Industrial Development Corporation Limited

Separate financial statements
for the year ended 31 December 2018

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Contents

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Corporate Information

Name of Director

His Excellency Hakainde Hichilema	President of the 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. Felix Nkulukusa	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 Towers
Cnr Katima Mulilo & Lubansenshi Roads
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 submit their report on the financial statements for the year ended 31 December 2018 which discloses the state of affairs of the Company.

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 state-owned enterprises, 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' spans a diverse range of sectors. These subsidiaries are managed and directed by their respective management and boards with IDC providing strategic oversight.

Energy and resources	Zambia Copper Mine Holding Plc (60.28%)
	Zambia Electricity Supply Corporation Limited (100%)
	Zambia Forestry & Forest Industries Corporation Plc (100%)
	Indeni Petroleum Refinery Limited (100%)
	Kagem Mining Limited (25%)
	Zampalm Limited (90%)
Financial services	Zambia State Insurance Corporation (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 Complex Limited (100%)
	Mulungushi International Conference Centre (MICC) (100%)
	NIEC Business School Trust (100%)
	Mupepetwe Development Company (100%)
	Medical Stores Limited (100%)
	Zambia International Trade Fair (100%)
	Mukuba Hotel Limited (100%)
	Lusaka Trust Hospital (50%)
	Lusaka South Multi Facility Economic Zone Limited (100%)
Transport and logistics	Zambia Railways Limited (100%)
	Engineering Services Corporation (100%)
	Mpulungu Harbour Corporation Limited (100%)
	Zamcargo Logistics Limited (100%)

Directors' report *(continued)*

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 authorised 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), as disclosed at note 19 of the financial statements.

4. Financial results

The financial results for the year under review are as reported in the financial statements set out on pages 12 to 51 as summarized below:

In thousands of Zambian Kwacha

	2018	2017
Turnover	**154,109**	92,060
Profit before taxation	**25,217**	31,173
Taxation	**(17,859)**	(14,046)
Profit for the year	**7,358**	17,127

5. 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 [with effect from 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
Honourable Dr Bwalya Ng`andu	Minister of Finance [Resigned 09.03.22]	Director
Mrs. Chapel P.M. Chuulu	Ministry of Commerce Trade and Industry [Appointed 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	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
Mrs. Beatrice Nkanza	Entrepreneur and Performance Coach [Appointed 09.03.22]	Director
Ms Lynda Mataka	Legal Practitioner [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	Director
Company Secretary		
Mrs. Leya M Ngoma	Industrial Development Corporation Ltd	Company Secreta

6. **Dividends**

The Directors during the year did not declare dividend (2017: nil)

7. **Directors' fees**

The renumeration of the Directors during the year as disclosed in note 23 of the financial statement was ZMW1.391 million (2017: ZMW1.186 million).

8. **Property, plant and equipment**

The total additions to property, plant and equipment during the year as disclosed in note 5 were ZMW35.933 million (2017: ZMW6.092 million).

9. **Health, safety and environment issues**

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

10. **Social responsibility**

The Company 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 **ZMW43.620 million** (2017: ZMW27.355 million) as disclosed at note 22 of the financial statement. The average number of employees in the Company during the year was 65 (2017: 43).

Month	*Company*
January	55
February	82
March	86
April	57
May	58
June	62
July	60
August	61
September	62
October	64
November	66
December	62

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 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 the remains the Company a going concern.

Directors' report *(continued)*

13. Going concern

At the reporting date the Company's current liabilities exceeded the current assets by ZMW 269.116 million (2017: ZMW 203.157 million). Further, at the reporting date loan amounts repayable within twelve (12) months amounted to ZMW240.412 million (2017: ZMW30.446 million). The borrowings of the Company amounted to ZMW351.769 million (2017: ZMW30.446 million).

Subsequently and at the date of approval of the financial statements, the current assets exceeded the current liabilities by ZMW274 million following a capital injection and refinancing of the borrowings. The Company meets its day to working capital requirements through dividends received from its subsidiaries and associates and support from its shareholder.

For the 10 months period ended 31 October 2023, the Company generated income of ZMW 825 million compared to a budget of ZMW 732 million for the same period. Profit before taxation amounted to ZMW 643 million versus a budget of ZMW 477 million. Overall, the performance has exceeded budget. Further as at the at 31 October 2023 the Company recorded a net asset position of ZMW 18.304 billion and a net current asset position of ZMW 274 million.

The Directors believe that the Company has adequate financial resources and support to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The board has satisfied itself that the Company is in a sound financial position and that it has access to sufficient financing to meet its foreseeable cash requirements.

The Directors are not aware of any new material changes that may adversely impact the Company.

14. Legal matters

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

15. Gifts and donations

The Company made donations during the year as disclosed in note 23, amounting to **ZMW 290 thousand** in current year (2017: ZMW137 thousand).

16. Other material facts, circumstances and events

The Directors are not aware of any material facts, circumstances or events which occurred between the accounting date and the date of this report, which might influence an assessment of the Company's financial position or the results of its operation. The Directors confirm that the financial statements have been prepared on going concern basis.

17. Annual financial statements

The annual financial statements set out on pages 12 to 51 have been approved by the Directors and are an integral part of the consolidated financial statements.

18. Auditors

The Company's external auditors, KPMG have indicated their willingness to continue in office. A resolution proposing their appointment and authorizing the Directors to fix their renumeration will be put to the Annual General Meeting for approval.

By Order of the Board

____

Company Secretary

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

The Directors are responsible for the preparation of the financial statements which give a true and fair view of Industrial Development Corporation Limited comprising the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, 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 Company 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 Company 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 financial statements give a true and fair view of the financial position of the Industrial Development Corporation Limited 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 Company to continue as a going concern and have no reason to believe that the Company will not be in existence in the foreseeable future; and
- at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Approval of the financial statements

The financial statements, an integral part of the consolidated financial statements of the Industrial Development Corporation 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 separate financial statements

Opinion

We have audited the financial statements of Industrial Development Corporation Limited (the Company") set out on pages 11 to 51, which comprise the statement of financial position as at 31 December 2018, the statements of summary 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 and the notes to the financial statements.

In our opinion, these financial statements give a true and fair view of the financial position of Industrial Development Corporation Limited as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting 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 financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

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

Valuation of investments in subsidiaries and associates *Refer to note 3.12 financial assets at FVTOCI, note 4.1 fair value of financial instruments, note 6 investments in subsidiaries, note 7 investments in associates and note 3.16 financial assets at FVTOCI*	
Key audit matter	***How the matter was addressed in our audit***
The Company recognizes its investment in subsidiaries and associates at Fair Value through Other Comprehensive Income (FVTOCI). Valuation of investments in subsidiaries and investment in associates totaled ZMW 10,602,156,000 and ZMW 991,341,000 respectively as at 31 December 2018.These balances are significant to the financial statements. Management utilized a valuation expert to determine the fair value of its investments. Management exercises significant judgement when determining the valuation inputs utilized to value its level 2 and 3 investments. The approach used can either be the income, market or asset-based approach depending on the industry, life cycle and comparability of the investee's business to other similar listed companies. Investments in subsidiaries and associates are measured at fair value and are classified as either level 1,2 or 3 in accordance with IFRS 13, Fair value measurement (IFRS 13) based on the inputs used in the valuation. The key inputs and assumptions involving significant estimation judgement and having the most significant impact on the fair value of the investments is the: • Valuation technique used • Weighted average cost of capital • Liquidity discount • Control premium for investments in subsidiaries • Minority discount for investments in associates • Earnings before Interest Tax Depreciation Amortisation (EBITDA) (projected cash flows) • Comparable companies were multiples valuation technique was used This was an area of focus and considered a key audit matter due to the significant complexity, estimation and judgement applied by management in the valuation of investments.	With the assistance of our internal valuation specialists: • We assessed the competence, independence and experience of management's expert by inspecting their qualifications and experience obtained in carrying out valuations of a similar nature; • We challenged the technique employed by management's appointed expert, including verifying reasonableness of the weighted average cost of capital, liquidity discounts, control premiums and minority discounts used by comparing them to external data; • We challenged the Earnings before Interest Tax Depreciation Amortisation (EBITDA) projections used in the computation by comparing the values used to actual results; • We assessed comparability of companies used were the multiples valuation technique was utilised by verifying that industry, risk profiles were similar; • We recalculated the fair value of investments in subsidiaries and associates and compared it to management's valuation expert's calculation; • We assessed the adequacy of the disclosures in the financial statements related to the valuation of investments in accordance with IFRS 13, Fair value measurement.

