25) years including a grace period of five (5) years. The interest is charged at zero point seventy-five (0.75%) per annum fixed interest rate. The loan facility is in United States Dollars and the balance at the reporting date was US$2.86 million.

26.32 European Investment Bank

This is a EUR 22 million loan facility obtained from the European Investment Bank (EIB) by the Government of the Republic of Zambia on the 4 of December 2012. The Government agreed to on-lend to ZESCO Limited on the terms and conditions set forth in the finance contract. The purpose of the facility was to finance the Kafue-Livingstone transmission Line project. The loan facility shall be repaid to the Government in equal semi-annual installments beginning five (5) years after the signature date of the on-lending loan and ending ten (10) years after the date of such agreement. The interest is charged at one and half percent (1.5%). The loan facility is in United States Dollar 1.7 million or ZMW18.79 million.

26.33 The Export-Import Bank of China

This is a US$114 million facility obtained from Export-Import Bank of China (EXIM Bank of China) by ZESCO Limited on the 15 December 2017. The facility was obtained for the construction of the Second Kabwe Stepdown-Pensulo 330KV Transmission Line project. The tenure of the facility is 15 years. Funds and Interest shall be repaid in 24 successive semi-annual instalments. The interest is charged at 3% margin plus LIBOR per annum. The balance at the reporting date was US$7.64 million or ZMW91.17 million.

26.34 Atlas Mara (Z) Limited

This is a US$5 million facility (Short Term Facility) obtained from Atlasmara Bank (Z) Limited by ZESCO Limited on the 3 April 2018. The facility was obtained to enable the Borrower (ZESCO Limited) to meet supplier payments to Aggreko and Karpowership for emergency power that was imported in 2016. The tenure of the facility is one year. Principal and Interest shall be repaid monthly. The interest is charged at 9.5% fixed per annum. The loan is denominated in United States Dollar. The loan balance at the reporting date was US$1.67 million or ZMW19.89 million.

This is a US$8 million Short Term Loan facility obtained from African Banking Corporation (Z) Limited on 8 October 2018 by Zesco Limited to enable the Borrower to procure Duplex Cable and other materials to reduce on the backlog of standard connections. Interest is charged at 9.5% and the loan (principal plus interest) will be repaid within 2 years. The loan is denominated in United States Dollar. The loan balance at the reporting date was US$7.3 million or ZMW87.52 million.

26.35 Mpande Limestone (Z) Limited

This is an interest free facility of US$2.5 million, is governed by the Connection Agreement (CA) signed on 30 December 2016, and the Power Supply Agreement (PSA) signed on 23 March 2018. The recoveries on this facility is through monthly invoices to Mpande by Zesco and the final repayment date is the date of the invoice on which the last repayment deductions towards Zesco Capital Contribution is made. The facility is denominated in United States Dollars currency and closing balance as at the reporting date was US$968,764.34 or ZMW11.7 million.

Figures in thousands of Zambian Kwacha

26. Borrowings *(continued)*

26.36 Industrial and Commercial Bank of China

This is a US$35.25 million loan facility obtained from Industrial and Commercial Bank of China by ZESCO Limited on the 26 January 2017. The loan facility was obtained to finance the rehabilitation and upgrading of Musonda Falls Hydro Power Plant. The loan shall be repaid over a 15-year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$29.9 million or ZMW298 million. This is a US$36.84 million loan facility obtained from Industrial and Commercial Bank of China by ZESCO Limited on the 10 August 2017. The loan facility was obtained to finance the Connection of Lundazi and Chama to the National Grid. The loan shall be repaid over a 15-year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$7.4 million or ZMW73.6 million.

26.37 ZANACO Short-term Facility

This is a US$14.21 million loan facility obtained from Zambia National Commercial Bank by ZESCO Limited on the 18 July 2017. The loan facility was obtained to finance 15% advance payments to ZTE Corporation, KEC International, Howell and Sinohydro Corporation for delivery, supply and construction of Metropolitan Area Networks and transmission assets. The interest is at 8% and is paid monthly together with the principal. The loan facility is denominated in United States Dollars and will be repaid within 24 months. The balance at the reporting date was US$11.4 million or ZMW113.8 million. This is a US$29.6 million loan facility obtained from Industrial and Commercial Bank of China by ZESCO Limited on the 13 July 2016. The loan facility was obtained to finance the improvement of power supply in Mpika. The loan shall be repaid over a 15-year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$5.8 million or ZMW57.6 million.

26.38 Agence Francaise de Development

This is a €40 million loan facility obtained from Agency Francaise de Development by GRZ and on lent to ZESCO Limited on the 23 June 2016 to finance the improvement of power supply in Southern Division. The loan shall be repaid over a 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 €3.0 million or K35.7 million.

26.39 European Investment Bank

This is a US$106 million loan facility obtained from the European Investment Bank on 3 October 2013 by the Government of Republic of Zambia and on lent to ZESCO to finance the Lusaka Transmission and Distribution Rehabilitation Project. Interest is charged at 1.2% semi-annum and the loan (principal plus interest) will be repaid over 30 years including 10 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was US$2.3 million or ZMW22.6 million.

26.40 Stanbic Bank Limited

This loan was entered into to facilitate for the lease purchase of the reach stackers at a cost of US$398,383 from Stanbic Bank repayable in 3 years at an interest rate of 9%. The balance at the yearend was 3.191million.

