ZCCM INVESTMENTS HOLDINGS PLC

# INTEGRATED ANNUAL REPORT

For the year ended 31st December 2021

Mining SMARTLY

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# ABOUT THIS REPORT

The Integrated Annual Report for the year ended 31 December 2021 provides a holistic view of ZCCM Investments Holdings Plc ("the Company") and its subsidiaries ("the Group") business model, how the Company is managed and how it manages its investment portfolio. This report therefore provides a complete analysis of our business to satisfy the information needs of key stakeholders that will use the Integrated Report. The information presented aims to provide our various stakeholders with a good understanding of the financial, human, social, environmental and economic impacts of ZCCM-IH to enable them to evaluate our ability to create sustainable value for our stakeholders.

## FRAMEWORK

The Financial Statements set out on in the Annual Report have been prepared in accordance with International Financial Reporting Standards (IFRS). Our Integrated Report is prepared in accordance with the Zambia Companies Act and the listing requirements of the three stock markets on which ZCCM-IH is listed namely: Primary market – Lusaka Securities Exchange, and Secondary markets – Paris Euronext Access and London Stock Exchange.

## SCOPE AND BOUNDARY

This report outlines who we are, what we do and how we create value, providing insights into our structure, strategy, objectives, performance, governance, and future viability. The report provides an overview of the operations and performance of all businesses in which ZCCM-IH is invested. The scope of this report relates to ZCCM-IH as an investment holding Company and as a Group encompassing its subsidiaries and associate investee Companies' activities and material matters arising from its investment activities. Material developments beyond the reporting period up to the date of publishing of this report have been included.

## MATERIALITY

This report provides information on all those matters that we believe could substantively affect value creation at ZCCM-IH. Written primarily for current and prospective investors, the report is of interest to any stakeholder who wishes to make an informed assessment of ZCCM-IH's ability to create value over time. This report presents the identified material information through a clearly structured narrative. Additional information not material for this report, but of interest for other purposes, are provided on our website.

# ABOUT US

ZCCM Investments Holdings Plc (ZCCM-IH) is a premier diversified mining investment and operations Company, with significant and focused interests in Zambia's mining and energy sectors. The Group's portfolio commodity mix includes copper, gold, amethyst, manganese, limestone, coal and electric power energy. The shareholding structure is as follows: the Industrial Development Corporation Ltd (IDC) holds 60.3%, Government of the Republic of Zambia (GRZ) holds 17.3%, National Pension Scheme Authority (NAPSA) holds 15% and the remaining 7.4% is held by private investors. The geographical spread of the minority shareholders, who number over 4000, cover countries in Europe, Africa, the Caribbean, Australia, Asia and the USA.

The Company has a primary listing on the Lusaka Securities Exchange, and secondary listings on the – Euronext Access Paris and London Stock Exchanges under ISIN number ZM0000000037 on all listings.

## Vision:

***"To be a world class investment holding Company with a focus on mining".***

This vision's underlining aspiration of being world class entails that:

- Our global competitiveness edge is driven by our value propositions, extensive and deep industry knowledge and technical expertise in mining, financial and investment management;
- We uphold the highest institutional standards in Environmental, Social and Governance principles and Transparency; and that,
- We have a resilient organisational structure that thrives on a high-performance culture that has exceptional employee skill sets and talent management practices.

## Mission:

***"To be a transformative Company with an investment agenda that benefits all our stakeholders".***

- The underlining and fundamental aspect of our mission is transformation. This entails that:
- Our strategy is informed by ambition that is focused, innovative, agile and adaptable to the changing environment.
- We are driven by creating and maximising value through value addition and beneficiation of commodities within our portfolio.
- We build sustainability in all aspects through commodity diversification that will lead to sustained business growth.

# ABOUT US *(continued)*

## Our Values

Our vision and mission are espoused and supported by our core values which are deeply ingrained principles guiding all of our Company's actions. The following values serve as our corporate cultural cornerstones:

# ABOUT US *(continued)*

## Our Investments

| S/N | ASSET NAME | % INTEREST | PRODUCT/SERVICE | STATUS |
|---|---|---|---|---|
| 1 | Mopani Copper Mines Plc | 100 | Copper cathode and anode slimes | Operational |
| 2 | Limestone Resources Ltd | 100 | Supplier of limestone products | Operational |
| 3 | Ndola Lime Company | 100 | Supplier of limestone products | Winding up |
| 4 | Nkandabwe Coal Mine Ltd | 100 | Coal Mining | Winding up |
| 5 | Misenge Environmental and Technical Services Ltd | 100 | Services to the mining sector | Operational |
| 6 | Kariba Minerals Ltd | 100 | Amethyst Mine | Operational |
| 7 | Mushe Milling Ltd | 100 | Milling | Operational |
| 8 | Kabundi Resources Ltd | 100 | Manganese Mining | Development |
| 9 | Investrust Bank Plc | 71.4 | Commercial bank | Operational |
| 10 | Zambia Gold Company Ltd | 51 | Gold Mining, Exploration and Trading | Development/ Exploration |
| 11 | Central African Cement Ltd | 49 | Cement and Thermal power energy | Development |
| 12 | Rembrandt Properties Ltd | 49 | Real Estate | Development |
| 13 | Consolidated Gold Company Ltd | 45 | Gold Processing | Operational |
| 14 | Maamba Collieries Limited | 35 | Supplier of coal and generator of 300Mw thermal power | Operational |
| 15 | Copperbelt Energy Corporation Plc | 24.1 | Distribution network to large-scale copper mines on the Copperbelt in Zambia | Operational |
| 16 | Konkola Copper Mines Plc | 20.6 | Copper cathode, copper-cobalt alloys and anode slimes | Operational |
| 17 | CNMC Luanshya Copper Mines Plc | 20 | Copper concentrates and copper cathode | Operational |
| 18 | Kansanshi Mine Plc | 20 | Copper concentrate, smelter, Copper anode, copper cathode and Gold Dore | Operational |
| 19 | Lubambe Copper Mine Plc | 20 | Copper concentrates | Operational |
| 20 | Copper Tree Minerals Limited | 15.6 | Copper cathode | Development |
| 21 | NFCA Africa Mining Plc | 15 | Copper concentrates | Operational |
| 22 | Chibuluma Mines Plc | 15 | Copper concentrates | Operational |
| 23 | Chambishi Metals Plc | 10 | Copper cathode and cobalt metal | Care and maintenance |
| 24 | Oranto Petroleum Limited | 10 | Oil and gas | Exploration |

# ABOUT US *(continued)*

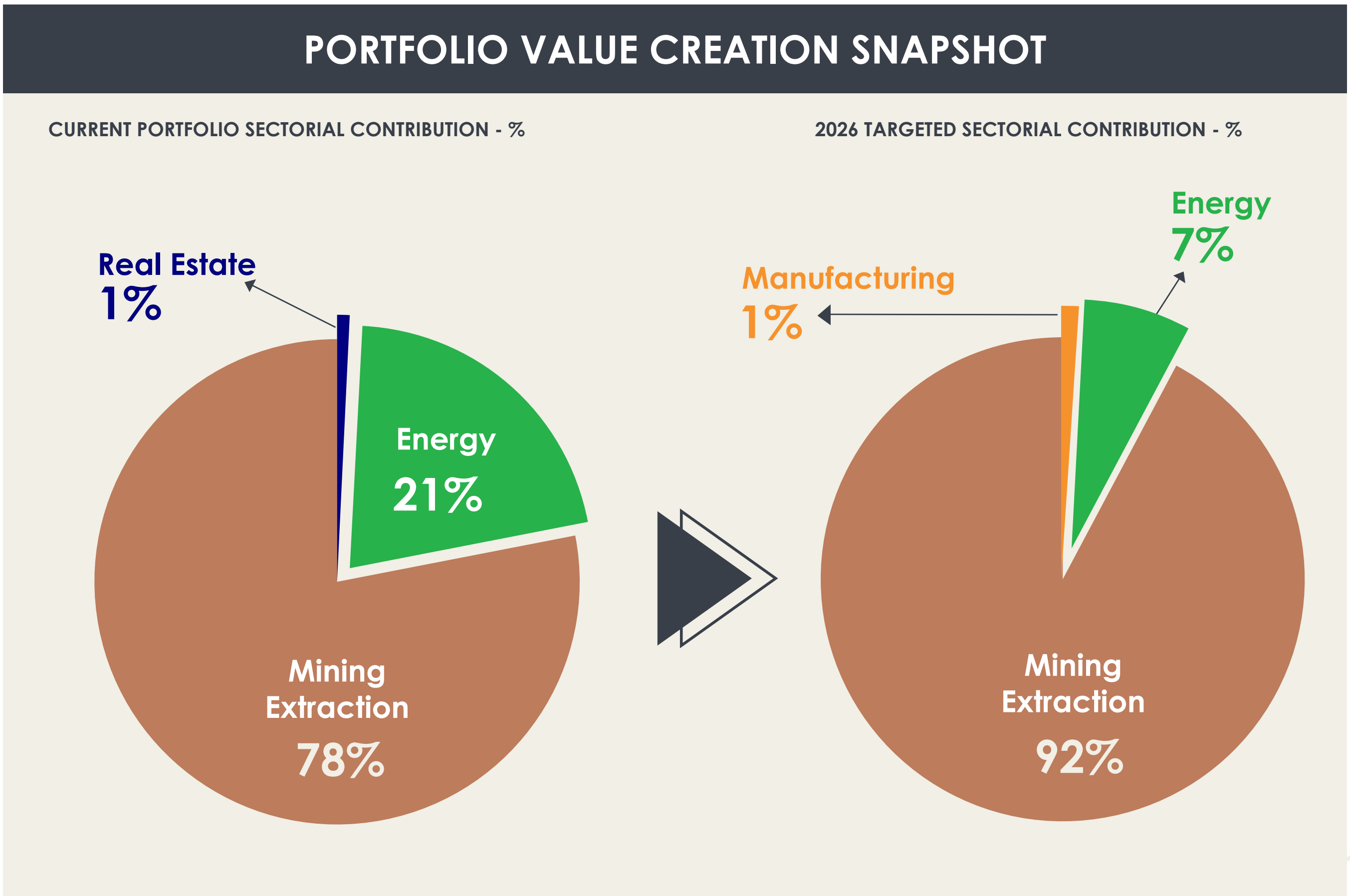
## Our Investments *(continued)*

| LIST OF INVESTMENTS AS PER SECTOR | | | | | |
|---|---|---|---|---|---|
| **MINING ASSETS** | **TECHNICAL SERVICES** | **MANUFACTURING & PROCESSING** | **FINANCIAL SERVICES** | **REAL ESTATES** | **ENERGY ASSETS** |
| Mopani Copper Mines Plc<br>Limestone Resources Ltd<br>Ndola Lime Company Ltd<br>Nkandabwe Coal Mine Ltd<br>Kariba Minerals Ltd<br>Kabundi Resources Ltd<br>Zambia Gold Company Ltd<br>Konkola Copper Mines Plc<br>CNMC Luanshya Copper Mines Plc<br>Kansanshi Mine Plc<br>Lubambe Copper Mine Plc<br>Copper Tree Minerals Limited<br>NFCA Africa Mining Plc<br>Chibuluma Mines Plc | Misenge Environmental and Technical Services Ltd | Consolidated Gold Company Ltd<br>Chambishi Metals Plc<br>Mushe Milling Ltd<br>Central African Cement Ltd | Investrust Bank Plc | Rembrandt Properties Ltd | Copperbelt Energy Corporation Plc<br>Maamba Collieries Limited<br>Oranto Petroleum Limited |

# ABOUT US *(continued)*

## Our Investments *(continued)*

The current portfolio as per sectoral investment value contribution is illustrated in the figure below; The pie chart's further show the direction the Company intends to take as per Strategic Plan 2020-2026 to extract value through diversification (into other minerals) of its current Portfolio.