Emphasis of matter- Restatement of comparative information

We draw attention to Note 26 to the separate 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.

Other matter relating to comparative information

The separate financial statements for the Company as at and for the years ended 31 December 2017 and 31 December 2016 and (from which the statement of financial position as at 1 January 2017 has been derived), excluding the adjustments described in note 26 to the separate 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 26 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 separate 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 26 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 26 are appropriate and have been properly applied.

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 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 and 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 financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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.

KPMG

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide them with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the 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

KPMG Chartered Accountants 14 March, **2024**

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

Industrial Development Corporation Limited

Separate financial statements

for the year ended 31 December 2018

Statement of financial position

Figures in thousands of Zambian Kwacha

	Note	**31 December 2018**	31 December 2017 Restated*	1 January 2017 Restated*
Assets				
Non-current assets				
Property, plant, and equipment	5	**38,708**	7,155	4,321
Investments in subsidiaries*	6	**10,602,156**	15,834,819	15,616,944
Investments in associates*	7	**991,341**	1,689,246	1,211,748
Loans due from related parties	8	**111,945**	25,176	-
Deferred tax	17	**5,258**	-	-
Assets held for sale	9	**-**	21,453	-
Investment in projects*	10	**10,649**	178,083	-
Available for sale financial assets		-	-	10,524
		11,760,057	17,755,932	16,843,537
Current assets				
Amounts due from related parties	11	**59,195**	81,351	10,568
Trade and other receivables	12	**15,440**	6,479	1,673
Financial assets at amortized cost		**-**	-	76,863
Cash and cash equivalents	13	**39,169**	24,572	1,813
		113,804	112,402	90,917
Total assets		**11,873,861**	17,868,334	16,934,454
Equity and Liabilities				
Equity Attributable to Owners				
Share capital	19	**10,000**	10,000	10,000
Capital and other reserves*		**11,295,475**	17,476,024	16,828,692
Retained earnings*		**68,189**	60,831	53,704
		11,373,664	17,546,855	16,892,396
Non-current liabilities				
Borrowings	14	**111,357**	-	-
Capital grants and contribution	15	**5,920**	5,920	5,920
Retirement benefit obligation		**-**	-	295
		117,277	5,920	6,215
Current liabilities				
Trade and other payables	16	**74,909**	225,904	5,460
Current tax payable*	17	**49,992**	40,425	30,383
Amounts due to related parties	18	**10,000**	18,784	-
Borrowings	14	**240,412**	30,446	-
Bank overdraft	13	**7,607**	-	-
		382,920	315,559	35,843
Total liabilities		**500,197**	321,479	42,058
Total equity and liabilities		**11,873,861**	17,868,334	16,934,454

The financial statements and the notes on pages 16 to 51, 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 26 for impact on restatement

The notes on pages 15 to 51 are integral part of these financial statements.

Industrial Development Corporation Limited

Separate 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	20	**154,109**	92,060
Other income	21	**1,257**	1,269
Employee costs	22	**(43,620)**	(27,355)
Depreciation expenses	5	**(3,725)**	(2,696)
Operating and other expenses	23	**(28,736)**	(34,087)
Operating profit		**79,285**	29,191
Finance income	24	**8,594**	2,419
Finance costs	25	**(62,662)**	(437)
Net finance costs		**(54,068)**	1,982
Profit before taxation		**25,217**	31,173
Taxation	17	**(17,859)**	(14,046)
Profit for the year		**7,358**	17,127
Other comprehensive income:			
(Losses)/gains on investment in subsidiaries*	6	**(6,654,246)**	162,243
(Losses)/gains on investment in associates*	7	**(696,421)**	488,372
Losses on investment in associates held for sale	9	**-**	(3,283)
Total items that will not be reclassified to profit or loss		**(7,350,667)**	647,332
Total comprehensive income for the year		**(7,343,327)**	664,459
Basic earnings per share		**0.736**	1.713

*The amounts were restated as a result of a prior period error. Refer to note 26.

The notes on pages 15 to 51 are integral part of these financial statements.

Statement of changes in equity

Figures in thousands of Zambian Kwacha

	Share capital	Capital reserve	Fair value reserve	Retained earnings	Total equity
Balance as at 1 January 2017	10,000	15,705,042	-	53,704	15,768,746
Impact of correction of error (note 26d)	-	(3,193,782)	3,193,782	-	-
Impact of correction of error (note 26a)	-	-	1,123,650	-	1,123,650
Balance as at 1 January 2017 restated*	10,000	12,511,260	4,317,432	53,704	16,892,396
Profit for the year	-	-	-	17,127	17,127
Dividend declared (note 26e)	-	-	-	(10,000)	(10,000)
Impact of correction of error (note 26)	-	-	647,332	-	647,332
Total comprehensive income for the year restated*	-	-	647,332	7,127	654,459
Balance as at 31 December 2017 restated*	10,000	12,511,260	4,964,764	60,831	17,546,855
Balance as at 1 January 2018*	**10,000**	**12,511,260**	**4,964,764**	**60,831**	**17,546,855**
Profit for the year	**-**	**-**	**-**	**7,358**	**7,358**
Conversion of government loans to equity	**-**	**1,170,118**	**-**	**-**	**1,170,118**
Other comprehensive income	**-**	**-**	**(7,350,667)**	**-**	**(7,350,667)**
Total comprehensive income for the year	**-**	**-**	**(7,350,667)**	**7,358**	**(6,173,191)**
Balance as at 31 December 2018	**10,000**	**13,681,378**	**(2,385,903)**	**68,189**	**11,373,664**

*The amounts were restated as a result of a prior period error. Refer to note 26.

The notes on pages 15 to 51 are integral part of these financial statements.

Industrial Development Corporation Limited

Separate financial statements

for the year ended 31 December 2018

Statement of cash flows

Figures in thousands Zambian Kwacha

	Note	2018	2017 Restated*
Cash flows from operating activities			
Profit before taxation		25,217	31,173
Adjustments for			
Depreciation	5	3,725	2,696
Gains on disposals of assets	21	(205)	(314)
Loss on foreign exchange on borrowings	14	60,688	-
Loss on disposal of investments	23	1,149	-
Interest income	24	(8,594)	(2,419)
Finance costs	25	62,662	437
		144,642	31,573
Changes in working capital			
Trade and other receivables	12	(8,961)	(4,806)
Trade and other payables*	16	(150,995)	232,560
Amounts due from related parties	11	22,156	(70,783)
Amounts due to related parties	18	(8,784)	8,784
Tax paid	17	(13,550)	(4,005)
Net cash (used in)/from operating activities		(15,492)	193,323
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(35,933)	(6,092)
Sale of property, plant and equipment		860	876
Payments to investments in subsidiaries	6	(82,689)	(249,462)
Payments to investments in associates	7	(29,262)	-
Payments to investments in projects	10	(1,342)	-
Proceeds from disposal of investments		51,050	-
Movements in financial assets		-	76,863
Interest received	24	8,594	2,419
Net cash used in investing activities		(88,722)	(175,396)
Cash flows from financing activities			
Proceeds from borrowing	14	297,682	30,446
Repayments	14	(37,047)	-
Payments for loans due from related parties	8	(86,769)	(25,176)
Finance cost paid		(62,662)	(437)
Net cash from financing activities		111,204	4,833
Total cash movement for the year		6,990	22,760
Cash and cash equivalents at 1 January		24,572	1,812
Cash and cash equivalents 31 December	13	31,562	24,572
Presented by:			
Bank balance and cash		39,169	24,572
Bank overdraft		(7,607)	-
		31,562	24,572

*The amounts were restated as a result of a prior period error. Refer to note 26.