26.41 Commercial Bank of Africa

The is in relation to the acquisition of the insurance premiums to pay for custom insurance bond. The amounts were repayable in 10 months at an interest rate of 7.9%. The balance at the year end was 2.372 million kwacha.

Figures in thousands of Zambian Kwacha

26. Borrowings *(continued)*

26.42 Government loans

This is an on- lend loan obtained from EXIM Bank of China by the Government of the Republic of Zambia on behalf of the group for tower expansion project. The loan bears an interest of 2% per annum and is repayable in 2034. Vendor facility liabilities are secured by a third-party guarantee by the government, the Group's shareholder. At the end of the period, the amount was extinguished as consideration given for the passive infrastructure transferred to Infratel Corporation Limited

Breach of loan agreements

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

(i) European Investment Bank
The Group was not in compliance with some covenants because the current ratio was less than 1, the Debt Service Cover ratio was less than 2 and ratio of long-term debt to equity was more than 1.

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

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

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

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

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

(vii) Zanaco Bank
The Group was non-compliant as the gearing ratio was more than 1; and the current ratio was less than 1.

Figures in thousands of Zambian Kwacha

27. Retirement benefit obligations

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

	2018	2017
Retirement benefits	**1,811,020**	1,741,068
Pensions - defined contribution plans	**17,685**	124,769
Pension - defined benefit plans	**793,201**	761,201
	2,621,906	2,627,038
Non-current	**2,357,021**	2,427,795
Current	**264,885**	199,243
	2,621,906	2,627,038

(i) Defined contribution plan

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

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

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

(ii) LASF defined benefit plan

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

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

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

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

(iii) Retirement benefit obligation

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

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

Figures in thousands of Zambian Kwacha

27. Retirement benefits obligations *(continued)*

(iii) Retirement benefit obligation *(continued)*

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

Expected return on plan assets	17.00%	18.5%
Expected rate of salary increase	9.50%	10.5%
Discount rate	17.00%	18.5%
Pension increase assumption	9.50%	10.5%
Long term price inflation	9.50%	10.5%
Average longevity at retirement age for current employees (future pensioners):		
Male	16	16
Female	18	18

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

Remeasurement on the defined liability

	2018	2017
Actuarial gains and losses arising from changes in financial assumptions	**1,093**	7,920
Actuarial gains and losses arising from changes in experience adjustments	**(28,101)**	(8,547)
Return on plan assets (excluding amounts in net interest)	**(27,008)**	(627)

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

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

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

	2018	2017
Current service cost	**1,402**	3,948
Interest cost	**6,272**	8,824
Total period costs included in staff costs	**7,674**	12,772

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

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

	2018	2017
Present value of funded obligations	**38,201**	54,727
Fair value of plan assets	**(11,193)**	(12,922)
Net liability arising from defined benefit obligation	**27,008**	41,805

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

	2018	2017
Opening fair value of plan assets	**13,061**	44,119
Interest income	**8,265**	15,350
Contributions	**8,163**	18,369
Benefits paid	**(3,022)**	(31,633)
Actuarial loss	**(861)**	(8,348)
Current service costs	**1,402**	3,948
Closing fair value of plan assets	**27,008**	41,805

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

Figures in thousands of Zambian Kwacha

28. Life Assurance Funds

	2018	2017
Opening balance	**303,340**	345,180
Transfer from policyholder liability	**8,999**	(41,840)
At the end of the year	**312,339**	303,340

Analysis of policyholder liability		
Individual life - new series	**7,985**	7,409
Individual life - olde series	**26,073**	18,407
Individual life - immediate annuities	**128,050**	135,968
Individual life - unit linked	**65,892**	69,346
Individual life - funeral	**12,225**	9,456
Company business (GLA, credit life and gratuity)	**72,114**	62,755
	312,339	303,341

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

29. Finance lease liabilities

	2018	2017
At 1 January	**958**	168,533
Receipts during the year	**132**	797
Repayments during the year	**-**	(168,372)
At 31 December	**1,090**	958

Repayments within one year	**240**	443
Amounts due after one year	**850**	515
	1,090	958

30. Deferred income

At January	**114,003**	139,503
Additions during the year	**46,140**	13,518
Expenditure	**-**	(39,018)
At December	**160,143**	114,003

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

31. Provisions

	2018	2017
Non-current liabilities	**180,020**	122,558
Current liabilities	**186,629**	-
	366,649	122,558

Environmental provision	**144,436**	122,558
Accrued legal costs	**37,691**	-
Payroll provision (Retirement and terminal benefits, leave pay)	**78,916**	-
Other	**105,606**	-
	366,649	122,558

Figures in thousands of Zambian Kwacha

31. Provisions *(continued)*

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

The provision represents the best estimate of the expenditure required to settle the obligations to rehabilitate environmental disturbances caused by mining operations. Ndola Lime is expected to make contributions to the Environmental Protection Fund, controlled by the Department of Mines and Mineral Development. Contributions made towards the fund reduces the environmental provision obligation. No payment has been made into the Environmental Protection Fund for the years ended 31 December 2018 and 31 December 2017, respectively. At the end of useful life of mine, Ndola Lime is obligated to rehabilitate the damage to the environment and all payments made to the Environmental Protection Fund will be reimbursed towards this rehabilitation.

The valuation for the environmental restoration provision at 31 December 2018 was performed by Misenge Environmental and Technical Services Limited and was independently reviewed by Knight Piesold an independent environmental expert.