# ABOUT US *(continued)*

## Our Investments *(continued)*

| Asset Name | % Interest | Value Creation |
|---|---|---|
| Mopani Copper Mines Plc | 100 | • As at March 2021, ZCCM IH acquired the remaining 90% shares in Mopani Copper Mines to obtain a 100% ownership of the mine. This represents an opportunity for ZCCM-IH to transform from a pure investment company to owning and operating a major mining asset in Zambia. Mopani's operations include some of the largest and oldest copper mines in the world, with a potential life of mine of over 30 years and well-understood geology. With ZCCM-IH having control of Mopani, there is an opportunity for ZCCM-IH and its shareholders to extract the full value from the valuable underlying assets. This is in line with ZCCM-HI's Strategic Plan to extract better value from its underlying assets and remedy some of the previous challenges associated with the minority shareholdings held by the Company in investee companies.<br>• Subsequently, ZCCM-IH engaged Rothschild & Co., South Africa (Pty) Ltd ("Rothschild & Co") to assist with the strategic review of Mopani for the purposes of sustainability, expansion and growth.<br>• Sustained operations as a full recapitalisation plan and engagement of an equity partner were being pursued |
| Limestone Resources Ltd | 100 | • Sustained operations as a full recapitalisation plan and engagement of an equity partner were being pursued |
| Misenge Environmental and Technical Services Ltd | 100 | • Ramp up of business development function to take on new client base and raise revenue streams from its various business units<br>• Consistent monitoring of ZCCM-IH historical environmental statutory obligations<br>• Commenced accreditation process to enhance quality of analytical services offered<br>• Recorded a Profit after tax of ZMW2.51 million |
| Kariba Minerals Ltd | 100 | • Amethyst Mining and value addition by making jewellery<br>• Empowering artisanal and small-scale miners by buying amethyst boulders from them<br>• Demonstrated ability to increase sales by establishing new local markets and achieving revenue of US$1,327,217 (ZMW26.1 million)<br>• Commenced the construction of a flagship jewellery store at the new Kenneth Kaunda International Airport to push for sales on cut and polished Amethyst. The flagship store was opened in the last quarter of 2022 |
| Mushe Milling Ltd | 100 | • Extinguished legacy creditor balances to improve the statement of financial position and position the Company favourably for further growth<br>• Ensured business continuity despite challenging operational and economic conditions |
| Kabundi Resources Ltd | 100 | • Demonstrated ability to drive growth through increased annual production to 100,000 tonnes<br>• Installed 10,000 tonne per day wash plant during the year<br>• Total manganese sold for the current year was recorded at 61,339 tonnes<br>• Bought an additional mining license in the Ntenge Area<br>• Engaged local artisanal mining cooperatives to partner in mining activities |
| Investrust Bank Plc | 71.4 | • Increased market share as a result of the successful implementation of the turnaround strategy<br>• The Bank recorded profits of ZMW15.1 during the fiscal year ended 2021<br>• The stock price arose from ZMW12 to ZMW15 |
| Zambia Gold Company Ltd | 51 | • Demonstrated ability to drive business growth through portfolio synergies<br>• Sold 62.02 Kg of gold dore to Bank of Zambia in 2021<br>• Undertaking of exploration on the Kasenseli mine site and Rufunsa to add new mining gold sites |
| Rembrandt Properties Ltd | 49 | • Project developers secured funds to complete the project following numerous delays<br>• The project is more than 98 percent complete, with all contractor remuneration restructured and aligned to completion milestones to incentivise the project's delivery<br>• Improved economic sentiment promises to anchor sustainability of the hotel once opened |

# ABOUT US *(continued)*

## Our Investments *(continued)*

| Asset Name | % Interest | Value Creation |
|---|---|---|
| Maamba Collieries Limited | 35 | • Completed substantial plant maintenance, which ensured plant availability of at least 80% for the following four years<br>• Continued to supply 270MW of electricity into the National Grid |
| Copperbelt Energy Corporation Plc | 24.1 | • Demonstrated resilience despite not being able to sign off a successor Bulk Supply Agreement – In 2021, a new agreement was signed.<br>• Recorded a profit after tax of ZMW 1.01 billion (US$51.25 million.)<br>• Set groundwork to expand its renewable energy business unit consisting of hydroelectric, solar and biodiesel energy.<br>• The share price closed the year at ZMW 2.65 from an opening price of ZMW 1.10 |
| Konkola Copper Mines Plc | 20.6 | • Assisted with sustainability of the mine's operations by facilitating funding initiatives |
| CNMC Luanshya Copper Mines Plc | 20 | • Produced 57,223 tonnes of copper output in 2021 with favourable copper prices allowing a significant improvement in the Company's retained earnings<br>• Paid an interim dividend of US$40 million in 2021 due to improved profitability<br>• Exploring its mining sites so as to increase its depleting life of mine |
| Kansanshi Mining Plc | 20 | • Announced plans to undertake the S3 expansion project to maintain production and profitability levels.<br>• Recorded a net profit of ZMW12.09 billion (US$614 million) |
| Lubambe Copper Mine Ltd | 20 | • Announced the discovery of the Extension Project – a rich copper deposit that has the potential to extend the mine life by 30 years<br>• Engaged a consultant to remodel the existing mine plan to increase efficiency and productivity<br>• EMR capital and ZCCM-IH have begun a process to raise up to US$100 million in fresh capital to improve liquidity and fund preliminary works on the extension project |
| Chibuluma Mines Plc | 15 | • Effectively under care and maintenance with third party mining deployed with Lian Chao and Yue Ventures Limited (LC&Y) to operate key mining operations<br>• Actively pursuing partnerships with companies that have extensive experience in exploration so as to devise value on its depleted ore resources |

# ABOUT US *(continued)*

## Our Strategy and KPIs *(continued)*

The year ended 31 December 2021 marked the second year of our six-year (2020 – 2026) strategy period (SP). The key pillars underpinning ZCCM-IH SP period and performance progress as at 31 December 2021 are set out below:

**Table: 2020 – 2026 Strategic pillars**

| No. | STRATEGIC GOAL/PILLAR | KEY TARGETS | PERFORMANCE PROGRESS |
|---|---|---|---|
| 1 | Extract, and where possible, add value to our current portfolio | • Income growth of **ZMW1,117.4 million** annually | • Recorded total income* of ZMW2,360 million in 2021 |
| 2 | Investment in greenfield and brown-field mining and mining related ventures across a diverse range of minerals. | • Commodity diversification to include cobalt, gold, manganese and other base metals, gemstones, limestone, phosphate and rare earth minerals;<br>• Value addition downstream and exploration upstream; and<br>• Energy – to support sustainability of mining operations. | • Increased budget allocation to exploration from ZMW30 million to ZMW94 million for strategic minerals – gold and copper.<br>• Kariba Minerals Ltd processing high grade amethyst into jewellery |
| 3 | Achieve operational and financial excellence | • Portfolio return (NAV growth) above the higher benchmark or 40%; and<br>• Operating costs to be below: 40% of total Income* | • NAV increased by 6.8% in 2021 from ZMW 148 to ZMW 154 per share.<br>• Operating costs were maintained at 19% of total income in 2021 |
| 4 | Generate greater shareholder value by ensuring price discovery on our stock exchange listings | • Improve liquidity of ZCCM-IH shares by 20% annually across the 3 stock listings: and<br>• Consistency in dividend pay-outs to shareholders with a dividend pay-out ratio of 35%. | • Initiated process to migrate from Access to Growth Platform on the Euronext Stock Exchange to promote liquidity for shareholders<br>• Proactive steps taken to enhance stakeholder engagement.<br>• Boost ZCCM-IH visibility both local and globally.<br>• Total dividend of ZMW336 million and ZMW85 million declared for 2021 and 2020 respectively. |

**Total income comprises revenue from contracts with customers, other income, investment income and finance income.*

# ABOUT US *(continued)*

## FY 2021 GROUP PERFORMANCE HIGHLIGHTS

**Revenue**
**ZMW14.4 billion**

**Net Loss**
**ZMW12.57 billion**

**ROA**
**-26.85 %**

**EPS**
**-ZMW78.19**

| RETURNS | 31-Mar-17 | 31-Mar-18 | 31-Mar-19 | 31-Dec-19 | 31-Dec-20 | 31-Dec-21 |
|---|---|---|---|---|---|---|
| Total Returns (ZMW Mn) | -312 | 926 | 2,458 | 1,6057 | 8,428 | -8,144 |
| Return on Opening Equity (%) | -4% | 12% | 238% | 15% | 67% | -64% |
| Earnings per share (ZMW) | 4.53 | 5.25 | 2.79 | 1.91 | 13.91 | -78.99 |
| FINANCIAL POSITION | | | | | | |
| Total Assets (ZMW Mn) | 9,579 | 10,332 | 13,412 | 15,248 | 23,296 | 46,818 |
| Net Asset Value (ZMW Mn) | 8,014 | 8,940 | 11,025 | 12,630 | 21,004 | 12,809 |
| NAV Per Share ZMW | 49.84 | 55.6 | 68.56 | 78.54 | 130.62 | 79.66 |
| Current Ratio | 1.32 | 1.67 | 0.90 | 0.83 | 1.17 | 1.25 |
| Cash and Cash Equivalents (ZMW Mn) | 179 | 339 | 74 | 57 | 181 | 185 |
| GEARING | | | | | | |
| Debt (ZMW Mn) | 192 | 134 | 104 | - | 171.4 | 25,414 |
| Debt to equity % | 2.4% | 1.5% | 0.94% | 0.0% | 0.81% | 66.49% |
| Net Cash (Debt) to Equity % | 0.2% | 0.0% | 0.3% | 0.0% | 0.0% | 66.33% |

ROA: Return on Assets, is computed as profit for the year expressed as a percentage of closing total assets for the year

EPS: Earning Per Share, is computed as profit for the year divided by total number of issued shares

# ABOUT US *(continued)*

## FY 2021 Group Performance Highlights*(continued)*

### Dividend Policy

During its 78th Meeting held on 29 March 2018, the ZCCM-IH Board amended the Company Dividend Policy and remains in effect. The ZCCM-IH Policy now states that the Company may pay a minimum of 35% of the unconsolidated Net Profit after Tax (NPAT) for any financial year in which a positive unconsolidated NPAT was recorded. In addition, the policy states that all dividends decelerations will consider the company's free cash flows and investment needs.

The following table shows the Company's historical dividend declaration

| Year | Dividend Declared ZMW Per Share | Total Dividend |
|---|---|---|
| 2021 Dec | 2.09 | ZMW336 million |
| 2020 Dec | 0.53 | ZMW85 million |
| 2019 Dec | 0.33 | ZMW53 million |
| 2019 March | 0.33 | ZMW53 million |
| 2018 March | 0.61 | ZMW98 million |
| 2017 March | 0.84 | ZMW135 million |
| 2015 March | 1.56 | ZMW251 million |

# ABOUT US *(continued)*

## Our Operating Environment

### Global Economy

2021 signalled new hope for global growth following 2020's Coronavirus caused downturn. This was tied to the development and widespread deployment of COVID-19 vaccines and collective effort by citizens and stakeholders to voluntarily get vaccinated. The year further marked a seminal moment on the global markets despite the rise of new variants by the speed at which Western Countries could produce, obtain, and ship out Vaccines to the more vulnerable countries.

High energy prices and supply chain bottle necks spurred on record high inflation. The pandemic continued to reinforce the importance of environmental, social, and governance engagement, and this year marked a seminal moment on the pathway to net zero. This was shown by the reaffirmation of the Paris Agreement by 200 countries at The UN Climate Change Conference in Glasgow (COP26). The objective around the mining sector is to achieve a 'Net Zero' carbon emission by 2050 by increasing the supply of Base Metals such as Copper, cobalt and lithium. This will enable a sustainable transition of energy requirements from the current traditional forms of energy sources (coal and oil) to renewable sources such as solar, wind, and hydro powered hybrid models.