The notes on pages 15 to 51 are integral part of these financial statements.

Notes to the separate financial statements
for the year ended 31 December 2018

1. General information

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.

At the reporting date the Company's current liabilities exceeded the current assets by **ZMW 269.116 million** (2017: ZMW 203.157 million). Further, at the reporting date loan amounts repayable within twelve (12) months amounted to **ZMW240.412 million** (2017: ZMW30.446 million). The borrowings of the Company amounted to **ZMW351.769 million** (2017: ZMW30.446 million).

Subsequently and at the date of approval of the financial statements, the current assets exceeded the current liabilities by **ZMW274 million** following a capital injection and refinancing of the borrowings. The Company meets its day to working capital requirements through dividends received from its subsidiaries and associates and support from its shareholder.

For the 10 months period ended 31 October 2023, the Company generated income of ZMW 825 million compared to a budget of ZMW 732 million for the same period. Profit before taxation amounted to ZMW 643 million versus a budget of ZMW 477 million. Overall, the performance has exceeded budget. Further at the at 31 October 2023 the Company recorded a net asset position of ZMW 18.304 billion and a net current asset position of 274 million.

The Directors believe that the Company has adequate financial resources and support to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The board has satisfied itself that the Company is in a sound financial position and that it has access to sufficient financing to meet its foreseeable cash requirements.

2. Changes in significant accounting policies

2.1 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.

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

Figures in thousands Zambian Kwacha

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

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

a) IFRS 9 Financial Instruments *(continued)*

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

	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	12	loans and receivables	amortised cost	6,479	6,479
Amounts due from related parties	11	loans and receivables	amortised cost	81,351	81,351
Loans due from relate parties	8	loans and receivables	amortised cost	25,176	25,176
Cash and cash equivalents	13	loans and receivables	amortised cost	24,572	24,572
Total financial assets				137,578	137,578

		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	16	Other financial liabilities	amortised cost	225,904	225,904
Amounts due to related parties	18	Other financial liabilities	amortised cost	18,784	18,784
Loans and borrowings	14	Other financial liabilities	amortised cost	30,446	30,446
Total financial liabilities				275,134	275,134

(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 as disclosed in note 8.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 does not result in an additional allowance for impairment.

(iii) Impairment of financial instruments

There was no day 1 adjustment as IFRS 9 had no impact of transition on the opening balance of the liability credit reserve and retained earnings. There is no impact on other components of equity.

(iv) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The Company 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. The adoption of IFRS 9 has not significantly impacted the Company.

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

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

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 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 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.

Revenue recognition

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

a) Dividend income from investments is recognised when shareholder's right to receive payment has been established.
b) 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 has not early adopted the new or amended standards in preparing these financial statements. None of the standards are expected to have a material impact on the Company's financial statements .

- IFRIC 23 Uncertainty over Tax Treatments.
- IFRS 16 Leases
- 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 financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Standards) and the requirements of the Companies Act of Zambia.

3.2 Basis of preparation

The 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 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.

3.3 Functional and presentation currency

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

3.4 Revenue recognition

Investment and dividend income

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

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

3.5 Foreign currencies

The financial statements are presented in thousands of Zambian Kwacha, which is the Company'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 Taxation

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

3.6.1 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 Company'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)*

3.6.2 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.

3.7 Property, plant and equipment

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs less accumulated depreciation or any accumulated impairment losses. The costs of certain items of property, plant and equipment at 1 January 2005, the company's transition to IFRS was determined with reference to their fair values as at that date.

If significant part of the property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property plant and equipment

Any gain or loss on disposal of the item of property, plant and equipment is recognised in the profit and loss

Subsequent expenditure is capitalized only if it is probable that the future economic benefit associated with the expenditure will flow to the company

Leasehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

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	Rate
Equipment and Furniture	20%
Motor vehicles	25%
IT Equipment	33.3%

Capital work in progress is not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic

3.8 Financial instruments

Financial assets and financial liabilities are recognised when an 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. Summary of accounting policies *(continued)*

3.9 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 Company 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: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

3.10 Effective interest method-Policy applicable from 1 January 2018

The effective interest method is a method of calculating the amortised 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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.11 Financial assets at FVTPL: Policy applicable from 1 January 2018

Financial assets are initially recorded at fair value with all transaction costs expensed in the 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 statement of operations in the period in which they arise.

3.12 Financial assets at FVTOCI: Policy applicable from 1 January 2018

Investments in subsidiaries, Investments in associates and Investments in projects are classified as FVTOCI. They 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. Summary of accounting policies *(continued)*

3.13 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. Th Company carries Loans due from related parties, amounts due from related parties and Trade and other receivables at amortised cost.

Loans and amounts due from related parties

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.

Trade and other receivables

Trade receivables are 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.

3.14 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 FVTOCI 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 Company'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.

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)*

3.14 Impairment of financial assets: Policy applicable from 1 January 2018 *(continued)*

Impairment of financial assets

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.

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 FVTOCI equity securities 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.

Derecognition of financial assets

The derecognizes 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 company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the retains substantially all the risks and rewards of ownership of a transferred financial asset, the continues to recognize 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 retains an option to repurchase part of a transferred asset), the 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)*

3.16 Financial liabilities and equity instruments financial liabilities: Policy applicable from 1 January 2018

3.16.1 Classification as debt or equity

Debt and equity instruments issued by an 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.

3.16.2 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 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.

3.16.3 Financial liabilities and equity instruments

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

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

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

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

Financial guarantee contracts issued by a 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 amortisation recognised in accordance with the revenue recognition policies.

3. Summary of accounting policies *(continued)*

3.17 Financial instruments: policy applicable before 1 January 2018

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

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

The Company 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 Company 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 Company 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 Company 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.

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.

3. Summary of accounting policies *(continued)*

3.17 Financial instruments: Policy applied before 1 January 2018 *(continued)*

Non-derivative financial assets - measurement

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.

The Company's investments in subsidiaries and associates are classified as available for sale financial assets.

Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

3.18 Provisions
Provisions are recognised when the has a present obligation (legal or constructive) as a result of a past event, it is probable that the 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.

3.19 National Pension Scheme

The Company's employees also contribute to the National Pension Scheme, a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the pays compulsory and monthly contributions into an entity. The 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.

3.20 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 Company'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 Summary of accounting policies *(continued)*

3.21 Contingencies and commitments

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

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 Company'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:

4.1 Fair value of financial instruments

Listed equities are valued based on their listed value (fair value) on 31 December 2018.