The provision recognized as a liability is the best estimate of the consideration required to settle the obligation at the reporting date, assuming a discount rate of 2.56 % (2017:2.4%) and an inflation rate of 2.4% (2017: -2.4%) being the US Dollar inflation rate. The liability for restoration, rehabilitation and environmental obligations for Group and Company on undiscounted basis before inflation is estimated to be US$12.7 million (approximately K120.53 million) (2017:US$16.6 million (approximately K159.7 million) and US$9.19 million (approximately K87.22 million) (2017:US$11.96 million approximately K114.96 million) respectively. Because of the long term nature of the liability the greatest uncertainty in estimating the provision is the cost that will be incurred. In particular, the Group has assumed that the site will be restored using technology and materials available currently.

32. 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.

	2018	2017
At January	**106,984**	78,781
Additions during the year	**-**	189,485
Payments	**(92,852)**	(161,282)
Total outstanding claims	**14,132**	106,984

33. Unearned premiums

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

Total unearned premiums	**71,302**	76,039

34. Other long-term payables

NAPSA Penalties	**2,149**	2,149
Other long-term payables	**5,905**	291,948
	8,054	294,097

35. Trade and other payables

Trade creditors	**15,092,354**	8,855,683
Accrued expenses	**3,542,520**	2,509,948
Other payables	**2,079,929**	1,562,358
	20,714,803	12,927,989

36. Amounts due to related parties

Itezhi -tezhi	**2,375,786**	1,133,828
Elsewedy Electric Zambia Limited	**50,380**	100,065
Ministry of Finance	**10,000**	10,000
Government ministries	**-**	42,119
	2,436,166	1,286,012

Figures in thousands of Zambian Kwacha

37. Revenue and Segmental reporting

Segment	Energy and Resources	Financial Services	Industries	Telecomms & Media	Tourism Real estate	Transport & Logistics	Total
2018							
Revenue							
Revenue	10,318,585	44,536	454,143	776,880	210,772	293,523	12,098,439
Premiums, claims and reinsurance commissions	-	470,046	-	-	-	-	470,046
Segmental revenue	**10,318,585**	**514,582**	**454,143**	**776,880**	**210,772**	**293,523**	**12,568,485**
Cost of material	(2,659,188)	(458)	(380,128)	(565,560)	(17,721)	-	(3,623,055)
Premiums ceded to reinsurers	-	(270,113)	-	-	-	-	(270,113)
Employee benefit expense	(2,587,304)	(159,596)	(521,914)	(253,991)	(108,536)	(219,888)	(3,851,229)
Other Expenses	(6,033,805)	(102,670)	(349,881)	(266,762)	(120,771)	(170,833)	(7,044,722)
Profit before tax	(1,822,834)	27,980	(175,445)	(591,253)	3,100,584	(133,835)	405,197
Finance Income	384,527	-	-	330	638	20,667	406,162
Finance Costs	(941,075)	(17)	(71,395)	(496,914)	(2,139)	(148)	(1,511,688)
Depreciation, amortisation	(2,230,610)	(7,134)	(4,389)	(159,489)	(27,996)	(21,246)	(2,450,864)
Segmental assets	84,009,163	758,884	5,156,294	3,071,932	13,252,771	1,475,892	107,724,936
Equity accounted investees	1,080,746	99,418	-	-	-	-	1,180,164
Capital expenditure	13,842,804	23,408	35,933	1,231,560	81,399	1,967	15,217,071
Segment liabilities	46,274,061	879,112	3,090,847	5,528,947	12,115,460	535,007	68,423,434

Figures in thousands of Zambian Kwacha

37. Revenue and Segmental reporting *(continued)*

Segment	**Energy and Resources**	**Financial Services**	**Industries**	**Telecomms & Media**	**Tourism Real estate**	**Transport & Logistics**	**Total**
2017							
Revenue							
Revenue	8,019,247	52,642	830,794	588,695	141,140	209,162	9,841,680
Premiums, claims and reinsurance commissions	-	381,473	-	-	-	-	381,473
Segmental revenue	8,019,247	434,115	830,794	588,695	141,140	209,162	10,223,153
Cost of material	(3,607,033)	-	(757,716)	(311,848)	(13,502)	(10,553)	(4,700,652)
Premiums ceded to reinsurers	-	(294,693)	-	-	-	-	(294,693)
Employee benefit expense	(2,787,329)	(153,521)	(239,363)	(275,207)	(116,938)	(185,954)	(3,758,312)
Other Expenses	(1,052,705)	(123,059)	(247,436)	(407,240)	(129,379)	(147,180)	(2,106,999)
Profit before tax	(742,672)	(939)	(343,350)	343,179	32,569	92,382	(618,831)
Finance Income	155,771	20,626	1	107	542	6,121	183,168
Finance Costs	(651,460)	(2,600)	(907)	(44,124)	(761)	(909)	(700,761)
Depreciation, amortisation	(1,174,369)	(3,820)	-	(269,547)	(19,859)	(1,622)	(1,469,217)
Segmental assets	51,217,905	784,136	24,068,794	2,377,048	2,875,053	1,049,695	82,372,631
Equity accounted investees	588,345	54,846	-	-	-	-	643,191
Capital expenditure	4,255,060	13,639	17,538	583,399	1,784	6,592	4,878,012
Segment liabilities	35,552,974	1,029,314	7,927,877	4,525,838	536,399	416,813	49,989,215