The London Metals Exchange (LME) three month or 3M Copper, reported a closing price of US$9,715 per tonne as at 31st December 2021. The copper price pulled back following concerns on the emergence of the omicron coronavirus variant and hawkish sentiments from the United States of America (U.S.A) Federal Reserve. These factors also prompted the U.S.A dollar to strengthen on the global market due to its safe-haven status, while the prospect of higher interest rates to combat inflation has boosted investment flows into the U.S. dollar. The Global demand for copper for the year 2021, stood at 24.4 million tonnes which was 3.8% more than the estimated 23.5 tonnes in 2020. This was off the back of the booming Electric Vehicle (EV) industry from which a huge proponent in battery production is the red metal.

### Zambian Economy

Africa's second largest copper hotspot Zambia ended 2021 with a plethora of positives ranging from a stronger confidence standing in the international market to attainment of a landmark target, consensus with the International Monetary Fund (IMF) Staff Mission team on a US$1.4 billion Extended Credit Facility (ECF).

Zambia's inflation rate fell to a 14-month low in December 2021 tempered by food-price increases. The 2021 year-end inflation was recorded at 16.4% representing 17% decrease compared to the 2020 year-end inflation of 19.2%. Gross Domestic Product (GDP) estimates for the fourth quarter of 2021 showed that the economy grew by 3.5 percent. This represented a 6.5 percentage points increase from minus 3 percent recorded in the corresponding quarter of 2020. The growth in GDP at year end is attributed to a strong performance from the agriculture, information, and communication sectors, with a smaller bust substantial contribution from the mining sector as copper prices hit a ten year high on the London Metals Exchange.

Copper production dropped by 4.45% in 2021, from 837,996 tonnes in 2020, to 800,696 tonnes (2021). The country's cobalt production also dropped by 21.83% during the same period, with 247 tonnes of cobalt produced in 2021, and 316 tonnes produced the previous year.

The Kwacha, was the second-best performing currency globally in the fourth quarter of 2021 as tracked by Bloomberg, gaining almost 7% against the US dollar since 3rd December 2021 when the southern African nation reached a long sought-after staff level agreement with the International Monetary Fund.

### Regulations

Following the August 12th Presidential and Parliamentary Elections, a newly elected Government signalled a fundamental shift in the governance of the nation. One key development of significant interest is the reintroduction of the deductibility of mineral royalty for corporate income tax assessment purposes. This was announced during the presentation of the 2022 National Budget by the Minister of Finance and National Planning to Parliament in October 2021.Additionally, Government intends to use mining as an engine for growth. Increasing copper production is at the heart of its plans to transform the economy. This will entail increased copper output from the current 800,000 tonnes to three million tonnes in the next 10 years. As such, the introduced tax deductibility is expected to encourage the existing mining entities to re-invest expansion and exploration projects. Furthermore, it is expected that the new taxation system will be a basis to attract new investment from prospective multinationals into the sector.

# ABOUT US *(continued)*

## Risk Management

Our ability to deliver on our vision, strategic objectives and operating guidance depends on our ability to understand and appropriately respond to the risks that may prevent us from achieving our objectives. As such, we believe that Enterprise Risk Management is essential to the successful execution and implementation of our strategic plan. The nature of the ZCCM-IH Group is complex and exposes it to dynamic and complex risks. We are however committed to ensuring robust risk management practices for successful mitigation against existing and emerging risks. Our risk management process offers a tiered structure approach that includes:

- Making a robust assessment of emerging and principal risks
- Monitoring risk management and internal controls
- Promoting a risk aware culture both at Company and Group level
- An extensive and thorough pre-investment due diligence process
- An investment management process that entails the incorporation of risk identification, mitigation and tracking measures on a monthly basis at Company and Group level

We are further developing a robust Environmental, Social and Governance (ESG) framework to strengthen the existing guiding policies that will cement our risk management to ensure adherence to ESG best practices.

Further, the Risk Management function ensures alignment between risk management and strategy for efficient operations. As such, risk management is central to our investment decision-making processes.

Our business is subject to inherent risks in financial, regulatory, strategic and operational areas among others. The risks described below are not the only ones facing ZCCM-IH, but describe some of our key sources of uncertainty and critical risk management activities:

### Key focus areas:

- Strategy/Stakeholder engagement: risks arising from uncertainties that may impact the achievement of our strategic objectives and stakeholders.
- Investments: risks arising from events and uncertainties that may impact our investment activities.
- Financial: risks arising from events related to financial reporting, funding, liquidity, and credit.
- Operations: risks arising from our business, that have the potential to impact operational performance, people and environment.
- Compliance: risks arising from none-compliance.

The implementation of the Enterprise Risk Management Framework is key to the successful implementation of our strategy, and mitigation of exposure to dynamic, complex existing and emerging risk.

### Lines of Defence

The 5 lines of defence model identifies the Company as needing to be protected by:

- **Line (1)** Business unit management and process owners: Operational managers own and manage risks. They are also responsible for implementing corrective actions to address process and control deficiencies
- **Line (2)** Risk management and compliance functions: established to ensure the first line of defence is operating as intended
- **Line (3)** internal audit: provides assurance on the effectiveness of governance, risk management and internal control.
- **Line (4)** The tone of the Company
- **Line (5)** Board risk oversight and executive management and process owners

The 5 lines of defence bring assurance to the relevant management or governance areas, thus affecting the achievement of objectives. Combined assurance facilitates the design of effective controls, which exist to assist the organization in managing its risks and promote effective governance process.

# Risk Management *(continued)*

## The Risk Function

Following the review of the Company's Organization Design in 2021, the risk function that was initially part of the Risk and Internal Audit Directorate is now a stand-alone function. The Audit Committee of the Board and the main Board provide oversight over risk management and internal control and provides guidance on the improvement of risk management. The Risk Function is tasked with the implementation of the Enterprise Risk Management Framework by facilitating risk management enterprise wide and inculcating a risk culture.

## Risk Culture

The Board sets the tone and influences the risk management culture. All strategic, business and investments decisions are made with due consideration of the related risks and mitigants. The risk culture is fostered by periodic risk register reviews by a cross functioning Risk Coordinators Committee. This initiative reviews the risk registers and status of the mitigating controls.

Outlined below are key risks faced by the Company with corresponding mitigations and management activities;

| Key Risk Type | Risk Description | Risk Management and Mitigation |
|---|---|---|
| Strategic risk | Strategic risk arises from the design and implementation of our business model, the key decisions made in relation to investment and capital allocation, as well as uncertainties and untapped opportunities embedded in our strategic intent and how well they are executed. It also arises from the negative impact that can result from the deterioration of the Groups reputation among stakeholders and the public, resulting in: revenue loss, litigation, regulatory sanctions, and decline in share price. | • Alignment of subsidiary strategic plans to group strategy.<br>• Strategy reviews for all businesses are conducted periodically.<br>• Appointment of representatives on subsidiary boards to ensure oversight.<br>• Ensuring that the group only invests in opportunities that have been extensively tested, reviewed and approved by the investments committee. The testing phase includes stress testing of the models, considerations of a legal, tax and risk opinion to validate the business case. |
| Investment risk | This is the risk of incurring financial losses in ZCCM-IH's portfolio in pursuit of returns. This risk would arise from;<br>• Under-performance by investee companies;<br>• non-performing shareholder loans and advances; and<br>• Investment concentration risk.<br>Change in the political, economic, social factors and economic outlook. | The Group's portfolio focus approach includes business review meetings. The key agenda in each of these meetings is to assess the management of all the key risks that the asset is exposed to. The Group also seeks to, as much as possible, diversify its investments by investing in a diverse range of minerals. |
| Operational risk | A failure of key processes, systems and/or people comes at additional operating costs to ZCCM-IH, thereby reducing overall operational efficiency and effectiveness. | • Establishment of clear policies and processes.<br>• Embracing and fostering a culture of diversity and inclusivity which encourages staff to be innovative and be supportive of each other.<br>• Monitoring compliance with the policies and processes<br>• Clear goal setting and performance management<br><br>A people driven approach to managing the enabling technology and ensuring that system support is available at all times. This includes technology allowing staff to work remotely as may be needed from time to time. |

# CHAIRPERSON'S STATEMENT

**MR. KAKENENWA MUYANGWA**

*" The mining sector is generally expected to see strong demand in the short to medium term and in particular, copper prices are envisaged to be on an upward trajectory. "*

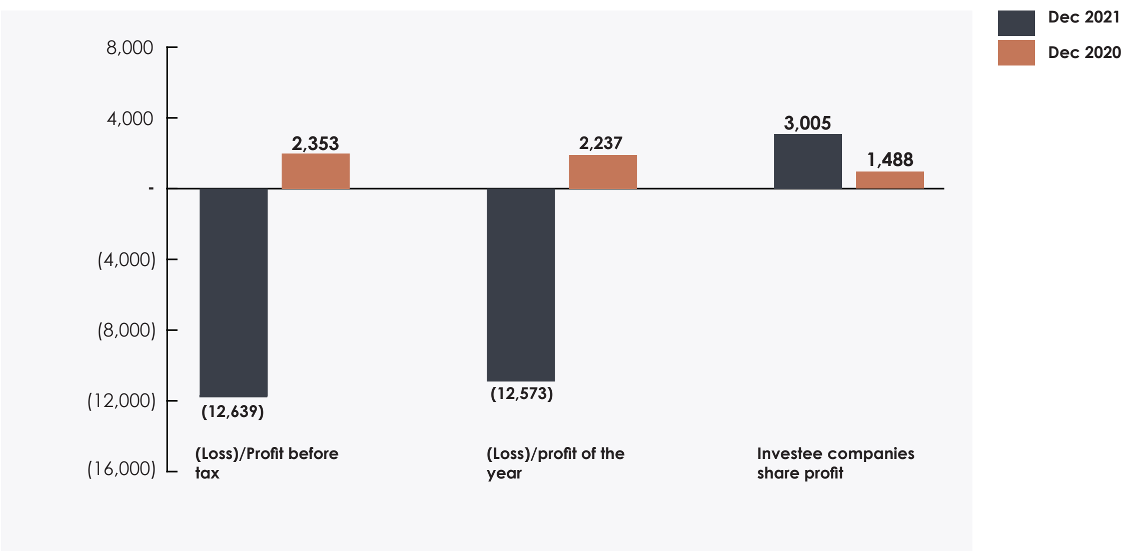
I am pleased to share with you the performance of ZCCM Investments Holdings Plc (ZCCM-IH) as a Company and that of its investee companies during the financial year ended 31 December 2021. The year continued to be a challenging one on account of disruptions in international trade caused by the Corona Virus (COVID-19) pandemic. The COVID-19 pandemic continued to create unprecedented business challenges and negatively impacted ZCCM-IH and the operating companies in which ZCCM-IH has invested. Notwithstanding the disruptions from COVID-19, the commodity prices were bullish for the most part of the year. This helped to cushion the negative impact of the COVID-19. In addition, the easing of Covid-19 restrictions towards the latter part of 2021 had a positive impact of lowering the business risk.

During the year under review and in line with the ZCCM-IH 2026 Strategic Plan (2026 SP), the Company continued to focus on mining and mining-related investments. ZCCM-IH's focus on extracting value from the existing portfolio and investing in greenfield mining and mining-related ventures is now more critical given Zambia's planned targets for the mining sector as announced in October 2021 by the Minister of Finance and National Planning during the national budget address. The planned national target is to increase annual copper output from the current 800,000 to over 3,000,000 (Three million) metric tonnes in ten years. On its part and given this target, ZCCM-IH initiated plans to engage its strategic equity partners in the Investee Companies and other mining sector players to discuss actions necessary to enhance production. The Company also continued its exploration programme and planned to significantly increase its budgetary allocation for exploration activities in critical minerals.

The performance of the Company and its investee companies during the period under review mainly benefited from increase in copper prices year-on-year driven by low supply and strong demand for copper.