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

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:

- Weighted average cost of capital
- Discount or premium applied to the IDC's stake in investees.
- Comparable companies where market multiples method is used
- Projected cash flows

Figures in thousands of Zambian Kwacha

5. Property, plant and equipment

	Land and Buildings	Equipment and furniture	Motor vehicles	IT Equipment	Total
Cost/Revaluation assets					
At 1 January 2017	-	858	4,580	1,247	6,685
Additions	-	1,403	4,115	574	6,092
Disposals	-	-	(1,485)	-	(1,485)
At 31 December 2017	-	2,261	7,210	1,821	11,292
At 1 January 2018	**-**	**2,261**	**7,210**	**1,821**	**11,292**
Additions	**32,950**	**413**	**1,792**	**778**	**35,933**
Disposals	**-**	**-**	**(850)**	**-**	**(850)**
At 31 December 2018	**32,950**	**2,674**	**8,152**	**2,599**	**46,375**
Deprecation					
At 1 January 2017	-	269	1,675	420	2,364
Depreciation	-	497	1,683	516	2,696
Disposals	-	-	(923)	-	(923)
At 31 December 2017	-	766	2,435	936	4,137
At 1 January 2018	**-**	**766**	**2,435**	**936**	**4,137**
Depreciation	**494**	**608**	**2,004**	**619**	**3,725**
Disposals	**-**	**-**	**(195)**	**-**	**(195)**
At 31 December 2018	**494**	**1,374**	**4,244**	**1,556**	**7,667**
Carrying amounts					
At 31 December 2018	**32,456**	**1,300**	**3,908**	**1,044**	**38,708**
At 31 December 2017	-	1,495	4,775	885	7,155

Figures in thousands Zambian Kwacha

6. Investments in subsidiaries*

(a) Valuation of investments in subsidiaries

Country of incorporation	Name of company	* 1 January 2018	Transfer	Addition	Fair value	Closing balance 31 December 2018
Zambia	Agro – Luswishi Zambia Limited	-	-	15,315	-	**15,315**
Zambia	Engineering Services Corporation	1	-	-	-	**1**
Zambia	Indeni Petroleum Refinery Company Limited	375,350	-	-	395,036	**770,386**
Zambia	Lusaka South Multi- Facility Economic Zone	1,925,861	-	-	3,181,027	**5,106,888**
Zambia	Mulungushi Village Complex Limited	182,169	-	-	46,088	**228,257**
Zambia	Mulungushi International Conference Centre Limited	44,031	-	-	(8,239)	**35,792**
Zambia	Mpulungu Harbour Corporation Limited	22,079	-	-	1,908	**23,987**
Zambia	Mukuba Hotel Limited	4,549	-	6,294	(10,843)	**-**
Zambia	Medical Services Limited	1	-	-	-	**1**
Zambia	Mupepetwe Development Company	1	-	-	-	**1**
Zambia	NIEC Business Trust School	2,293	-	-	-	**2,293**
Zambia	Nitrogen Chemicals of Zambia*	-	-	-	-	**-**
Zambia	Pelidc Fishing Zambia Limited	-	-	-	26	**26**
Zambia	Superior Milling Ltd	-	-	4,701	(4,701)	**-**
Zambia	Times of Zambia Printpak Limited	-	-	-	-	**-**
Zambia	ZESCO Limited	8,369,530	-	1,170,118	(9,539,648)	**-**
Zambia	ZCCM Investments Holdings PLC	3,315,020	-	-	(828,755)	**2,486,265**
Zambia	Zambia Railways Limited	970,783	-	-	(570,670)	**400,113**
Zambia	Zambia Forestry and Forest Industries Corporation PLC	496,501	-	-	999,647	**1,496,148**
Zambia	Zambia International Trade Fair	88,692	-	-	(82,685)	**6,007**
Zambia	Zambia Industrial Commercial Bank	-	-	-	30,675	**30,675**
Zambia	Zamcapitol Enterprise Limited	1	-	-	-	**1**
Zambia	Zambia China Textiles Limited*	37,957	-	-	(37,957)	**-**
Zambia	Zambia Printing Company Limited*	-	-	-	-	**-**
Zambia	Zambia Daily Mail Limited*	-	-	-	-	**-**
Zambia	Zampalm Limited	-	168,776	56,379	(225,155)	**-**
Zambia	Zambia Telecommunications Company Limited*	-	-	-	-	**-**
		15,834,819	168,776	1,252,807	(6,654,246)	**10,602,156**

* Opening balances have been restated to eliminate negative fair values, refer to note 26.

Figures in thousands Zambian Kwacha

6. Investments in subsidiaries**(continued)*

(a) Valuation of investments in subsidiaries *(continued)*

Country of incorporation	Name of company	1 January 2017*	Addition	Fair value	31 December 2017*
Zambia	ZESCO Limited	8,369,530	-	-	8,369,530
Zambia	ZCCM Investments Holdings PLC	3,201,091	-	113,929	3,315,020
Zambia	Indeni Petroleum Refinery Company Limited	632,625	-	(257,275)	375,350
Zambia	Zambia Forestry and Forest Industries Corporation PL(	244,906	-	251,595	496,501
Zambia	Mulungushi International Conference Centre Limited	135,512	-	(91,481)	44,031
Zambia	Mukuba Hotel Limited	5,326	-	(777)	4,549
Zambia	Mupepetwe Development Company	1	-	-	1
Zambia	Mulungushi Village Complex Limited	140,487	-	41,682	182,169
Zambia	Zambia International Trade Fair	39,747	-	48,945	88,692
Zambia	Medical Services Limited	1	-	-	1
Zambia	Lusaka South Multi- Facility Economic Zone	1,889,080	-	36,781	1,925,861
Zambia	NIEC Business Trust School	351	-	1,942	2,293
Zambia	Zambia Telecommunications Company Limited*	-	-	-	-
Zambia	Zambia China Textiles Limited*	-	-	37,957	37,957
Zambia	Zambia Printing Company Limited*	-	-	-	-
Zambia	Times of Zambia Printpak Limited*	-	-	-	-
Zambia	Zambia Daily Mail Limited*	-	-	-	-
Zambia	ZSIC Group Insurance Company Limited*	-	3,632	(3,632)	-
Zambia	Mpulungu Harbour Corporation Limited	29,378	-	(7,299)	22,079
Zambia	Zambia Railways Limited	928,907	-	41,876	970,783
Zambia	Engineering Services Corporation	1	-	-	1
Zambia	Zamcapitol Enterprise Limited	1	-	-	1
Zambia	Superior Milling Ltd	-	52,000	(52,000)	-
Zambia	Nitrogen Chemicals of Zambia Limited*	-	-	-	-
		15,616,944	55,632	162,243	15,834,819

* Opening balances have been restated to eliminate negative fair values, refer to note 26.

6. Investments in subsidiaries *(continued)*

The valuation of investments in subsidiaries was carried out by Hollis valuation analysts an independent valuer and categorized as either level 1,2 and 3 based on the observable/unobservable nature of the inputs used.

(b) Measurement of fair value

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

	Level 1	Level 2	Level 3	Total
Balance at 1 January	3,315,020	-	12,519,799	15,834,819
Transfer from projects	-	-	168,776	168,776
Additions	-	-	82,689	82,689
Change in fair value	(828,755)	2,931,586	(7,586,959)	(5,484,128)
Balance at 31 December	2,486,265	2,931,586	5,184,305	10,602,156

As at 31 December 2018 the companies with fair value in excess of ZMW100 million were six (6) namely. Indeni Petroleum, Lusaka South Multi Facility Economic Zone, Mulungushi Village, ZCCM-IH, Zambia Railways Limited, Zambia Forestry and Forest Industries Corporation and Zambia International Trade Fair. These companies accounted for 99% of the reported fair value. The value of ZESCO was fully impaired on account of the reported losses after tax and the net current liability position.