Figures in thousands of Zambian Kwacha

38. Other income

	2018	2017
Treasury income	**10,210**	6,299
Rental income	**92,320**	41,211
Bad debts recovered	**5,400**	1,408
Storage charges and other	**132,050**	125,717
Proceeds from asset disposal	**219,317**	68,759
Sundry Income	**53,161**	419,880
Commission income	**410,757**	325,446
Premium Incomes	**48,900**	5,320
Other gains	**265,217**	6,047
Amortization income	**30,520**	11,667
Courier Services	**128,760**	80,600
Government grants	**10,817**	12,828
	1,407,429	1,105,182

39. Change in fair value of investment property and inventories

Properties (note 6)	**2,780,756**	17,990
Inventories	**373,954**	-
	3,154,710	17,990

The change arose from the revaluation surplus of investment property and inventories.

40. Cost of materials

Direct Maintenance	3,330,754	3,936,883
Other Expenses	211,970	639,286
Electricity and water	14,914	100,183
Materials	335,530	318,993
	3,893,168	4,995,345
Cost of sales	(3,623,055)	(4,700,652)
Premiums ceded to reinsurers	(270,113)	(294,693)
Total	3,893,168	4,995,345

41. Employee costs

Salaries and Wages	2,688,740	2,371,361
NAPSA	**657,479**	589,435
Defined contribution scheme	505,010	797,516
	3,851,229	3,758,312

42. Operating and other expenses

Exchange loss	**1,652,092**	-
Loss on disposal of investments	**1,149**	-
Other expenses	**5,391,481**	2,106,999
Total operating and other expenses	7,044,722	2,106,999

43. Finance income

Interest on investments and placements*	**460,176**	235,666

The interest income relates to treasury activities of the group in the year under review.

44. Finance costs

Borrowing costs on bank loans*	**1,565,702**	753,259

* Amounts restated as a result of prior period error refer to note 46

Figures in thousands of Zambian Kwacha

45. Income tax expenses

	2018	2017
a) Charge for the year		
Income tax charge at 35%		
Current tax	**206,352**	15,201
Deferred taxation	**(4,122,220)**	(750,665)
	(3,915,868)	(735,464)
b) Reconciliation of the tax charge		
Profit /(loss) before taxation	**405,197**	(618,831)
Adjust for:		
Share of (profit)/ loss of associates	**(1,180,164)**	(643,191)
Share of (profit)/ loss of joint venture	**(439,918)**	(239,119)
	(1,214,885)	(1,501,141)
Taxation at applicable rate of 35%/10%	**(396,458)**	(525,399)
Capital exchange gains	**(510,159)**	(581,006)
Allowable items	**(43,078)**	(51,642)
Adjustments for non-deductible expenses	**(2,365,621)**	327,111
Adjustments for tax except income	**(600,552)**	95,472
Tax charge	**(3,915,868)**	(735,464)
c) Movement in taxation payable account:		
At the beginning of the year	**1,738,154**	1,828,748
Charge of the year	**206,352**	15,201
On acquisition of subsidiary	**(44,847)**	-
Under (over) provision	**3,604**	-
Payments made during the year	**(118,437)**	(105,795)
Current tax payable	**1,784,826**	1,738,154
d) Analysis of movement in deferred tax:		
At the beginning of the year	**(4,779,181)**	2,537,557
Provision made during the year	**236,781**	(8,091,117)
Other adjustments	**124,195**	23,714
Charge to Income statement	**4,122,220**	750,665
At the end of the year	**(295,985)**	(4,779,181)

46. Prior period adjustment

The following prior period errors were noted by Management in the financial statements issued in previous years:

(a) Goodwill adjustment

Goodwill amounting to ZMW2,549,942,000 was recognized in the financial statements of IDC under IFRS3 *Business Combinations*. However, the nature of the combination did not meet the fair value accounting criteria and as such the combination should have been accounted for using book value instead of the fair value accounting method.

On 28 August 2015, when the Government of the Republic of Zambia transferred its shares in twenty-nine (29) State Owned Enterprises to IDC, there was neither cash consideration nor issues of shares in respect of the combination. In a common control transaction (group restructuring), book value accounting should be applied as per the Group's accounting policy.

The financial statements for the year ended 31 December 2016 have been accordingly restated.

In 2017 the goodwill value was written down to nil and as it should have not been recognized initially the impairment has been corrected accordingly.

(b) Fair value on investment in associate

The carrying value of investment in associates reported as at 31 December 2016 included a component of the fair value gain wrongly computed at the time of transfer to IDC of ZMW586,213,000. The wrongly included amount has been corrected. Further, corrections have been made by adjusting for ZMW3,995,000 understatement of share of profits in joint ventures wrongly credited to investments in associates instead of profit or loss. Additionally a correction adjustment of ZMW32,129,000 in investment in associates' balance resulting in negatives included in investments in associates.

(c) Reclassification of reserves

The first set of consolidated financial statements for the year ended 31 December 2015 had all reserves aggregated in the total balance of ZMW16,780,655,000. The balances have been reclassified to the respective account balances being translation reserves (ZMW3,805,992,000) and revaluation reserves (ZMW689,474,000) with the balance remaining in capital reserves.

(d) Understatement of income from equity accounted investments.