## CHAIRPERSON'S STATEMENT *(continued)*

**Group Financial performance- ZMW million**

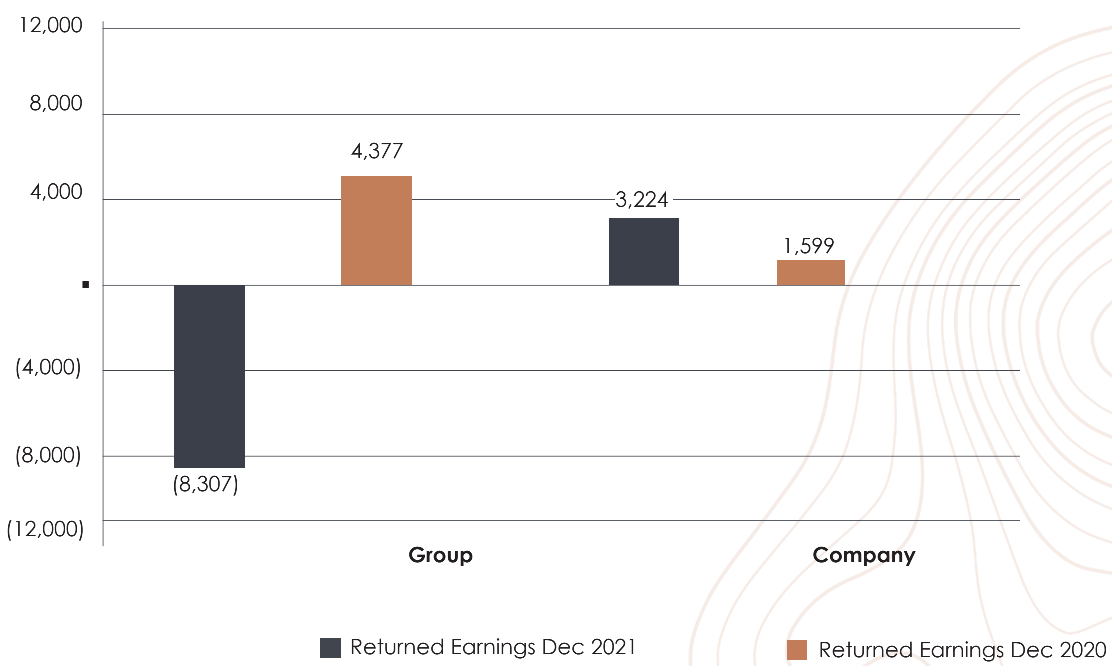



The Group performance deteriorated during the year when compared to the previous year. The Group reported a loss after tax of ZMW12,573 million (2020: ZMW2,237 million profit) and a share of profit of equity accounted investees for the year ended of ZMW3,005 million (2020: ZMW1,488 million). The decrease in profitability during the year is on account of impairment of goodwill on acquisition of Mopani on 31 December 2021 amounting to ZMW14,852 million which was further exacerbated by the loss contributed by Mopani Copper Mines Plc during the year of ZMW1.43 billion.

Despite the challenges in the business environment, I'm proud to report that ZCCM-IH as a company recorded a profit for the year, the Company recorded a profit of ZMW1.68 billion (2020: profit of ZMW673 million) which is attributable to increased dividend income from associate companies during the year. The Company received dividends of ZMW956 million (2020: ZMW209 million) during the year.

The Group's retained earnings as at 31 December 2021 was negative at ZMW8,307 million (2020: ZMW4,377 million). The decrease in retained earnings is attributed to recorded Group loss after tax of ZMW12,573 million (2020: ZMW2,237 million profit). The Company's retained earnings remained positive at ZMW3,224 million (2020: ZMW1,599 million).

**Group and company retained earnings- ZMW million**



# Chairperson's statement *(continued)*

## Strategic Developments

During the year, ZCCM-IH acquired 90% stake in Mopani Copper Mines Plc (Mopani) from Carlisa Investments Corp. ("Carlisa") at a total consideration of US$1 ("the Acquisition"). Before acquisition, Mopani owed its shareholders more than ZMW 95.95 billion (US$4.3 billion) in shareholder loans. As this debt level was unsustainable, ZCCM-IH negotiated and succeeded in having the said loan be written down to ZMW 33.12 billion (US$1.5 billion.) The ZMW 33.12 billion (US$1.5 billion) loan is guaranteed by ZCCM-IH.

The acquisition was done in pursuit of one of the key goals of the 2026 Strategic Plan (SP) which is to focus on mining and mining related strategies and activities. The Board believes the acquisition set the platform for ZCCM-IH's transformation and provided the potential ability to create substantial value for its shareholders in future.

During the latter part of the year under review, we commenced the process of engaging an Investment Banker to restructure and secure financing for Mopani for the purposes of sustainability, expansion, and growth. Thus, the Investment Bank was tasked to raise capital for Mopani for both short term and long-term requirements, review and propose changes that will enable growth and sustainability of Mopani. This process is still ongoing and is expected to be completed in the fourth quarter of 2023.

In quarter four of 2021, Zambia Gold Company Limited (ZGC), the flagship Company for the development of the Zambian gold sector, focused on addressing the shortcomings of its joint venture operations at Kasenseli gold mine by continuing to engage with the Ministry of Mines and Minerals Development to expedite the lifting of the suspension of operations at the mine. This remains the case as at the date of signing these financial statements.

Shareholders will recall ZCCM-IH's previous Market Announcements in June 2021, in relation to the Industrial Development Corporation (IDC) Group Restructuring and Reorganization Agreement (asset swap), pursuant to which the ZCCM-IH conditionally agreed to disposing off its entire shareholding in Investrust Bank PLC and Mushe Milling Limited of 74.1 % and 100% respectively, in exchange of IDC's equity stake of 25% in Kagem Mining Limited. As disclosed in the Announcements, the parties to the Group Restructuring and Reorganization Agreement, agreed that Completion would take place once all stipulated conditions precedent were met. Following IDC's review of the proposed asset swap in 2022, it was decided not to proceed with the transaction. ZCCM-IH is currently undertaking a review of strategic options going forward for the affected assets and has embarked on a divestment strategy as these investments are not aligned to its strategic focus in mining and mining related activities.

Last year, we announced ZCCM-IH's intention to participate in the Mining Supply Chain (MSC) as part of the ongoing income diversification initiatives. During the year under review, three main products were supplied under MSC contributing a value of ZMW80 million of our income.

The petition in the High Court of Zambia for the winding-up of Konkola Copper Mines Plc (KCM) which ZCCM-IH commenced in 2019 did not progress in 2021, and Lusaka winding up proceedings remain stayed as the matter is still in Arbitrations. Also Arbitral proceedings (South Africa proceedings) the hearing of the Arbitration is suspended by the hearing of the parties pending negotiations to settle the disputes ex curia. This remains the case as at the date of signing these financial statements.

In 2021, ZCCM-IH concluded first level discussions to dispose off its 10% shareholding in Nkana Alloy Smelting Company Ltd as per the terms of the High Court Order. The final level discussions on the disposal value are expected to be concluded in 2023.

## Major Company Risks in 2021

In the year under review, one of the major business risks identified was that of non-performing shareholder loans and advances. To mitigate this risk, shareholders may wish to know that a rigorous monitoring framework was initiated in 2021. This risk and others are regularly under review and various engagements with respective parties being undertaken.

Another major business risk that your Company continued to face in 2021 was the unpredictable nature of dividend income. To mitigate this risk, various strategies contained in the 2026 SP were under implementation in 2021 to enhance income diversification. This included the implementation of the royalty model and MSC as alluded above.

# Chairperson's statement *(continued)*

## Major Company Risks in 2021 *(continued)*

The third major business risk was the business disruption resulting from the Covid-19 pandemic. The Company effectively implemented the prevention strategies as guided by the Ministry of Health. Suffice to say, ZCCM-IH did not record any Covid-19 related death of its staff and board members. I am, however, cognisant of the fact that a number of members of staff and board members experienced the loss of close associates. We commiserate with them to that effect. The easing of restrictions within and outside Zambia witnessed towards the end of 2021 had a great impact on operations and mitigated the business risk in addition to other Covid- 19 preventive measures in place.

The fourth risk was non-performing investee companies. Various strategic initiatives contained in the strategic plan are under implementation such as;

- Restructuring several of our investee companies deemed to require significant capitalisation;
- Divestment from non-value-adding investee companies; and,
- Re-organisation of our business model on investment activities to optimise value creation for the Zambian people and stakeholders.

## Capital markets

The ZCCM-IH share price on the three stock exchanges closed as follows, with an inclusion of the respective market capitalisation using the issued share capital:

| Market Capitalisation | | | | | |
|---|---|---|---|---|---|
| | | 31 December 2021 | | 31 December 2020 | |
| Stock Exchange | Number of Shares | Share price | Market capitalisation | Share price | Market capitalisation |
| Lusaka Securities Exchange | 149,888,015 | ZMW 37.98 | ZMW5.7 billion | ZMW 38.80 | ZMW5.8 billion |
| Euronext Access | 10,619,577 | EUR 0.94 | EUR10.0 million | EUR 0.75 | EUR8.0 million |
| London Stock Exchange | 292,694 | US$ 1.65 | US$ 0.5 million | US$ 0.72 | US$ 0.2 million |
| **Total** | **160,800,286** | | | | |

# Chairperson's statement *(continued)*

## Directorate Changes

During the year, the Company had four (4) changes in terms of exiting non-executive directors and five (5) changes for new appointments at different times. I wish to thank the directors that retired from the Board during the year, for the service rendered to the Company. At the same time, I am confident that the new directors appointed in the year, together with the colleagues they joined on the Board will live up to the huge expectations of the shareholders and the nation at large.

## Outlook

The mining sector is generally expected to see strong demand in the short to medium term and in particular, copper prices are envisaged to remain at the current high level going forward.

With a focus on mining and mining related activities, ZCCM-IH stands ready to seize the opportunities that lie ahead in the mining sector. ZCCM-IH will use a three-pronged strategy in this regard, that is forging strong value enhancing partnerships/joint ventures, invigorate the exploration activities in brown and greenfield areas and a push for new licences for minerals of its interest as identified in the Company's 2026 Strategic Plan.

## Acknowledgement

I once again express gratitude to my fellow Board members for their strategic guidance to management in 2021 that enabled the Company and the Group to deliver on its goals for the year. I also recognise the professional work and contribution from the management and staff of ZCCM-IH Group during the past year.

Importantly, I am grateful to the shareholders for their support rendered to everyone connected to and at ZCCM-IH during the 2021 financial year.

**Mr Kakenenwa Muyangwa**

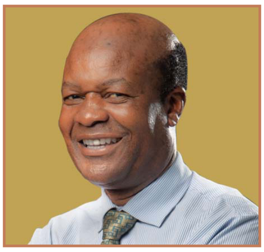
**Board Chairperson**

# REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of ZCCM Investments Holdings Plc ('the Company') and its subsidiaries (together "the Group").

## BOARD OF DIRECTORS

**Mr. Kakenenwa Muyangwa**
Board Chairperson | Non-Executive Director

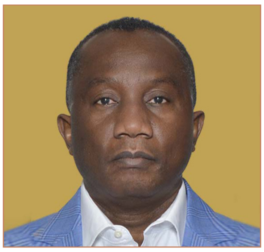


**Mr. Moses Smart Nyirenda**
Non - Executive Director

**Mr. Brian Nalishuwa**
Non - Executive Director

**Mr. Philippe G. Taussac**
Non - Executive Director

**Mrs. Masitala Nayangwe Mushinga**
Non - Executive Director



**Mr. Muyangwa Muyangwa**
Non - Executive Director

**Dr. Ndoba J. Vibetti**
Executive Director/Chief Executive Officer

**Bishop John H Mambo**
Non-Executive Director

# Report of the directors*(continued)*

## Share capital

The authorised share capital of the Company remained unchanged at ZMW2,000,000 divided as follows:

| | |
|---|---|
| **120,000,000** | **"A" Ordinary Shares of ZMW 0.01 each; and** |
| **80,000,000** | **"B" Ordinary Shares of ZMW 0.01 each.** |

Class "A" Ordinary Shares and Class "B" Ordinary Shares all rank pari passu in all respects.