6. Investments in subsidiaries *(continued)*

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

- ZCCM-IH PLC is listed on the Lusaka Stock Exchange. The fair value of IDC's equity investment is determined as the number of shares held as at the end of the year multiplied by the quoted market price per share;
- Lusaka South Multi Facility Economic Zone is determined using the asset-based approach. Its value is equivalent to its net asset value;
- Indeni Petroleum Refinery, Mulungushi Village Complex Limited, Zambia Railways and Zambia forestry and Forest Industries Corporation (ZAFFICO) values were estimated using the market multiples-based approach.

The assumptions used are summarized in the table below:

Investee name	Valuation technique	Significant unobservable inputs and assumptions	Inter-relationship between Key unobservable inputs and fair value measurement
Indeni Petroleum Refinery Limited	Market multiples using EV/EBITDA The market multiples approach provides a market benchmark against which valuation for a private company can be established at a given point in time. The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks.	Four comparable companies from capital IQ with an average EV/EBITDA multiple of 3.85x adjusted for the following. • Control premium of 20% • Marketability discount 5.5% To arrive at the adjusted peer group multiple 4.4	The estimated fair value would increase/(decrease) if: • Adjusted peer group multiple was higher/(lower) • Control premium was higher/(lower) • Marketability discount was lower/(higher).
Mulungushi Village Complex Limited	Market multiples using EV/EBITDA The market multiples approach provides a market benchmark against which valuation for a private company can be established at a given point in time. The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks.	• Comparable companies from capital IQ with EV/EBITDA multiples between 10.8x and 16.7x over the period under analysis • Control premium of 19.9% • Marketability discount 5.5% • Adjusted peer group multiple 15.25	The estimated fair value would increase/(decrease) if: • Adjusted peer group multiple was higher/(lower) • Control premium was higher/(lower) • Marketability discount was lower/(higher)

Figures in thousands of Zambian Kwacha

6. Investments in subsidiaries *(continued)*

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

Zambia Railways Limited	Market multiples using EV/Revenue The market multiples approach provides a market benchmark against which valuation for a private company can be established at a given point in time. The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks.	• Comparable companies from capital IQ with EV/Revenue multiples between 0.28x and 0.08x over the period under analysis • Control premium of 20% • Marketability discount 5.5% • Adjusted peer group multiple 1.6	The estimated fair value would increase/(decrease) if: • Adjusted peer group multiple was higher/(lower) • Control premium was higher/(lower) • Marketability discount was lower/(higher).
ZAFFICO	Market multiples using EV/EBITDA The market multiples approach provides a market benchmark against which valuation for a private company can be established at a given point in time. The market multiples method is built upon the premise that peer companies provide a relevant reference point for valuing a given target because they share key business and financial characteristics, performance drivers, and risks.	• Comparable companies from capital IQ with EV/EBITDA multiples between 3.0x and 10.9x over the period under analysis • Control premium of 20% • Marketability discount 5.5% • Adjusted peer group multiple 8.38	The estimated fair value would increase/(decrease) if: • Adjusted peer group multiple was higher/(lower) • Control premium was higher/(lower) • Marketability discount was lower/(higher).

Figures in thousands of Zambian Kwacha

6. Investments in subsidiaries *(continued)*

(c) Sensitivity analysis

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

Indeni Petroleum Refinery Limited

	Less 10%	Multiple used	Plus 10%
Multiple	3.96	**4.40**	4.84
EBITDA	169,677	**169,677**	169,677
Enterprise value	671,921	**747,325**	821,237
Total debt	-	**-**	-
Cash and cash equivalent	30,842	**30,842**	30,842
Equity value	702,763	**778,167**	852,079
IDC's stake	99%	**99%**	99%
Equity value	695,735	**770,385**	843,558

Mulungushi Village	Less 10%	Multiple used	Plus 10%
Multiple	13.73	**15.25**	16.78
EBITDA	15,607	**15,607**	15,607
Enterprise value	214,284	**238,054**	261,885
Total debt	(7,840)	**(7,840)**	(7,840)
Cash and cash equivalent	349	**349**	349
Equity value	206,793	**230,563**	254,394
IDC's stake	99%	**99%**	99%
Equity value	204,725	**228,257**	251,850

Zambia Railways

	Less 10%	Multiple used	Plus 10%
Adjusted EV/Revenue	1.44	**1.60**	1.76
Revenue	292,387	**292,387**	292,387
Enterprise value	421,458	**468,287**	515,116
Total debt	(88,251)	**(88,251)**	(88,251)
Cash and cash equivalent	20,077	**20,077**	20,077
Equity value	353,284	**400,113**	446,942
IDC's stake	100%	**100%**	100%
Equity value	353,284	**400,113**	446,942

ZAFFICO

	Less 10%	Multiple used	Plus 10%
Adjusted EV/EBITDA Multiple	7.542	**8.38**	9.218
EBITDA	163,477	**163,477**	163,477
Enterprise value	1,232,944	**1,369,937**	1,506,931
Cash and cash equivalent	141,349	**141,349**	141,349
Equity value	1,374,293	**1,511,286**	1,648,280
IDC's stake	99%	**99%**	99%
Equity value	1,360,550	**1,496,148**	1,631,797

Figures in thousands of Zambian Kwacha

7. Investments in associates

(a) Valuation of investments in associates

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

	Shareholding Percentage	1 January 2018	Additions	Disposals	Fair Value Movement	31 December 2018
	%					
Indo Bank Zambia PLC	40%	782,155	-	-	(346,510)	435,645
Zanaco PLC	25%	350,278	-	-	(47,090)	303,188
Kagem Limited	25%	520,758	-	-	(277,126)	243,632
Afrox Limited	30%	30,746	-	(30,746)	-	-
Bangweulu Solar PV Plant	20%	-	-	-	4,414	4,414
Ngonye Power Company	20%	-	29,262	-	(29,262)	-
Lusaka Trust Hospital Limited	45%	5,309	-	-	(847)	4,462
		1,689,246	29,262	(30,746)	(696,421)	991,341
		1 January 2017				31 December 2017
Indo Bank Zambia PLC	40%	405,294	-	-	376,861	782,155
Zanaco PLC	25%	473,055	-	-	(122,777)	350,278
Kagem Limited	25%	275,546	-	-	245,212	520,758
Afrox Limited	30%	26,667	-	-	4,079	30,746
Nanga Farm	14.3%	24,736	-	(24,736)	-	-
Bangweulu Solar PV Plant	20%	-	13,862	-	(13,862)	-
Lusaka Trust Hospital Limited	45%	6,450	-	-	(1,141)	5,309
	-	1,211,748	13,862	(24,736)	488,372	1,689,246

The valuation of investments in subsidiaries was carried out by Hollis valuation analysts an independent valuer and categorized as either level 1,2 and 3 based on the observable/unobservable nature of the inputs used.