Share of profits was understated by ZMW43,903,000 due to wrong computation caused by applying the wrong holding percentage in ZCCM IH on the investment in associates instead of actual holdings by ZCCM IH. The amount has been corrected.

(e) Erroneous entry

Capital reserves included a period-thirteen adjustment of cash-financed investments of ZMW151 million which was duplicated. The credit for cash-financed investments initially recorded in capital reserves has now been reversed and accordingly, the corresponding entry in investments in projects has also been reversed.

(f) Negative fair value of investments in projects and duplication of entries.

Investments with a negative fair value of ZMW67 million reclassified from subsidiaries and associates to investments in project in a period-thirteen adjustment have now been correctly disclosed.

(g) Reclassification of dividend

The current tax payable balance was wrongly debited with ZMW10,000,000 dividend payable instead of it being deducted from retained earnings in error has now been correctly adjusted in retained earnings.

Figures in thousands of Zambian Kwacha

46. Prior period adjustment-*(continued)*

Statement of Financial Position	Reported balance	Correction	Corrected balance
Asset			
Property, plant, and equipment 46 (i)	53,906,613	(2,537,353)	51,369,260
Investments in associates 46 (b)	8,879,435	(506,186)	8,373,249
Incorrect inclusion of fair value 46 (b)		(586,213)	(586,213)
Understatement of share of profit 46 (d)	-	43,903	43,903
Share of profit from joint venture (b)		3,995	3,995
Net amount of negative net assets (b)	-	32,129	32,129
Investment in Subsidiaries 46 (m)	**6,615**	**(6,615)**	**-**
Other long-term assets	**402,334**	**(83,992)**	**318,342**
Error of entry reversal 46 (e)	-	(151,232)	(151,232)
Fair values reserves-investments in projects 46 (f)	-	67,240	67,240
Total adjustment in assets balances	72,067,817	(3,134,146)	60,060,851
Equity			
Capital and other reserves	(16,968,154)	3,838,150	(13,130,004)
Goodwill reversed 46 (a)	-	2,549,492	2,549,492
Investments in associates 46 (b)	-	586,213	586,213
Revaluation reserve – reallocation 46 (c)	-	689,474	689,474
Unconsolidated entities 46 (m)	-	6,615	6,615
Investments in associates 46 (f)	-	(67,240)	(67,240)
Error of reversal 46 (e)		151,232	151,232
Reallocation from retained earnings 46 (l)	-	(45,508)	(45,509)
Net amount of negative net assets 46 (b)	-	(32,129)	(32,129)
Revaluation reserves	(16,876,944)	962,168	(15,914,776)
Reallocation from capital reverses 46 (c)	-	(689,474)	(689,474)
Gains on property valuations 46 (h)	-	2,537,353	2,537,353
Deferred tax on reversed valuation gain 46 (i)	-	(885,711)	(885,711)
	(33,845,098)	**4,800,317**	**(29,044,781)**
Liabilities			
Deferred tax liabilities 46 (h)	(6,279,680)	885,711	(5,393,969)
Borrowings 46 (k)	(15,922,236)	943,876	(14,978,360)
Capital grants and contributions 46 (k)	(2,665,902)	(943,876)	(3,609,778)
Current tax payable 46 (g)	(1,728,154)	(10,000)	(1,738,154)
Statement of cashflows			
Effect in investing activities			
Investment in associate (46 j)	(693,757)	693,757	-
Effects in financing activities			
Proceeds from borrowings (46 j)	3,671,380	(1,847,316)	1,824,064
Repayments of borrowings (46 j)	(1,815,915)	510,793	(1,305,122)
Effects in operating cash flows			
Exchange differences (46 j)	(1,212,748)	1,266,523	53,715

Figures in thousands of Zambian Kwacha

47. Financial instruments - Fair values of financial instruments

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

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

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

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes:

Note 3.10 – property plant and equipment; and
Note 3.16 - financial instruments.

The Group has exposure to the following risks arising from financial instruments:
- credit risk (see (ii))
- liquidity risk (see (iii)) and
- market risk (see (iv)).

i. ***Risk management framework***

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

The 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.

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.

Figures in thousands of Zambian Kwacha

47. Financial instruments - Fair values of financial instruments *(continued)*

ii. Credit risk *(continued)*

31 December 2018

	Energy & Resources	Financial Services	Industrial Market	Telecommunication & Media	Tourism, Real estate & Others	Transport & logistics	Total
Gross	9,243,442	730,381	1,255,650	552,196	49,627	329,036	12,160,332
Impairment	(6,088,587)	(57,893)	(248,734)	(412,583)	(15,040)	(55,279)	(6,878,116)
	3,154,855	**672,488**	**1,006,916**	**139,613**	**34,587**	**273,757**	**5,282,216**
Loss rate per sector	193%	9%	25%	296%	43%	20%	

31 December 2017

	Energy & Resources	Financial Services	Industrial Market	Telecommunication & Media	Tourism, Real estate & Others	Transport & logistics	Total
Gross	8,032,164	702,194	702,447	767,946	41,428	301,547	10,547,726
Impairment	(5,601,172)	(13,262)	(166,866)	(195,482)	(14,411)	(51,121)	(6,042,314)
	2,430,992	688,932	535,581	572,464	27,017	250,426	4,505,412
Loss rate per sector	230%	2%	31%	34%	53%	20%	