During the year, the issued share capital remained unchanged at 160,800,286 shares with a nominal value of ZMW1,608,003 as detailed below:

| | Number of shares | Amount ZMW |
|---|---|---|
| **At beginning and end of year** | **160,800,286** | **1,608,003** |

## Shareholding by Directors

- As at 31 December 2021, Mr Philippe G. Taussac (Non-Executive Director and Chairperson of the Investments Committee of the Board) had 160,589 shares while Mr Mabvuto T. Chipata (Executive Director and Chief Executive Officer) held 1,900 shares directly and indirectly.

## Principal Activities

- ZCCM –IH ("the Company'') is an investments holdings Company which has a primary listing on the Lusaka Securities Exchangeand secondary listings on the London and Euronext Paris Stock Exchanges. The Company has majority of its investments held in the copper mining sector of Zambia. The Company's focus going forward will include the following:
- Developing and implementing investments strategies and aligning Company operations towards maximizing of shareholder value in the mining sector;
- Monitoring the performance of investee companies to ensure they consistently declare reasonable dividends and ensure Company growth;
- Ensuring effective representation on the Boards of the investee companies;
- Establishing and securing joint venture partnerships for projects assessed to be viable; and
- Implementing the royalty model to maximize shareholder value.

## Dividends

The Company declared a dividend during the year in relation to the 2021 financial year end of ZMW2.09 per share (December 2020: ZMW0.53 per share).

# Report of the directors*(continued)*

## Directorate Change

During the year and up to signing date of this report, the following were changes in the directorate:

| Name of Director | Nature of change |
|---|---|
| **Ms Dolika E S Banda** (Board Chairperson) | Appointed on 13 December 2021 and resigned 5 May 2023 |
| **Mr. Kakenenwa Muyangwa** (Board Chairperson) | Appointed on 5 May 2023 |
| **Mr Moses Smart Nyirenda** (Non – Executive Director/ Remuneration Committee Chairman) | Appointed on 13 December 2021 |
| **Mr Gregory Kabwe** (Non – Executive Director/ Audit Committee Chairman) | Appointed on 13 December 2021 and retired on 2 March 2023 |
| **Bishop John Mambo** (Non – Executive Director) | Appointed on 13 December 2021 |
| **Dr. Ndoba J Vibetti** (Executive Director/ Chief Executive Officer) | Appointed on 1 February 2023 |
| **Mrs. Masitala N Mushinga** (Non – Executive Director/ Audit Committee Chairman) | Appointed on 7 March 2023 |
| **Mr Brian Nalishuwa** (Non-Executive Director) | Appointed on 7 December 2022 |
| **Mr Muchindu Kasongola** (Non-Executive Director) | Appointed on 24 August 2022 and retired on 25 November 2022 |
| **Mr Muyangwa Muyangwa** (Non – Executive Director/ Investment Committee) | Appointed on 1 June 2022 |
| **Mr Michael Chibonga** (Non – Executive Director/ Audit Committee Chairman) | Appointed on 7 June 2021, retired on 13 December 2021 |
| **Mr Eric S Silwamba** (Board Chairman) | Retired on 12 October 2021 |
| **Mr Yollard Kachinda** (Non-Executive Director/ Remuneration Committee Chairman) | Retired on 6 April 2022 |
| **Mr Mabvuto T Chipata** (Executive Director/ Chief Executive Officer) | Retired on 30 March 2022 |
| **Mr F K Yamba** (Non – Executive Director) | Retired on 9 September 2021 |
| **Mr. B.B. Mulenga** (Non – Executive Director) | Retired on 31 May 2021 |
| **Mr M Kaluba** (Non-Executive Director) | Resigned on 17 August 2022 |

## BOARD COMMITTEE'S FUNCTIONS

| Audit Committee | Remuneration Committee |
|---|---|
| **Mr. Gregory Kabwe** (Chairman) (appointed on 13 December 2021 and retired 2 March 2023) | **Mr Moses S Nyirenda** (Chairman, Appointed on 13 December 2021) |
| **Mrs Masitala N Mushinga** (Chairperson) (Appointed 7 March 2023) | **Dr Ndoba J. Vibetti** (Chief Executive Officer/Appointed on 1 February 2023) |
| **Bishop John H Mambo** (appointed 13 December 2021) | **Mr Bishop H Mambo** (appointed on 13 December 2021) |
| **Mr Philippe G Taussac** | **Mr Michael Chibonga** (appointed on 7 June 2021, Retired on 13 December 2021) |
| **Mr Vincent Nyambe** (Co-opted member) | **Mr Y Kachinda** (Chairperson; retired 6 April 2022) |
| **Dr Ndoba J. Vibetti** (Chief Executive Officer/Appointed on 1 February 2023) | **Mr. B.B. Mulenga** (retired on 31 May 2021) |
| **Mr Michael Chibonga** (appointed on 7 June 2021, Retired on 13 December 2021 | **Mr F K Yamba** (retired on 9 September 2021) |
| **Mr Brian Nalishuwa** (appointed on 7 December 2022) | **Mr Mabvuto T Chipata** (retired on 30 March 2022) |
| **Mr Yollard Kachinda** (retired on 6 April 2022) | |
| **Mr. Mateyo C Kaluba** (Chairman) (resigned on 17 August 2022) | |

## Report of the directors*(continued)*

| Investments Committee | |
|---|---|
| **Mr Philippe G Taussac** | Chairman/ Non-Executive Director) |
| **Mr Muchindu Kasongola** | Non-Executive Member (Appointed on 24 August 2021/ Re-signed on 25 November 2022) |
| **Mr M Kaluba** | (Non-Executive Director) Resigned on 17 August 2022 |
| **Mr Brain Nalishuwa** | Non- Executive Member (Appointed on 7 December 2022) |
| **Mr Moses S Nyirenda** | Non-Executive Member (Appointed on 13 December 2021) |
| **Dr Ndoba J. Vibetti** | Chief Executive Officer (Appointed on 1 Feb 2023) |
| **Mr Brian Musonda** | Chief Investments Officer |
| **Mr Charles Mpundu** | Co-opted Member |
| **Mr Basil Nundwe** | Co-opted Member |
| **Mr Albert Halwampa** | Co-opted Member (Appointed on 14 February 2022) |
| **Mr Yollard Kachinda** | Non-Executive Member retired on 6 April 2022) |
| **Mr Muyangwa Muyangwa** | Non-Executive Member (Appointed on 1 June 2022) |
| **Mr Mukula Makasa** | Co-opted Member (Retired in 2021) |
| **Mr Mabvuto T Chipata** | Chief Executive Officer (Retired on 30 March 2022) |

### Directors's Participation In Meetings

Record of attendance of Board and Committee meetings held during the period to 31 December 2021.

### Board Meetings:

| Name of Director | 15/01/21 | 16/02/21 | 09/03/21 | 18/03/21 | 29/03/21 | 11/05/21 | 21/05/21 | 07/06/21 | 29/06/21 | 19/07/21 | 22/12/21 | 28/12/21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mr Eric S Silwamba, SC (Chairman) | √ | √ | √ | √ | X | √ | X | √ | √ | √ | • | • |
| Mr Fredson K Yamba | X | X | √ | X | X | √ | √ | X | X | X | • | • |
| (Vice Chairman) | X | √ | √ | √ | X | √ | √ | √ | √ | √ | √ | √ |
| Mr. Yollard Kachinda | √ | √ | √ | √ | √ | √ | X | √ | √ | √ | √ | √ |
| Mr. Mateyo C Kaluba | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ |
| Mr Philippe G Taussac | √ | √ | √ | √ | √ | √ | X | √ | • | • | • | • |
| Mr. B. B Mulenga | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ |
| Mr Mabvuto T Chipata | • | • | • | • | • | • | • | √ | √ | √ | • | • |
| Mr Michael Chibonga* | • | • | • | • | • | • | • | • | • | • | √ | √ |
| Ms Dolika Banda | • | • | • | • | • | • | • | • | • | • | √ | √ |
| Mr Gregory Kabwe | • | • | • | • | • | • | • | • | • | • | √ | √ |
| Mr Bishop John Mambo | • | • | • | • | • | • | • | • | • | • | √ | √ |
| Mr Moses Nyirenda | • | • | • | • | • | • | • | • | • | • | √ | √ |

**Co-opted member*

### Audit Committee

The committee provides oversight on the effectiveness of the Group's operational and financial reporting systems and accuracy of information, and that the Group's published Financial Statements represent a true and fair reflection. The specific terms of reference include:

- Reviewing and appraising the soundness of risk management, internal controls, and the reliability and integrity of financial, managerial, and operating data.
- Ascertaining compliance with the ZCCM-IH Group policies and procedures.
- Evaluating asset safeguards and accountability.
- Evaluating the economy and efficiency with which resources are employed.
- Reviewing operations or programs to assess whether they are being carried out as planned and whether results are consistent with established objectives.
- Providing advice to management regarding the adequacy and effectiveness of controls regarding major decisions.

# Report of the directors *(continued)*

### Meeting Attendance:

| Name of Director | 15/03/21 | 31/05/21 |
|---|---|---|
| **Mr Mateyo C Kaluba** (Chairman) | √ | √ |
| **Mr Philippe G Taussac** | √ | √ |
| **Mr Yollard Kachinda** | √ | √ |
| **Mr Vincent Nyambe** | X | √ |
| **Mr Mabvuto T Chipata** | √ | √ |

√ In attendance x Not in attendance • Not a member on stated date of meeting

### Investments Committee Meetings:

To adequately supervise and monitor the investment function of the Company, the Investments Committee of the Board's duties and responsibilities shall be:

- To evaluate and approve or disapprove and refer all approved investments to the full Board.
- To evaluate and recommend to the Board on the disinvestments.
- To periodically review each investment in terms of performance against benchmark returns for the Company.
- To guide management on the activities of the Management Investment Committee and ensure they comply with the laid down procedures.
- To advise the Board and guide management on investment-related issues.
- To circulate for information, quarterly reports to the Board and through the Chairman present on matters therein, if necessary; and,
- To determine the amount to be invested in a period.

### Meeting Attendance:

| Name of Director | 14/01/21 | 04/03/21 | 03/05/21 | 07/05/21 | 28/05/21 | 19/07/21 |
|---|---|---|---|---|---|---|
| Mr Philippe G Taussac (Chairman) | √ | √ | √ | √ | √ | √ |
| Mr. B. B Mulenga | √ | √ | √ | √ | √ | • |
| Mr. M Chibonga | • | • | • | • | • | √ |
| Mr Mateyo C Kaluba | √ | √ | √ | √ | √ | √ |
| Mr Charles Mpundu | √ | √ | √ | √ | √ | √ |
| Mr Basil Nundwe | √ | √ | √ | √ | √ | √ |
| Mr. M. Makasa | √ | √ | √ | √ | √ | √ |
| Mr Mabvuto T Chipata | √ | √ | √ | √ | √ | √ |

√ In attendance x Not in attendance • Not a member on stated date of meeting

# Report of the directors *(continued)*

## Remuneration Committee

The committee is responsible for formulating remuneration policies and principles that promote the success of the Company. More specifically, the Remuneration Committee's terms of reference include:

- Determine and agree with the Board the framework or broad policy for the remuneration of the Chief Executive and such other members of the executive management as it is designated to consider.
- Determine targets for any performance-related pay schemes operated by the Company.
- In determining such remuneration packages, give due regard to the prevailing compensation levels in comparable commercial organizations.
- Agree the policy for authorising claims for expenses from the Chief Executive and Chairman.
- Be exclusively responsible for establishing the selection criteria, selecting, appointing, and setting the terms of reference for any remuneration consultants who advise the committee.
- Report the frequency of, and attendance by members at, remuneration committee meetings in the annual report.
- Make the committee's terms of reference publicly available. These should set out the committee's delegated responsibilities and be reviewed and, where necessary, update annually.