Figures in thousands of Zambian Kwacha

7. Investments in associates

(b) Measurement of fair value

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

	Level 1	Level 2	Level 3	Total
Balance at 1 January	350,278	1,302,913	36,055	1,689,246
Additions/(disposals)	-	29,262	(30,746)	(1,484)
Change in Fair value	(47,090)	(652,898)	3,567	(696,421)
Balance at 31 December	303,188	679,277	8,876	991,341

As at 31 December 2018 the companies with fair value in excess of ZMW100 million were three (3) namely. Indo Bank Zambia PLC, ZANACO PLC and Kagem Limited

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

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

Investee name	Valuation technique	Significant unobservable inputs and assumptions	Inter-relationship between Key unobservable inputs and fair value measurement
Indo Zambia Bank	Market multiples approach were applied. The market multiples approach provides a market benchmark against which valuation. Its built on the premise that peer companies provide a reference point for valuing a given target by establishing its relative positioning among peer companies.	• Terminal growth rate of 3.9% to the forecast FCFE in year five. • Average price to book multiple of 1.25x • liquidity discount to be 13.6% • Company specific discount 3.0%	The estimated fair value would increase/(decrease) if: • Adjusted peer group multiple was higher/(lower) • Minority discount was lower/(higher) • Marketability discount was lower/ (higher).
Kagem Limited	EV/EBITDA market multiples The market multiples approach provides a market benchmark against which valuation. Its built on the premise that peer companies provide a reference point for valuing a given target by establishing its relative positioning among peer companies.	• EV/EBITDA multiple average of 8.24 • Marketability discount of 16.5% • Minority discount 17.4%	The estimated fair value would increase/(decrease) if: • Adjusted peer group multiple was higher/(lower) • Minority discount was lower/(higher) • Marketability discount was lower/ (higher).

Figures in thousands of Zambian Kwacha

7 Investments in associates *(continued)*

(c) Sensitivity analysis

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

Indo Zambia Bank

31 December 2018	Less 10%	Multiple used	Plus 10%
Multiple	1.13	**1.25**	1.38
Net assets	873,104	**873,104**	873,104
Enterprise value	1,089,112	**1,089,112**	821,237
IDC's stake	40%	**40%**	40%
Equity value	695,735	**435,645**	843,558

Kagem Limited

Multiple	7.42	**8.24**	9.07
EBITDA	80,102	**80,102**	80,102
Enterprise value	594,036	**660,472**	726,525
Total debt	(342,307)	**(342,307)**	(342,307)
Cash and cash equivalent	656,363	**656,363**	656,363
Equity value	908,092	**974,528**	1,040,581
IDC's stake	25%	**25%**	25%
Equity value	227,023	**243,632**	260,145

8. Loans due from related parties

	2018	2017
Opening balances	**25,176**	-
Payments	**86,769**	25,176
	111,945	25,176

Breakdown analysis of the loans due from related parties:

Name	*Relationship*	2018	2017
Bangweulu Power Company Limited	Associate	**21,911**	18,201
Zambia China Mulungushi Textiles Limited	Associate	**5,140**	5,140
Mukuba Hotel Limited	Subsidiary	**-**	1,835
ZESCO Limited	Subsidiary	**77,718**	-
Times Printpak Zambia Limited	Subsidiary	**2,820**	-
Zambia Cargo and Logistics Limited	Subsidiary	**2,270**	-
Pelidic Zambia Limited	Subsidiary	**1,102**	-
Lusaka South Multi Facility Econ. Zone	Subsidiary	**984**	-
		111,945	25,176

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. All amounts were not provided for impairment as they were all assessed as recoverable and subsequently settled.

Figures in thousands of Zambian Kwacha

9. Asset held for sale

	2018	2017
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

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

10. Investment in projects*

At January	**178,083**	-
Additions	**1,342**	178,083
Transfer to investments in subsidiaries	**(168,776)**	-
At 31 December	**10,649**	178,083

Detailed analysis

Zampalm*	-	168,776
Scaling Solar Projects	**8,770**	6,428
Fruit projects	**888**	840
ZICB	-	1,858
Kabwe Textiles	**991**	180
	10,649	178,082

11. Amounts due from related parties

Ministry of Finance	**23,133**	23,133
Indo Zambia Limited	-	18,887
ZSIC General	**345**	252
ZAFFICO	**34,075**	23,654
Zamcargo	**1,184**	1,015
ZSIC life	**458**	12,010
Afrox Zambia Limited	-	2,400
	59,195	81,351

12. Trade and other receivables

Staff receivables	**2,526**	6,479
Other receivables	**12,914**	-
	15,440	6,479

13. Cash and cash equivalents

Bank balances	**26,297**	9,572
Fixed deposits	**12,872**	15,000
Cash and cash equivalents	**39,169**	24,572
Bank overdraft	**(7,607)**	-
	31,562	24,572

Overdraft facility

The Company has an overdraft facility limit of ZMW7.5 million with Indo Zambia Bank. The rate of interest is at 25.56% p.a. (2% above the 364 days Treasury bill rate). The purpose of the overdraft facility was to fund working capital deficit and is payable on demand. The facility is secured against stand 6403/A and stand 6461 Independence Avenue, Prospect Hill, Lusaka.

*Investments in projects have corrections related to a prior period misstatement. Refer to note 26

14. Borrowings

	2018	2017
At January	**30,446**	-
Received during the year	**279,543**	30,446
Interest accrued	**18,139**	-
Payments during the year	**(37,047)**	-
Exchange loss	**60,688**	-
31 December	**351,769**	30,446
Amounts due within one year	**240,412**	30,446
Amounts due after one year	**111,357**	-
	351,769	30,446
ZCCM-IH (i)	**240,412**	-
Indo Zambia Bank (ii & iii)	**111,357**	-
Zambia National Commercial Bank Plc	**-**	30,446
	351,769	30,446

Terms of the loans are as disclosed below:

i) ZCCM- Investment Holding PLC - US$19 million

The facility was contracted from ZCCM Investments Holdings Plc on 3 April 2018. The loan was obtained to finance IDC's 90% equity acquisition of Zampalm Limited. The principal and interest are due as a bullet payment on the 2 April 2019. The loan is secured against the Zambia National Commercial Bank Plc Shares.

ii) Indo Zambia – ZMW79.5 million

The facility was contracted from Indo Zambia Bank on the 21 October 2018. The loan was obtained to support operations of ZESCO Limited. The loan is payable within 51 months. The loan is secured against:

- three (3) properties namely, Stand No 1650 Malambo Office and Workship, Stand No 1588 Zesco training centre, Ndola and Stand No 407 Chingola area office; and
- lien over forex fixed deposit of US$500,000.

iii) Indo Zambia – US$2.5 million

The loan facility was contracted from Indo Zambia Bank on the 7 May 2018. The loan was obtained to finance the purchase of stand No. 6461 of independence avenue, Prospect Hill, Lusaka. The loan is at an interest rate of 9% per annum and is payable within 72 months. The loan is secured against:

- three (3) properties namely, Stand No 1650 Malambo Office and Workship,Stand No 1588 Zesco training centre, Ndola and Stand No 407 Chingola area office; and
- lien over forex fixed deposit of US$500,000

Figures in thousands of Zambian Kwacha

15. Capital grants and contribution

	2018	2017
At December	**5,920**	5,920
Maturity analysis		
Non – current	**5,920**	5,920

Private Sector Development, Industrialisation and Job Creation (PSDIJC) – ZMW5.92 million

The Private Sector Development, Industrialisation and Job Creation (PSDIJC) had agreed to collaborate with the Company on four (4) projects anchored under the implementation framework for the Industrialisation and Job Creation. The projects include Development of 600MW Grid Scale Solar Power Plants; Expansion of Industrial Forestry Plantations, Establishment of Tourism Investment vehicles; and the Development of Integrated Fish Industry. As at the year end, the Company had not yet utilized the grant.

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

16. Trade and other payables

	2018	2017
Trade creditors	**7,398**	2,884
Accrued expenses	**54,609**	215,249
Other payables	**12,902**	7,771
	74,909	225,904

17. Income tax expense

	2018	2017
a) Charge for the year		
Income tax on taxable profit	**23,117**	14,046
Deferred tax credit	**(5,258)**	-
Income tax expense	**17,859**	14,046
b) Reconciliation of the tax charge		
Profit before taxation	**25,217**	31,172
Taxation at current rate on accounting profit	**8,826**	10,910
Adjustments for non-deductible expenses	**9,033**	3,136
Tax charge	**17,859**	14,046
c) Movement in taxation payable account:		
At January	**40,425**	30,383
Charge of the year*	**23,117**	14,046
Payments made during the year*	**(13,550)**	(4,004)
31 December	**49,992**	40,425*
e) Deferred tax asset		
At January	**-**	-
Charge of the year	**5,258**	-
31 December	**5,258**	-

The deferred tax assets arise on the temporary timing difference relating to allowable finance cost on the working capital loans borrowed by the Company for onward lending to Subsidiaries.