Figures in thousands of Zambian Kwacha

47. Financial instruments *(continued)*

ii. Credit risk *(continued)*

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

	2018	2017
Balance at 1 January	**5,080,851**	5,048,851
Increase in provision	**1,287,324**	1,714,886
Recovery of impairment loss	**(1,404,579)**	(1,682,886)
Balance at 31 December	**4,963,596**	5,080,851

An amount ZMW4.963 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.

iii. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

					31 December 2018	
	Total amount	**Contractual cash flows**	**Within 1 year**	**1 to 2 years**	**2 to 5 years**	**After 5 years**
Non - derivative						
Financial instruments	898,488	1,081,243	898,488	60,872	39,042	82,841
Trade receivables	2,089,111	2,089,111	2,089,111	-	-	-
Other receivables	3,193,105	3,193,105	3,193,105	-	-	-
Amounts due from related part	3,162,806	3,162,806	3,162,806	-	-	-
Cash and cash equivalents	3,226,739	3,226,739	3,226,739	-	-	-
	12,570,249	12,753,004	12,570,249	60,872	39,042	82,841
Financial Liabilities						
Loans	26,287,251	28,653,108	8,012,007	6,059,566	6,260,170	8,321,365
Trade payables	15,082,010	15,082,010	15,082,010	-	-	-
Other payables	5,632,793	5,763,704	5,763,704	-	-	-
Amounts due to related parties	2,436,166	2,478,758	2,478,758	-	-	-
Bank overdraft	88,939	88,939	88,939	-	-	-
Finance lease	1,090	1,090	240	850	-	-
	49,528,249	**52,067,609**	**31,425,658**	**6,060,416**	**6,260,170**	**8,321,365**
Net current liability position	**(36,958,000)**	**(39,314,605)**	**(18,855,409)**	**(5,999,544)**	**(6,221,128)**	**(8,238,524)**

Figures in thousands of Zambian Kwacha

47. Financial risk management *(continued)*

iii. Liquidity risk *(continued)*

31 December 2017

Non-derivative	Total amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	After 5 years
Financial instruments	602,618	674,932	674,932	-	-	-
Trade receivables	2,058,908	2,058,908	2,058,908	-	-	-
Other receivables	2,446,504	2,446,504	2,446,504	-	-	-
Amounts due to related parties	2,263,721	2,263,721	2,263,721	-	-	-
Cash and cash equivalents	2,563,094	2,563,094	2,563,094	-	-	-
	9,934,845	10,007,159	10,007,159	-	-	-

Financial Liabilities	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	After 5 years
Borrowings	15,922,236	18,151,349	7,310,648	3,029,783	3,130,085	4,680,833
Trade payables	11,365,631	11,365,631	11,365,631	-	-	-
Other payables	1,562,358	1,562,358	1,562,358	-	-	-
Amounts due to related parties	1,286,012	1,286,012	1,286,012	-	-	-
Bank overdraft	109,239	109,239	109,239	-	-	-
Finance lease	958	958	443	515	-	-
	30,246,434	32,475,547	21,634,331	3,030,298	3,130,085	4,680,833
Net current liability position	(20,311,589)	(22,468,388)	(11,627,172)	(3,030,298)	(3,130,085)	(4,680,833)

***Cash* flow risk**

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

***Capital* management**

The scope of the Group management framework covers the Group's total equity reported in its financial statements.

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

The Board's policy is to implement a sound financial strategy that ensures financial independence and maintains adequate capital to sustain the long terms objectives of the Group and to meet its operational and capital budget.

Figures in thousands of Zambian Kwacha

47. Financial risk management *(continued)*

iii. Liquidity risk *(continued)*

The Group monitors capital on the basis of the average gearing ratio for the mining industry in Zambia which currently stands at 72% equity. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018	2017
Total equity	**39,301,502**	32,383,416
Cash and cash equivalents	**3,137,800**	2,453,855
Total capital	**42,439,302**	34,837,271
Borrowings	**(26,287,251)**	(15,922,236)
Overall financing	**16,152,051**	18,915,035
Capital-to-overall financing ratio	38%	54%

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

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

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

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

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

iv. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return

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

At 31 December 2018, if the LUSE Index had increased/decreased by five percent with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, consolidated profit or loss would have been ZMW 25.6thousand (2017: ZMW 25.6thousand) higher/lower.

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

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of the economic conditions and the risk characteristics of the underlying assets.

Figures in thousands of Zambian Kwacha

47. Financial risk management *(continued)*

iv. *Market risk (continued)*

Currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. The group is affected by foreign exchange movements because it has assets and income which are denominated in currencies other than the Group's functional currency, which is the Zambian Kwacha. Management's policy to manage foreign currency risk is to hold foreign currency fixed deposits with various banks which act as a natural hedge for foreign currency obligations. Hedging techniques such as currency swap are also used to manage currency risk.