## Meeting Attendance:

| Name of Director | 15/02/21 | 05/03/21 | 16/03/21 | 23/04/21 | 01/06/21 |
|---|---|---|---|---|---|
| **Mr Yollard Kachinda (Chairman)** | √ | √ | √ | √ | √ |
| **Mr. B Mulenga** | √ | √ | √ | √ | • |
| **Mr Fredson K Yamba** | √ | X | X | X | √ |
| **Mr Mabvuto T Chipata** | √ | √ | √ | √ | √ |

## Board of Directors fees and emoluments

| | 2021 | 2020 |
|---|---|---|
| **Item** | **ZMW'000** | **ZMW'000** |
| Executive Director's Fees | 848,472 | 822,978 |
| Executive Director's Emoluments | 4,239,651 | 3,501,112 |
| Non-Executive Director's Fees | 7,258,208 | 7,233,481 |

# Report of the directors*(continued)*

## Average number and remuneration of employees

The total amount paid as remuneration to employees during the year amounted to ZMW2,553 million (2020: ZMW229 million) for the Group and ZMW108.8 million (2020: ZMW87.5 million) for the Company. The average number of employees was as follows:

| Month | Company | Subsidiaries | Group | Month | Company | Subsidiaries | Group |
|---|---|---|---|---|---|---|---|
| January 2021 | 88 | 844 | 932 | July 2021 | 87 | 6,279 | 6,366 |
| February 2021 | 86 | 851 | 937 | August 2021 | 85 | 6,270 | 6,355 |
| March 2021 | 89 | 6,242 | 6,331 | September 2021 | 83 | 6,350 | 6,433 |
| April 2021 | 88 | 6,247 | 6,335 | October 2021 | 87 | 6,367 | 6,454 |
| May 2021 | 88 | 6,259 | 6,347 | November 2021 | 88 | 6,364 | 6,452 |
| June 2021 | 88 | 6,270 | 6,358 | December 2021 | 90 | 6,383 | 6,473 |

## Staff expenses

| | 31 December 2021 ZMW'000 | 31 December 2020 ZMW'000 |
|---|---|---|
| Subsidiary Companies | 2,443,865 | 141,894 |
| ZCCM-IH | 108,765 | 87,453 |
| | **2,552,630** | **229,347** |

| | ZMW'000 | ZMW'000 |
|---|---|---|
| Cost of sales | 1,259,808 | 12,116 |
| Administrative expenses | 1,292,822 | 217,231 |
| | **2,552,630** | **229,347** |

## Health and safety employee environment

The Group places the highest priority on health, safety, and maintenance of a safe working environment of its employees.

In the wake of the Covid 19 pandemic, the Company continued to strengthen the health protocols and measures to mitigate against the spread of the Corona virus amongst its employees. Masking up, hand washing and sanitizing, maintaining social distance, work rotations, office fumigation, and Covid-19 testing were amongst the measures put in place. Employees were also sensitized on vaccination. Generally, the Company maintained a healthy workforce.

The Company continued to provide a safe working environment across all its operations. All buildings are equipped with fire extinguishers, in case of an eventuality and each station has trained fire marshals. The Company has Twelve (12) trained fire marshals and Eight (8) first aiders for emergencies.

## Report of the directors *(continued)*

### Corporate Governance

ZCCM-IH activities are streamlined by the full utilisation of its Management and Board via committees that are guided by its Corporate Governance Policies. Being a publicly listed entity, ZCCM-IH Corporate Governance Policies are in line with various codes of conduct required by the regulatory authorities of the stock markets the Company is listed on.

The Group continued to operate by enforcing good corporate governance practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia, and the Lusaka Securities Exchange (LuSE) Corporate Governance (CG) Code, publicly available on the Company's website and from the LuSE upon request.

The Companies diversity policy is embedded in the Human Resource Policy under the clause titled "Equal Opportunity, Diversity and Positive Action", which states in part that, "ZCCM-IH will provide equal employment opportunity to the Zambian nationals on the basis of merit without unlawful discrimination on the basis of age, gender, colour, tribe, disability, race or religion".

The Company's internal controls are implemented amongst others through its Internal Control Policy as approved by the Board in 2019 and incorporates guidance aligned to requirement of the Securities Act of 2016 related to the Company's internal controls. The Company also maintains a Business Risk Register (BRR) which identifies the risks affecting the various aspects of ZCCM-IH strategic and operational areas and how these risks are to be mitigated. The BRR is monitored on a regular basis by Management and the Audit Committee and reported to the Board.

Further to this, the Company has formally adopted the OECD principles of Corporate Governance.

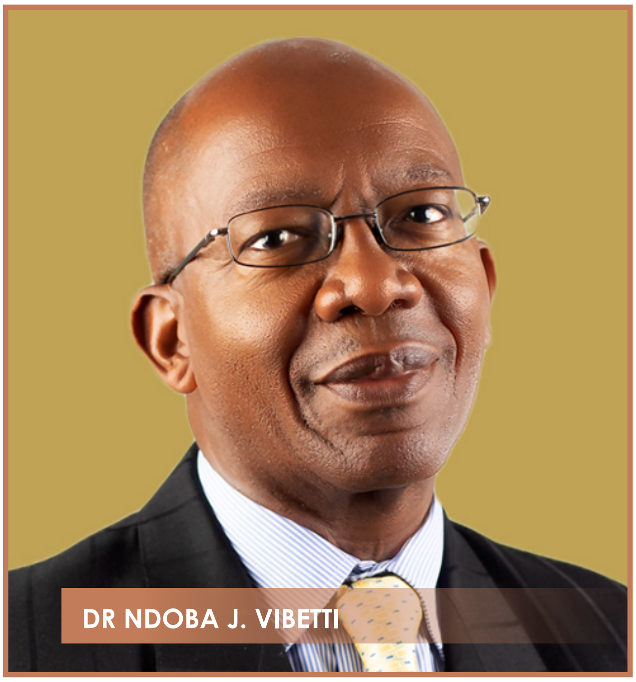
The separation of powers between the Directors and Management on one hand and the Chairman of the Board and the Chief Executive Officer on the other was strictly adhered to. All Directors except the Chief Executive Officer on the Board were non-executive during the financial period.

The Board of Directors is committed to sound corporate governance and the management of environmental and social issues. Towards the achievement of this commitment, the Board has continued to put in place appropriate governance policies. This is enshrined in ZCCM-IH's Strategic Plan for the period 2020 to 2026 by committing to enhancing its Environmental, Social, and Governance (ESG) adherence.

Director

Director

# CHIEF EXECUTIVE OFFICER'S STATEMENT



DR NDOBA J. VIBETTI

*" Our stakeholders were pivotal in steering this Company through the tumultuous period that calls for a lot of hard work still ahead. But we remain hopeful and excited about the future. "*

Our **mission** at ZCCM Investments Holdings Plc's (ZCCM-IH or the Company) is to be a transformative Company with an investment agenda that benefits all our stakeholders. In line with this agenda that is anchored on driving value through sustainable astute innovation, it is with great pride that I announce that ZCCM-IH Plc has posted a profit of ZMW1,676 million for the year ended 31 December 2021. This positive performance exhibits our resilient strategic impetus and agility against the backdrop of the Corona Virus 2019 pandemic (COVID-19), which negatively impacted economies in many ways the world over.

We believe our transformative agenda engrained in our mission will drive us to attain our vision of being a world-class investment holding Company with a focus on mining, with impeccable strategies aimed at creating sustainable value and growth. These are contained in our Strategic Plan for the period 2020 to 2026 (2026 SP) that is underpinned by a strategic ethos that will leverage on our core value propositions and ambition that is focused, innovative, agile and adaptable to the changing environment.

### Strategic Planning and Monitoring

The uncertainties brought about by the changing business environment against the backdrop of the COVID-19 pandemic storm, and the Company's vulnerability to the cyclical nature of the copper prices on the global market among others led to strategic introspection, that culminated in the revision of our Strategic Plan covering years 2018 to 2023 (2023 SP) to the current 2026 SP.

The 2026 SP is a mining focused investment strategy that is premised on growth and innovation with a clear intent to drive the Company to investment optimisation and financial excellence. This will be achieved through "***Mining S.M.A.R.T.L.Y***", a themed acronym that entails that:

- **i.** We are committed to **Sustainability** in the first instance through adherence to Environmental, Social and Governance (ESG) principles;
- **ii.** Our mining assets will be proactively **Managed** by our skilled and experienced personnel;
- **iii.** Revenue growth within our portfolio will be driven by being **Accretive** and Agility;
- **iv.** We will ensure **Risk mitigated** investments;
- **v.** Our investment activities will be undertaken in a Timely, effective, and efficient manner;
- **vi.** We are driven with business **Longevity** in purpose; and,
- **vii.** Our investments should **Yield** a return on investment and maximise shareholder value.

# Chief Executive Officer's *(continued)*

## Goals Setting and Attainment

Our goals and objectives contained in the SP 2026 are geared towards ensuring sustainable portfolio growth and value maximisation. We have four (4) strategic goals with specific objectives and actions aimed at attaining our mission and vision. Some of the key short to medium term actions under the goals include:

**Goal 1**: Extract, and where possible, add value to our current portfolio:

i. To mitigate risks associated with the dividend model of income, we shall strive to implement royalty agreements to ensure predictable and consistent revenue streams;

ii. Diversify revenue streams to include participation in the mining supply chain (MSC); and,

iii. Value addition and beneficiation to raw materials such as manganese, amethyst and gold.

**Goal 2**:

i. Investment in greenfield and brownfield mining and mining related ventures across a diverse range of minerals:

ii. Drive commodity diversification to include cobalt, gold, manganese and other base metals, gemstones, limestone, phosphate,and rare earth minerals;

iii. Undertake value addition downstream and exploration upstream; and,

iv. Invest in energy projects to support the sustainability of our mining operations.

**Goal 3**: Achieve operational and financial excellence:

**i.** Improve portfolio efficiencies through the proposed Industrial Development Corporation (IDC)/ZCCM-IH Group reorganization transaction which entails a transference of our non-core assets (Investrust Bank and Mushe Milling) to IDC in exchange for a mining asset – Kagem Mining Ltd). This is subject to approval by shareholders necessary and statutory regulatory authorities;

**ii.** Address challenges faced in consolidating Group financials to ensure timely reporting and publishing of our financial statements;

**iii.** Reviewed and implemented a resilient organisational structure that thrives on a culture of high performance to deliver on the set goals and objectives of the SP 2026;

**iv.** Uphold the highest institutional standards in Environmental, Social and Governance principles and transparency; and,

**v.** Assure the adequacy and effectiveness of the risk management, controls and governance of ZCCM-IH and its subsidiaries.

**Goal 4**: Generate greater shareholder value by ensuring price discovery on our stock exchange listings:

**i.** Upgrading our listing in Europe from the Euronext Access platform, to the Euronext Growth platform to ensure that ZCCM-IH improves the liquidity of its shares on Euronext via access to a greater pool of investors than is currently the case; and,

**ii.** Enhance our stakeholder engagement and management.

With the above stated goals and some of the objectives, I believe we have the right strategy and the right business model to generate sustainable long-term value for all stakeholders as per our mission statement.

# Chief Executive Officer's *(continued)*

## Outlook

2021 was a defining year as we continued our new strategic impetus and direction to take ZCCM-IH forward, under the new dispensation of the New Dawn Government. Our stakeholders were pivotal in steering this Company through the tumultuous period that calls for a lot of hard work still ahead. But we remain hopeful and excited about the future.