*Taxation payable erroneously included dividend declared. Refer to note 26

Figures in thousands of Zambian Kwacha

18. Amounts due to related parties

	2018	2017
Dividend payable to the Shareholder	**10,000**	10,000
Zampalm	**-**	8,784
	10,000	18,784

19. Share capital and other reserves

i) Share capital

Authorized

Ordinary share of K1 each	**20,000**	20,000

Shares issued and fully paid

At December	**10,000**	10,000

ii) Capital and other reserves

Capital reserve

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.

Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value through other comprehensive income financial assets until the assets are derecognised or impaired.

20. Revenue

Dividends	**154,109**	92,060

21. Other income

Sundry income	**1,052**	460
Profit from disposal of fixed assets	**205**	314
Treasury income	**-**	495
	1,257	1,269

22. Employee costs

Salaries and wages	42,309	17,569
NAPSA	612	9,461
Defined contribution scheme	699	325
	43,620	27,355

23. Operating and other expenses

Board expenses	**1,391**	1,186
Consultancy	**5,571**	2,455
Donations	**290**	137
National events	**4,211**	2,390
Other expenses	**10,091**	22,843
Loss on disposal of investments	**1,149**	-
Training	**3,229**	2,677
Travel expense	**2,804**	2,399
	28,736	34,087

24. Finance income

Interest income	**8,594**	2,419

The interest income relates to earnings on placements in money market.

25. Finance costs

Borrowing costs on bank loans	**62,662**	437

26. Correction of prior period errors

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

(a) Negative fair values

Negative fair values attributed to investment in subsidiaries of ZMW1,123 million and ZMW1,148 million in 2016 and 2017 respectively. As IDC, as a holding Company, had no contractual obligations to settle, to the extent of the negative fair values, investments in subsidiaries with negative fair values were wrongly accounted for and have now been restated to nil values. Thus, the stated negative fair values have been eliminated and the investment figures have been restated.

(b) Erroneous entry

The decrease in the capital reserves of ZMW417 million in the year 2017, included a period-thirteen adjustment of cash-financed investments of ZMW151 million. The credit for cash-financed investments initially recorded in capital reserves has now been reversed and accordingly, the corresponding entry in investments in projects. The correction results in a change in capital reserves to ZMW568 million from ZMW417 million.

ZMW4,582 million represents an unsupported amount erroneously included in the prior year statement of changes in equity with no corresponding double entry in the financial statements. The correction of the error has resulted in a reduction in reserve by ZMW5,151million. The movement in reserves of ZMW568 million has now been correctly disclosed in the statement of changes in equity and other comprehensive income

The adjustment has no impact on statement of financial position.

(c) Reclassification of investments

Investments in projects included a negative fair value of ZMW67 million in a period-thirteen adjustment have now been correctly disclosed.

(d) Reclassification of reserves

The ZMW3,193,782,000 is the difference between carrying amount of the net identifiable assets of twenty – nine (29) companies and the fair value at the time of transferring the assets to IDC. The fair value gain erroneously recorded in the capital reserves of ZMW3,193,782,000 has now been correctly disclosed under fair value reserves.

(e) Reclassification of dividend

Current tax payable was wrongly reduced by ZMW10,000,000 dividend payable instead of retained earnings has now been correctly disclosed in retained earnings.

*The corrections have no impact on deferred taxation and cash flows.

Figures in thousands of Zambian Kwacha

26. Correction of prior period errors *(continued)*

1 January 2017	Reported balance	Correction	Corrected balance
Statement of changes in equity			
Capital reserves 26 (d)	(15,705,042)	3,193,782	(12,511,260)
Fair value reserves26 (d)	-	(3,193,782)	(3,193,782)
Fair value reserves 26 (a)	-	(1,123,650)	(1,123,650)
Total fair value reserve	-	(4,317,432)	4,317,432)
Total capital and other reserves	**(15,705,042)**	**(1,123,650)**	**(16,828,692)**
Statement of financial position			
Asset			
Investment in subsidiaries 26 (a)	14,493,294	1,123,650	15,616,944
Equity			
Capital and other reserves 26 (a)	(15,705,042)	(1,123,650)	(16,828,692)
31 December 2017			
Statements of profit or loss and other comprehensive income			
Other Comprehensive income 26 (b)	4,582,857	(5,151,223)	(568,366)
Negative fair value adjustments 26 (a)	-	1,148,458	1,148,458
Negative fair value adjustments 26 (c)	-	67,240	67,240
Net adjustment	**4,582,857**	**(3,935,525)**	**647,332**
Statement of changes in equity			
Capital reserves	**(15,705,042)**	**3,193,782**	**(12,511,260)**
Other comprehensive income 26 (b)	-	5,151,223	5,151,223
Reallocation from retained earnings 26 (b)	-	(4,582,857)	(4,582,857)
Negative fair value adjustments 26 (d)	-	(3,193,782)	(3,193,782)
Negative fair value adjustments 26 (a)	-	(1,123,650)	(1,123,650)
Negative fair value adjustments 26 (a)	-	(1,148,458)	(1,148,458)
Negative fair value adjustments 26 (c)	-	(67,240)	(67,240)
Total fair value reserves	**-**	**(4,964,764)**	**(4,964,764)**
Fair value FY 2016			
Retained earnings 26 (b)	4,653,688	(4,582,857)	70,831
Dividend declared 26 (e)		(10,000)	(10,000)
	4,653,688	**(4,592,857)**	**60,831**
Statement of financial position			
Asset			
Investment in subsidiaries – FY 2017 26 (a)	13,562,711	1,148,458	14,711,169
Investment in subsidiaries – FY2016 26 (a)	-	1,123,650	1,123,650
	13,562,711	**2,272,108**	**15,834,819**
Investments in projects 26 (b)	262,075	(151,232)	110,843
Investments in projects 26 (c)		67,240	67,240
	262,075	**(83,992)**	**178,083**
Liabilities			
Current tax payable 26 (e)	**30,425**	**10,000**	**40,425**
Equity			
Capital reserves and other reserves 26 (a)	(15,287,908)	(1,148,458)	(16,436,366)
Fair value reserves-FY 2016 26 (a)	-	(1,123,650)	(1,123,650)
	15,287,908)	(2,272,108)	17,560,016)
Error of entry reversal 26 (b)	-	151,232	151,232
Fair values reserves-investments in projects 26 (c)	-	(67,240)	(67,240)
Negatives in investments in projects	-	83,992	83,992
Capital reserves and other reserves	**(15,287,908)**	**(2,188,116)**	**(17,476,024)**

27. Financial instruments - Fair values of financial instruments

A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non- financial assets and liabilities. The 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 Company's Audit Committee. When measuring the fair value of an asset or a liability, the 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

a. 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).
b. 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 categorized 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 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 3.9 – property plant and equipment; and Note 3.16 - financial instruments.

The has exposure to the following risks arising from financial instruments:

a) credit risk
b) liquidity risk and
c) market risk

i. Risk management framework

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

The Company's risk management policies are established to identify and analyse the risks faced and 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 Company's activities. The Company, 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 audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The 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.