Exposure to currency risk

The following significant exchange rates have been applied during the year:

	Average rate		Reporting date spot rate	
Zambian Kwacha	**2018**	2017	**2018**	2017
United States Dollar 1	**11.89**	9.96	**11.93**	10.01

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follow

Maximum exposure to currency risk is as follows: Financial risk management

At 31 December 2018	USD	EUR	ZAR	Other	ZMW	Total
Assets						
Amounts due from related parties	3,078,610	-	-	-	84,196	3,162,806
Trade and other receivables	2,114,749	-	-	-	3,167,467	5,282,216
Held to maturity financial assets	191,636	-	-	-	706,852	898,488
Cash and Cash Equivalents	2,348,367	-	-	-	878,372	3,226,739
	7,733,362	**-**	**-**	**-**	**4,836,887**	**12,570,249**
Liabilities						
Provisions	144,436	-	-	-	222,213	366,649
Related party balances	2,396,078	-	-	-	40,088	2,436,166
Borrowings	14,653,519	5,663	75,343	95,558	11,457,168	26,287,251
Overdraft	-	-	-	-	88,939	88,939
Trade and other payables	12,402,133	9,642	-	-	8,303,028	20,714,803
	29,596,166	**15,305**	**75,343**	**95,558**	**20,111,436**	**49,893,808**
Net financial position exposure	**(21,862,804)**	**(15,305)**	**(75,343)**	**(95,558)**	**(15,274,549)**	**(37,323,559)**

At 31 December 2017	USD	EUR	ZAR	Other	ZMW	Tota[illegible]
Assets						
Amounts due from related parties	2,237,135	-	-	-	26,586	2,263,72[illegible]
Trade and other receivables	2,646,657	-	-	-	1,858,755	4,505,41[illegible]
Held to maturity financial assets	263,783	-	-	-	338,835	602,61[illegible]
Cash and Cash Equivalents	1,573,851	-	-	-	989,243	2,563,09[illegible]
	6,721,426	**-**	**-**	**-**	**3,213,419**	**9,934,84[illegible]**
Liabilities						
Provision	141,032	-	-	-	168,155	309,18[illegible]
Related party balances	-	-	-	-	1,286,012	1,286,01[illegible]
Borrowings	12,627,094	38,710	88,006	46,645	3,121,781	15,922,23[illegible]
Overdraft	-	-	-	-	109,239	109,23[illegible]
Trade and other payables	6,654,634	18,122	-	6,240	6,248,993	12,927,98[illegible]
	19,422,760	**56,832**	**88,006**	**52,885**	**10,934,180**	**30,554,66[illegible]**
Net financial position exposure	**(12,701,334)**	**(56,832)**	**(88,006)**	**(52,885)**	**(7,720,761)**	**(20,619,818**

47. Financial risk management *(continued)*

iv. *Market risk (continued)*

Interest rate risk

The Group adopts a policy of ensuring that between 80 and 90% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates.

Cash flow sensitivity analysis of variable rate instrument

The US$2.4 million term loan contract from Indo Zambia Bank is at a floating rate of 9% per annum 2% below base rate A reasonable possible change of 100 basis points in interest rates at the reporting date would have increased /(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange, remain constant.

Group

Effect in thousands of Kwacha Profit or losses

	Increase	Decrease
2018		
Variable rate instruments	(423,686)	423,686

The Group's investments in corporate term deposits, all of which are fixed rate and are measured at amortised cost exposes the Group to cash flow interest rate risk. The tenure of the investments is less than 1 year. At 31 December 2018, an increase/decrease of 100 basis points would have resulted in a decrease/increase in the Consolidated post tax profit and equity of ZMW508.553million and 518.827million

48. Related party transactions

(a) Parent and ultimate controlling party

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

The detailed listing of the companies owned by Industrial Development Corporation Limited (IDC) are shown on the Directors' report.

(b) Related party transactions

i) Key management personnel compensation

	2018	2017
Salaries and other short-term benefit	**10,565**	9,373
Director's fees	**1,548**	2,170
	12,113	11,543

ii) Dividends received from related parties

Indo Zambia Bank Limited	-	34,283
Indeni Petroleum Refinery Limited	**28,014**	7,393
Mulungushi Village Complex Limited	**202**	400
ZAFFICO	**40,200**	29,329
Nanga Farms	**2,787**	12,503
Lusaka Trust Hospital	-	100
Afrox Zambia Limited	-	7,080
Zambia Cargo and Logistics Company Limited	-	973
Zambia Reinsurance	**257**	-
ZCCM – IH	**81,422**	-
Zambia National Commercial Bank Plc	**1,227**	-
	154,109	**92,061**

Figures in thousands of Zambian Kwacha

48. Related party transactions *(continued)*

iii) Amounts due from related parties

	2018	2017
Itezhi-tezhi Power Corporation	**458,282**	325,324
Zambia Electrometer Limited	**2,675**	2,211
Zambia State Insurance Pension Trust	**-**	30,405
Rural Electrification Authority	**14,531**	-
Ministry of Finance	**23,133**	23,133
Government of the Republic of Zambia	**2,657,600**	1,882,648
	3,156,221	2,263,721

vi) Amounts due to related parties

Itezhi -tezhi	**2,375,786**	1,133,828
Elsewedy Electronic Zambia Limited	**50,380**	100,065
Dividend due to shareholder	**10,000**	10,000
Government ministries	**-**	42,119
	2,436,166	1,286,012

v) Shareholder loans to related parties

Bangweulu Power Company Limited	Associate	**21,911**	18,201
Zambia China Mulungushi Textiles Limited	Subsidiary	**5,140**	5,140
Pelidic Zambia Limited	Project	**1,102**	-
Maamba Collieries	Associate	**379,377**	490,229
Mukuba Hotel Limited	Subsidiary	**-**	1,834
		407,530	515,404

Maamba Collieries Limited

On 17 June 2015, ZCCM –IH entered into an intercompany loan agreement with Maamba Collieries Limited (MCL) for a cash advance of ZMW321.15 million (US$26.345 million) as part of its contribution towards the implementation of the Integrated Mining Project and the establishment of the 300MW Thermal Power plant project. The loan attracts an interest rate of 6 % per annum. The principal and interest accrued is repayable in 5 annual instalments commencing in one year after the commercial operational date of 27 July 2017. This loan is subordinated to the financier's loans of Maamba project.