The country set a target of 1.3 million tonnes of copper production for 2022, a 62% increase from the 2021 recorded annual production. This target was set on the backdrop of projected future favourable copper prices owing to the broader global economic recovery hampered by the COVID-19 pandemic, and increased demand for copper being boosted by its vital role in a number of rapidly growing industrial sectors such as electric vehicle batteries and semiconductor wiring. Considering our portfolio exposure to the copper sector is more than 60%, it is anticipated that ZCCM-IH and its group of companies will benefit from this expected increase in this demand and favourable copper prices.

## Acknowledgement

I would like to take this opportunity to thank every single member of the ZCCM-IH group team (the Board of Directors, management and staff), for all your efforts, tenacity, magnanimity, and sheer resilience during the reporting period.

Dr Ndoba J. Vibetti

Chief Executive Officer

# EXECUTIVE MANAGEMENT TEAM

**DR NDOBA JOSEPH VIBETTI**
CHIEF EXECUTIVE OFFICER

**MR BRIAN MUSONDA**
CHIEF INVESTMENTS OFFICER

**MS CHILANDU SAKALA**
CHIEF FINANCIAL OFFICER

**MR SHEPHERD MWANZA**
CHIEF INTERNAL AUDIT OFFICER

**MS BETTY. Meleki**
CHIEF HUMAN RESOURCE AND ADMINISTRATION OFFICER

**MR TISA CHAMA**
CHIEF TECHNICAL OFFICER

**MR CHARLES MJUMPHI**
COMPANY SECRETARY

**MR LOMBE MBALASHI**
CHIEF LEGAL OFFICER

**MR KANGWA MUKUKA**
CHIEF INFORMATION AND TECHNOLOGY OFFICER

**MS LOISA MBATHA**
CORPORATE AFFAIRS MANAGER

**MS MWAKA MWAMULIMA**
RISK MANAGER

**MR GIFT ZULU**
PROCUREMENT MANAGER

# OPERATIONS REPORT

## Portfolio Performance Review

| | PORTFOLIO COMPANY | 2021 PERFORMANCE REVIEW |
|---|---|---|
| **A** | **Subsidiary Companies** | |
| 1 | Mopani Copper Mines Plc | For the year ended 31 December 2021, Mopani Copper Mines (MCM) recorded cumulative net revenue of ZMW17. 263 billion (US$877.38 million) [(2020: ZMW13.54 billion (US$726.61 billion)]. The net profit for the year under review was ZMW76.82 billion (US$3.9 billion) [(2020: ZMW27.57 billion net loss (US$1.48 billion net loss)].<br><br>During the year under review, MCM produced a total of 87,618 tonnes of copper (2020: 90,050 tonnes). On 30 March 2021, the ZCCM-IH Shareholders approved the ZCCM-IH's acquisition of the remaining 90% interest in Mopani held by Carlisa Investments Corp ("Carlisa") for a US$1 consideration and US$1.50 billion in Transaction Debt.<br><br>Post the acquisition, production has increased from a monthly average of 3,412 tonnes during the first three months under Glencore to a monthly average of 8,598 tonnes from April 2021 to December 2021 under ZCCM-IH. MCM continued to meet its target performance in both total production and revenue. Key priority for MCM will be the completion of the expansion projects which are estimated at US$300 million for the Synclinorium shaft (US$100 million), Mindola shaft (US$110 million), Henderson shaft (US$40 million), the new Nkana Concentrator (US$5 million), and the Tailings Storage Facility (US$ 45 million). Mopani, with the help of ZCCM-IH is actively seeking funding options for the completion of the expansion projects.<br><br>The future of the mine relies heavily on completion of the expansion projects, which is expected to increase copper cathode production to 225,000 tonnes by 2025. The Company will also have the capacity to hoist close to 9 million tonnes of copper ore in the long term.<br><br>There were no dividends declared during the period under review (December 2020: Nil). |
| 2 | Zambia Gold Company Limited (ZGC) | Zambia Gold Company Limited (ZGC) reported revenue of ZMW68.29 million (2020: ZMW59.7 million) for the year ended 31 Dec 2021. During the period under review, 62.02 Kg of gold was sold to the Bank of Zambia. Net profit recorded for the period was ZMW5.76 million (2020: ZMW32.02 million).<br><br>For the period under review, ZGC produced a total of 49.99 kg of gold against a budget of 183.56 kg. This variance was largely due to lower production at the Kasenseli mining project due to equipment unavailability in the first 2 quarters of the year and optimization of the processing lines installed in the financial year. Further, following a review by the Ministry of Mines and Minerals Development (MoMMD), mining operations at the Kasenseli mine were suspended due to safety concerns among other things. Management at ZGC shall continue to engage MoMMD to resolve this matter in order to resume operations.<br><br>ZGC shall continue conducting exploration activities with an estimated resource statement to be completed in 2022.<br><br>There were no dividends declared during the period under review (December 2020: Nil). |
| 3 | Limestone Resources Limited (LRL)/ Ndola Lime Company Limited | 2021 was the first full calendar year of operations for Limestone Resources Limited (LRL), which only commenced operations on 1 September 2020 after transitioning from Ndola Lime Company Limited (NLC). NLC, remains under liquidation.<br><br>As at December 2021, LRL was yet to be capitalised as ZCCM-IH was still running the process of engaging an equity partner with whom a long-term strategic plan for the Company would be developed.<br><br>The lack of adequate capital posed a challenge and the Company underachieved across all performance metrics as production fell substantially below installed capacity due to reliability issues with the plant and equipment. Total sales revenue for the year was recorded at ZMW119.00 million (2020: ZMW34.76 million). The loss over the same period was ZMW39.78 million (2020: ZMW3.71 million).<br><br>On 17 October 2021, LRL's only functioning Kiln (VK1) experienced a collapse of its refractory bricks, leading to a halt in quicklime production. Since then, no production has been going on at LRL, pending financial resources for repair and maintenance works.<br><br>ZCCM-IH has prioritized the selection and engagement process of an equity partner and is optimistic of completing the process within the first half of 2022 to ensure full recapitalisation of LRL that will substantially improve operational and financial performance.<br><br>There were no dividends declared during the period under review (December 2020: Nil) |

## Operations Report *(continued)*

| | PORTFOLIO COMPANY | 2021 PERFORMANCE REVIEW |
|---|---|---|
| **A** | **Subsidiary Companies** | |
| 4 | Investrust Bank PLC | Over the twelve-month period ended 31 December 2021, the Bank's financial performance indicated an improvement as compared to the prior period, with year-to-date operational profits of ZMW15.07 million (December 2020: Loss of ZMW57.58 million) The improvement is attributed to the Bank successfully implementing the principal initiatives in its turnaround plan and the ZMW286 million capital injection from ZCCM-IH.<br><br>ZCCM-IH, alongside other key stakeholders in Investrust, have continued to make efforts to fully recapitalise the Bank in order to make it competitive and enable it to play its rightful role in the Zambian financial sector.<br><br>The Bank's share price on the Lusaka Securities Exchange closed the period under review at ZMW15 (2020: ZMW12).<br><br>There were no dividends declared during the period under review (December 2020: Nil). |
| 5 | Misenge Environmental and Technical Services Limited (METS) | Misenge Environmental and Technical Services Limited (METS) generated a total of ZMW17.11 million in revenue for the year ended 31st December 2021 (2020: ZMW24.49 million). METS reported a net profit of ZMW2.51 million (2020: ZMW3.12 million).<br><br>During the period under review, METS continued the implementation of its Strategic Turnaround and Marketing Plan. Though the Company remains undercapitalised, METS has maintained profitability over the majority of the 12 months. Management has also made steady efforts to raise capital for equipment and develop non-ZCCM-IH business relationships for the formation of strategic alliances and partnerships in the provision of environmental services.<br><br>There were no dividends declared during the period under review (December 2020: Nil) |
| 6 | Kariba Minerals Limited (KML) | For the year ended 31 December 2021, Kariba Minerals Limited (KML) reported total revenues of ZMW26.12 million (2020: ZMW 12.44 million) with a net profit of ZMW1.63 million (2020: ZMW11.19 million net loss).<br><br>During the period under review, ZCCM-IH provided an extension on the US$550,000 cash cover for KML's US$500,000 working capital facility with Investrust Bank Plc. The facility was set to expire during the period under review, and KML requested the extension of the facility for an additional 12 months. The request was made due to continued challenges caused by the adverse effects of the Covid-19 pandemic.<br><br>During the year, the Company developed a turnaround plan to transform KML from loss making to profitability. The plan is anchored on establishing a resource estimate and mine plan to increase productivity, implementation of a marketing plan, and value addition and beneficiation to the amethyst.<br><br>The projected impact of the implementation of the turnaround plan on mine operations will be an increase in sales revenue which is expected to increase by more than 50% from the Kenneth Kaunda International Airport Retail Shop, Gemstone trading, manufacturing of Amethyst Stone Tops and Gemstone cutting and polishing.<br><br>There were no dividends declared during the financial year under review (2020: Nil). |
| 7 | Mushe Milling Company Limited | Mushe Milling Limited (MML) earned a total of ZMW38.15 million in revenue for the year ended 31 December 2021 (2020: ZMW106.46 million). MML recorded a net loss of ZMW48.14 million (2020: ZMW19.65 million loss).<br><br>The Company remained undercapitalised with a negative equity position and current liabilities in excess of ZMW45 million. Due to its consistent weak financial position, only minimal debt amounts could be settled by the Company during the period and operations were temporarily halted due to MML's inability to purchase its own maize stock. ZCCM-IH intervened by entering into a maize supply agency agreement with MML in order to revive operations in Q1 of 2021.<br><br>There were no dividends declared during the period under review (2020: Nil). |

## Operations Report *(continued)*

| | PORTFOLIO COMPANY | 2021 PERFORMANCE REVIEW |
|---|---|---|
| **A** | **Subsidiary Companies** | |
| 8 | Kabundi Resources Limited | For the year ended 31 December 2021, Kabundi Resources Limited (KRL) reported total revenues (royalty charges) of ZMW5.58 million (2020: ZMW0.91 million) with a net loss of ZMW1.95 million (2020: ZMW0.958 million).<br><br>Kabundi Resources Limited (KRL) began washing manganese in September 2020 with a 100tpd wash plant. A total of 8,896 tonnes of manganese was produced during the four months of operations in 2020. In first quarter of 2021, a second and larger wash plant was constructed with processing capacity of 10,000tpd. Kabundi resources produced and sold 52,443t of manganese yielding ZMW9.45 million of which ZMW3.92 million was paid to ZRA as mineral royalty tax.<br><br>In the period under review, Kabundi made progress with phase 2 and phase 3 of its development which include starting own mining and setting up a ferro-alloy plant respectively.<br><br>During the period under review KRL continued its mining activities on one site namely “Kabundi B” where the first open pit had been established. Total manganese sold for the current year was recorded at 61,339 tonnes (2020: 12,000 tonnes). During the year under review KRL acquired another mining license in the Ntenge area where mining activities are yet to commence. Going forward in 2022 the Company’s focus will be to undertake its own mining activities on this mining license. In its 2022 budget the Company plans to acquire additional mining equipment to be able to commence its mining operations at Ntenge.<br><br>Kabundi paid management fees totalling ZMW31,750 to ZCCM-IH in the period under review.<br><br>There were no dividends declared during the period under review (December 2020: Nil). |
| 9 | Nkandabwe Coal Mine Limited. | Nkandabwe Coal Mine Limited remained inactive during the year as the Company is winding up, which is planned to be concluded by the end of 2023. |
| **B** | **Associate Companies** | |
| 10 | Konkola Copper Mines Plc | KCM's challenges continued during the year as the fundamental problems surrounding the underdevelopment of the Konkola Deep Mining Project (KDMP) remained unresolved, resulting in the Company relying on third-party copper concentrates to feed its Smelter and therefore low production volumes.<br><br>ZCCM-IH was successfully granted a court order to appoint a provisional Liquidator to have full control over the operations of the mine. A key mandate of the Provisional Liquidator was to source working Capital for sustenance of operations for KCM. The liquidator on behalf of KCM engaged ZCCM- IH as a shareholder to help find and source working capital for sustenance of operations, out of which KCM signed a metal Prepayment Agreement with Trafigura, one of the largest copper traders in the world, where Trafigura was to pay KCM US$100 million upfront, which would be repaid by way of copper deliveries to Trafigura. The transaction was guaranteed by ZCCM-IH.<br><br>KCM's revenue for the year ended 31 December 2021 was ZMW27.32 billion (US$1.388 billion), [2020: ZMW19.21 billion) (US$1.031 billion)] compared to budget of ZMW18.67 billion (US$948.5 million). The Company recorded a loss of ZMW9.83 billion (US$499.33 million, [2020: ZMW3.595 billion net loss (US$193 million)].<br><br>There were no dividends declared during the year under review (2020: Nil). |
| 11 | Consolidated Gold Company of Zambia Limited (CGCZ) | Consolidated Gold Company of Zambia Limited (CGCZ) is a joint venture partnership between ZCCM-IH (45%) and Karma Mining Services and Rural Development (55%). Incorporated in the year 2020, this Special Purpose Vehicle is focused on developing a gold processing and trading hub in Zambia. Phase 1 of the project was commissioned in Rufunsa District where a gold leaching plant has been constructed. CGCZ provides processing support to artisanal and small-scale miners in Rufunsa and Mumbwa in exchange for tailings material.<br><br>During the year ended 31 December 2021, the Company produced 46.6kg (2020: nil) of gold which was sold to Zambia Gold Company. Income for the year ended 31 December 2021 was ZMW44.97 million (2020: ZMW0.61 million). CGCZ recorded a loss for the year of ZMW10.22 million (2020: 19.16 million). |