Figures in thousands of Zambian Kwacha

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

ii. Credit risk

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

Credit risk is managed on a basis. Credit risk arises from cash and cash equivalents, corporate bonds and deposits with banks, as well as trade and other receivables. The Company has any significant concentrations of credit risk.

The amount that best represents the Company's and Company's maximum exposure to credit risk at 31 December 2018 is made up as follows:

	2018	2017
Cash and cash equivalents	**31,562**	24,572
Trade and other receivables	**15,440**	6,479
Loans due from related parties	**111,945**	25,176
Amounts due to related parties	**59,195**	81,351
	218,142	137,578

iii. Liquidity risk

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

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows. The 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						
Other receivables	15,440	15,440	15,440	-	-	-
Loans due from related parties	111,945	111,945	-	111,945	-	-
Amounts due from related parties	59,195	59,195	59,195	-	-	-
Cash and cash equivalent	39,169	39,169	39,169	-	-	-
	225,749	225,749	113,804	111,945	-	-
Non-derivative						
Loans	351,769	383,428	115,009	140,572	127,847	-
Other payables	74,909	74,909	74,909	-	-	-
Overdraft	7,607	7,607	7,607			
Amounts due to related parties	10,000	10,000	10,000	-	-	-
	444,285	475,944	207,525	140,572	127,847	-
Net amount	(218,536)	(250,195)	(93,721)	(28,627)	(127,847)	-

Figures in thousands of Zambian Kwacha

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

iii. Liquidity risk *(continued)*

31 December 2017

	Total amount	Contractual Cash flows	Within 1 year	1 to 2 years	2 to 5 years	After 5 years
Non - derivative						
Other receivables	6,479	6,479	6,479	-	-	-
Loans due from related parties	25,176	25,176	-	25,176	-	-
Amounts due from related parties	81,351	81,351	81,351	-	-	-
Cash and cash equivalent	24,572	24,572	24,572	-	-	-
	137,578	137,578	112,402	25,176	-	-
Non-derivative						
Loans	30,446	30,446	30,446	-	-	-
Other payables	225,904	225,904	225,904	-	-	-
Amounts due to related parties	18,784	18,784	18,784	-	-	-
	275,134	275,134	275,134	-	-	-
Net amounts	(137,556)	(137,556)	(162,732)	25,176	-	-

Cash flow risk

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

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.

Effect in thousands of Kwacha Profit or losses

	Increase	Decrease
2018		
Variable rate instruments	(955)	955
2017		
Variable rate instruments	(191)	191

***Capital* management**

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

The 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 Company 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 company to meet its operational and capital budget.

Figures in thousands of Zambian Kwacha

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

Total capital is calculated as equity plus net debt. The gearing ratios at 31 December 2018 and 2017 were as follows:

Total equity	**11,373,664**	17,546,024
Cash and cash equivalents	**31,562**	24,572
Total capital	**11,405,226**	17,570,596
Borrowings	**(351,769)**	(30,446)
Overall financing	**11,053,457**	17,540,150
Capital-to-overall financing ratio	**96.69%**	99.98%

The company's objectives when managing capital are to safeguard the 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 consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 14, cash and cash equivalents disclosed in note 13, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the 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 company'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 optimizing the return

v. Currency risk

The is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. The is affected by foreign exchange movements because it has assets and income which are denominated in currencies other than the Company'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.

Figures in thousands of Zambian Kwacha

27. Financial instruments*(continued)*

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company for 2018 is as follows:

			31 December 2018
	USD	**ZMW**	**Total**
Financial Assets			
Cash and equivalents	**37,860**	**1,309**	**39,169**
Loans due from related parties	**100,731**	**11,214**	**111,945**
Amounts due from related parties		**59,195**	**59,195**
Trade and other receivables	**-**	**15,440**	**15,440**
Total assets	**138,591**	**87,158**	**225,749**
Financial Liabilities			
Borrowings	**(270,247)**	**(81,522)**	**(351,769)**
Trade and other payables	**-**	**(74,909)**	**(74,909)**
Amounts due to related parties	**-**	**(10,000)**	**(10,000)**
Bank overdraft	**-**	**(7,607)**	**(7,607)**
Total liabilities	**(270,247)**	**(174,038)**	**(444,285)**
Net on-balance sheet position	**(131,656)**	**(86,880)**	**(218,536)**

			31 December 2017
	USD	ZMW	Total
Financial Assets			
Cash and equivalents	935	23,637	24,572
Loans due from related parties	18,201	6,975	25,176
Amounts due from related parties		81,351	81,351
Trade and other receivables	-	6,479	6,479
Total assets	19,136	118,442	137,578
Financial Liabilities			
Borrowings	-	(30,446)	(30,446)
Trade and other payables	-	(225,900)	(225,900)
Amounts due to related parties	-	(18,784)	(18,784)
Total liabilities	-	(275,130)	(275,130)
Net on-balance sheet position	19,136	(156,688)	(137,552)

Figures in thousands of Zambian Kwacha

27. Financial instruments *(continued)*

Currency risk (continued)

The following significant rates have been applied during the year:

	Average rate		Reporting date	
	2018	2017	**2018**	2017
ZMW to 1 USD	**11.89**	9.96	**11.93**	10.01

Exchange rate sensitivity

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

The computation assumes all the other variables remain constant.

	Strengthening		Weakening	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
31 December 2018				
USD	**13,165**	**13,165**	**(13,165)**	**(13,165)**
31 December 2017				
USD	(1,914)	(1,914)	1,914	1,914

Interest rate risk

The objectives of the Company's interest rate risk management policy are to lessen the impact of adverse interest rate movements on the earnings, cash flow and economic value of the Company and to safeguard against any possible breach of its financial covenants. Additional objectives are to minimise the cost of hedging and the associated counter party risk.

As at 31 December 2018 a significant portion of the entity's borrowings were fixed rate basis.

28. Commitments

There were no commitments by the board at the yearend.

29. Related party transactions

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

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

a) Related parties with whom the Company had transactions during the year were:

Name of subsidiary	Transaction type	2018	2017
Zambia Daily Mail Limited	Newspaper	210	74
Zambia Electricity Supply Corporation Limited	Electricity	4,998	89
Zambia Telecommunications Company	Communication	-	32

Figures in thousands of Zambian Kwacha

29. Related party transactions *(continued)*

b) The remuneration of Directors and other members of key management during the year was as follows.

	2018	2017
i) Key management compensation		
Salaries and other short-term employment benefits	**19,261**	17,370
ii) Directors' remuneration		
Fees for services as a director	**1,391**	1,188

30. Subsequent events

a) Impact of outbreak of COVID-19

On 30 January 2020, the World Health Organisation 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 Organisation. 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.

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

b) Investitures

In October 2019, the IDC formed Infratel Zambia Limited and holds 100% shares in it. 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 USD20.679 million while NAPSA and WCFCB acquired 16.39% and 10% respectively.

Figures in thousands of Zambian Kwacha

30. Subsequent events *(continued)*

c) Strategic plan 2021-2025

In its meeting of 3 December 2020, 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 for maximum impact. Subsequently, the Strategic plan has been implemented by the IDC.

d) 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.

e) Indeni Petroleum Refinery Limited - Change of business model

Indeni Petroleum Refinery Limited 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.

f) A strategic equity partner for Mopani Copper Mine Plc, ZCCM IH subsidiary

Management has concluded the process of engaging a strategic equity partner ("SEP") to invest in MCM as part of a restructuring of MCM's balance sheet and implementation of a turnaround plan. International Resources Holding RSC Limited ("IRH"), an affiliated company of Abu Dhabi conglomerate International Holding Company PJSC ("IHC).

g) Other material circumstances

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