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

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

49. Commitments

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

	2018	2017
Capital expenditure authorized but not yet contracted	**4,546,550**	8,719,209
Total	**4,546,550**	8,719,209

Figures in thousands of Zambian Kwacha

50. Subsequent events

a) Impact of outbreak of COVID-19

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

Outcomes ranged from successful virus containment with a short-term economic impact, to a prolonged global contagion resulted in a local or global recession. A number of policy and fiscal interventions across the globe were initiated to mitigate negative economic impacts.

The Government monitored the COVID-19 outbreak developments closely in line with the guidance from the World Health Organization. Contingency plans had been implemented to mitigate adverse effect on employees and the operations of the company.

As the events arising as a result of the government interventions in response to COVID-19 pandemic only occurred after reporting date the company considers this to be a non-adjusting post balance sheet event and accordingly the financial effects resulting from the impact of COVID-19 have not been reflected in the Company's financial statements. Following the noted improvements in the covid -19 pandemic situation and lifting of some of imposed restrictions as at the date of signing these financial statements, the directors have considered the financial effects of COVID-19 on the Company's financial statements has immaterial. However, the economic effects arising from the COVID-19 outbreak are expected to affect the results of the for the year 2020.

During the year 2019 the Energy Regulation Board approved the tariff application with an average tariff increase of 113% on domestic customers which was effected on 1 January 2020. The tariff increase meant to assist ZESCO our largest subsidiary to meet the rising cost of materials for maintenance of plant and to support the capital investment projects ZESCO embarked on. Further, the Cost-of-Service study was launched and is expected to be completed by fourth quarter of 2020. The Cost-of-Service study will result in determining cost reflective tariffs across all customer categories.
One of the major Bulk Supply Agreements (BSA)s that ZESCO had with a key customer expired-on 31 March 2020.

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

The notable impact of the COVID-19 pandemic has been the general slowing down of economic activities due to travel restrictions, depressed commodity prices and lower than projected GDP across the world. From the initial projected growth of 3.2% to -1%. Copper prices declined by 23% to US$4,754 per metric ton in March 2020 from US$6,165 per metric ton in January 2020 but prices have recovered and now trading above pre-pandemic levels. As of 21 September 2022, copper was trading at US $7,795 per metric ton.

b) Zambia Gold Limited ("Zambia Gold")

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

Figures in thousands of Zambian Kwacha

50. Subsequent events *(continued)*

c) Consolidated Gold Company of Zambia Limited

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

d) Investitures

In October 2019, the IDC formed Infratel Zambia Limited and holds 100% shares. The shares were placed at nil value as the assets for its operations were transferred from Zamtel and National Data Centre with IDC providing ZMW622.250 million as a shareholder loan. Further, in August 2020, IDC acquired 22.61% shares in Marcopolo Tiles at USD20.679million while NAPSA and WCFCB acquired 16.39% and 10% respectively.

ZCCM IH on 1 April 2021 increased its shareholding from 10% to 100% in Mopani Copper Mines PLC ("Mopani") a Zambian registered company previously owned by Carlisa Investments Corporation (a joint venture company comprising Glencore International AG (73.1%) and First Quantum Minerals Ltd (16.9%)).

e) Divestitures

Medical Stores Limited

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

f) Strategic plan 2021-2025

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

g) Russia's invasion of Ukraine,

On the 24 February 2022, Russian troops started the invasion of Ukraine causing the greatest humanitarian crisis in Europe since the Second World War. Multiple Governments in response have imposed initial tranches of economic sanctions on Russia and in certain cases Belarus. The war in Ukraine and related events took place at a time of significant global economic uncertainty and volatility, resulting in worsening market conditions. Many Governments were impacted by the increased commodity prices and raw material costs, as a result of surging consumer demand. Supply-chain bottlenecks, arising from effects of the pandemic, continue to persist. These conditions may be significantly intensified by the wider effects of the war in Ukraine weakening the global post-pandemic recovery.

The Directors are monitoring the developments of the situation closely and remain confident that the business is resilient enough to withstand the impact of the pandemic and the war in Ukraine and remain a going concern.

Figures in thousands of Zambian Kwacha

50. Subsequent events *(continued)*

h) Change of business model – Indeni Petroleum Refinery Limited

INDENI business outlook significantly shifted with the placement of the Company under care and maintenance. With the change in business model by Government regarding the use of the TAZAMA Pipeline, INDENI embarked on evaluation of alternative business lines as follows:

i. Ethanol Blending – INDENI to blend ethanol into petrol. Foreseen benefits to include boosting of agriculture sector, increasing petrol volumes and possible reduction on petrol price.
ii. Operation of Terminals & Depots – INDENI to run all Government depots and Terminals.
iii. Importation and sale of imported petroleum products – INDENI to undertake bulk importation and sale of finished products.
iv. Hospitality Services – INDENI to provide storage facilities for players in the oil sector.
v. Laboratory, Marking and Maintenance Services – INDENI to provide laboratory, marking and maintenance services.

i) Other material or circumstances

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