## Operations Report *(continued)*

| | PORTFOLIO COMPANY | 2021 PERFORMANCE REVIEW |
|---|---|---|
| **B** | **Associate Companies** | |
| 12 | Kansanshi Mining Plc | Kansanshi Mining reported copper production of 202,159 tonnes of ore for the year ended 31 December 2021 (2020: 221,487 tonnes). The reduction in copper produced was due to an increased, unplanned maintenance and processing competent mixed and oxide ore mainly from stockpiles.<br><br>Total gold produced was 128,199 ounces, a reduction from 128,409 ounces in the previous year.<br><br>For the year ended 31 December 2021, Kansanshi recorded revenue of ZMW39.57 billion (US$2.01 billion), [(2020: ZMW28.76 billion (US$1.54 billion)], owing to higher metal prices during the period. Net profit over the period was ZMW12.09 billion (US$614.26 million) [(2020: ZMW4,274.67 million (US$229.45 million)]. The increase in profitability was driven by sustained higher copper and gold prices during the year which compensated for the reduction in production volumes.<br><br>During the year, the Board of Kansanshi approved the commissioning of the S3 expansion, which involves the setting up of an additional brand-new concentrator to address the challenge of the depleting oxides that have led to a reduction in ore grades and ultimately production volumes as the mine goes deeper and transitions into a predominantly sulphide mine, from an oxide mine. The new concentrator will ensure that the mine has sufficient capacity to process additional sulphide ore to maintain and increase current copper and gold production volumes. The S3 expansion project is expected to be completed in 2024.<br><br>Dividends declared and paid during the year ended 31 December 2021 amounted to ZMW3.62 billion (US$ 184 million) , [(2020:ZMW48.65 million (US$2.3 million)]. |
| 13 | Copperbelt Energy Corporation Plc (CEC) | During the year ended 31 December 2021, CEC reported total revenue of ZMW6.7 billion (US$342.52 million), [2020: ZMW6.9 billion (US$370.93 million)] and profit after tax of ZMW1.01 billion (US$51.25 million), [2020: ZMW104.50 million (US$5.61 million)].<br><br>The Bulk Supply Agreement between CEC and ZESCO that expired on 31 March 2020 was renewed after the year end on 7 April 2022. This delay negatively impacted the business' margins and performance. Nonetheless, CEC proved to be a resilient business and continued to thrive and diversify its operations in spite of the challenges faced.<br><br>Further, CEC successfully contested Statutory Instrument (SI) No.57 of 2020 that declared its transmission and distribution lines common carrier. This declaration was quashed by the High Court but was later replaced by SI No. 24 of 2021. The court did not pronounce itself on the said SI, as the new government took the decision to repeal the SI number 24 of 2021, this action has fully restored CEC property and commercial rights over its power infrastructure.<br><br>For the year under review, the CEC share price opened at ZMW1.10 per share and closed at ZMW1.95. The Company declared and paid a dividend of US$37.375 million with ZCCM-IH receiving US$9 million (2020: US$8.2 million). |
| 14 | Rembrandt Properties Limited | Rembrandt Properties Limited (Rembrandt) is a Special Purpose Vehicle between ZCCM-IH (49%), Urban Brands Asset Management (25.5%) and Sims Capital Ltd (25.5%). Rembrandt was specifically formed to develop the Leopards Square Hotel, an 80-room hotel. The hotel's delivery schedule has previously been affected by several factors, among them, the Covid pandemic, a change in the project's scope, a revised development program, delayed funding disbursement, etc. The project is now scheduled to open to the public in the second quarter of 2022. |
| 15 | Lubambe Copper Mine Limited | Lubambe Copper Mine Limited (Lubambe) reported total revenue of ZMW2.92 billion (US$148.60 million),<br><br>[2020: ZMW2.15 billion (US$115.15 million)]. Over the same period, the Company recorded a loss of ZMW1.8 billion (US$91.38 million), [(2020: loss of ZMW1.58 billion (US$84.81 million)].<br><br>Lubambe's road to recovery was a challenging one during the year as problems of poor ground conditions and high ore dilution persisted. Management was continually pursuing various remedial and corrective actions to address these challenges and has since engaged SRK consulting to undertake a review of the resource and devise favourable mining methods that will enhance recoveries from the ore body.<br><br>During the year, Lubambe was carrying out additional work on the concept of the extension project by reviewing the initial work done and updating the mining method as well as reviewing the possibility of mining under the Lubengele tailings dam in preference to relocating and possibly processing the tailings.<br><br>EMR capital, Lubambe's majority shareholders begun a process to raise up to US$100 million in fresh capital during the year to improve liquidity and fund preliminary works on the extension project. |

# Operations Report *(continued)*

| | PORTFOLIO COMPANY | 2021 PERFORMANCE REVIEW |
|---|---|---|
| **B** | **Associate Companies** | |
| 16 | CNMC Luanshya Copper Mines Plc (CLM) | For the year ended 31 December 2021, CLM recorded revenue of ZMW 10.17 billion (US$516.69 million), [2020: ZMW6.4 billion (US$345.45 million)] compared to the budget of US$329.40 million for the financial year of 2021. This was due to favourable copper prices for the year. CLM produced a total of 32,369 tonnes of copper cathodes for the year under review compared to copper output of 55,976 tonnes produced in the 2020 financial year.<br><br>For the year ended 31 December 2021, the Company recorded a profit of ZMW2.83 billion (US$143.71 million), [(2020: ZMW7.97 million (US$42.13 million)].<br><br>Due to this improved performance and positive equity position, the Company declared an interim dividend of US$40 million with US$8 million payable to ZCCM-IH which went to clear most of the amount due under the Dividend Advance Agreement signed in October 2020. |
| 17 | Maamba Collieries Limited (MCL) | Maamba Collieries Limited (MCL) reported total revenue of ZMW3.96 billion (US$201.71 million) for the year ended 31 December 2021 [(2020: ZMW4.39 billion (US$235.78 million)) and had a profit after tax of ZMW222.03 million (US$11.28 million) [(2021: ZMW11.47 billion (2021: US$78.69 million)].<br><br>Subsequent to year end, MCL continued to experience liquidity challenges because of delayed payments from ZESCO which stood at ZMW 10.97billion (US$ 606.79 million) as 31st December 2022. The Company undertook semi-annual maintenance shut down and forced shut down of unit 1 of the 150 MW thermal power units between 25 May 2022 and 7 June 2022. Nevertheless, plant availability was more than 85% for each of the first nine months of FY2022-2023.The Company has a positive outlook in the medium to long term after the Arbitral Tribunal issued the Consent Award to MCL on 13 December 2022, which will see ZESCO pay US$447 million to MCL by 31 August 2023.<br><br>Arbitration Proceedings against ZESCO<br><br>The Arbitral Tribunal issued the Consent Award on 13th December 2022. Through the settlement, MCL and ZESCO have agreed to irrevocably withdraw all their respective claims brought in the arbitration. The settlement has been recorded in the form of an enforceable final consent award signed and issued by the Arbitral Tribunal on 14th December 2022. The issuance of the final consent award ended the arbitration. The Consent Arbitral Award has since been registered in the High Court of Zambia for any further course of action that the claimants could pursue<br><br>The Consent Award provides that from the total unpaid arrears under the PPA and TA as at 31st October 2022 of US$578.06 million, ZESCO will pay to MCL the Agreed Settlement Amount of US$447.56 million after MCL agreed to give ZESCO a discount of US$60 million on the interest portion of the arrears and ZESCO agreed to take on the responsibility of the VAT due on the total arrears amounting to US$70.5 million.<br><br>Details of the Settlement as per Arbitration<br><br>(i) As part of the Settlement ZESCO will pay 50 percent of the Agreed Settlement Amount being US$ 223.78<br><br>million as follows:<br><br>a. US$10 million to be paid no later than 29th December, 2022;<br><br>b. US$20 million to be paid by 31st March, 2023; and<br><br>c. the remainder by 30th April, 2023.<br><br>(ii) ZESCO shall pay the remaining balance of the Agreed Settlement Amount no later than 31st August<br><br>2023.<br><br>(iii) In addition, ZESCO shall continue to pay an additional US$ 750,000 every month towards liquidating the Agreed Settlement Amount. |

# Operations Report *(continued)*

| | PORTFOLIO COMPANY | 2021 PERFORMANCE REVIEW |
|---|---|---|
| **17** | Maamba Collieries Limited (MCL) - CONT | (iv) Should ZESCO default on any of these payment terms, the entire amount outstanding at the time of default will become payable to MCL immediately.<br><br>(v) ZESCO will indemnify MCL on demand for any liability on the VAT and any penalties and interest that may be paid by MCL in respect of the VAT.<br><br>ZESCO has, in the meantime, discharged a few payments as per the terms of the Award, leaving a balance amount of US$414.56 Million to be paid under the Award, as of 31 March 2023.<br><br>There were no dividends declared during the year under review (2021: Nil). |
| **C** | **Other Investee Companies** | |
| 18 | NFC Africa Mining Plc (NFCA) | For the year ended 31 December 2021, NFCA reported revenue of ZMW 12.13 billion (US$ 620.78 million), [(December 2020: ZMW4,839.00 million (US$259.74 million)] and profit after tax of ZMW 2.35 billion (US$ 120.94 million, [(December 2020: ZMW1,131.22 million (US$60.72 million). There were no dividends paid during the year ended 31 December 2021 (2020: Nil). |
| 19 | Chibuluma Mines Plc | Following the sale of Chibuluma South Crown Pillar Mine, Chibuluma Mines could not sustain operations with ore from Chifupu Underground Mine alone. Therefore, the Chibuluma Mines Plc Board, resolved to place the operations of Chibuluma Mine Plc under care and maintenance with effect from 1 July 2020. This resulted in the Company getting into a lease agreement with Lian Chao and Yue Ventures Limited (LC&Y) to operate key mining operations for the 2021 financial year.<br><br>The lease between Chibuluma and LC&Y was recognised for the period up to 30 June 2021. The investment of the lease was US$ 6.79 million, and the assets disposed of by Chibuluma was US$ 5.00 million. This resulted in a net gain on the lease investment of US$ 1.79 million as charged to the income statement. Following the resumption of production under LC&Y a total of 1,069 tonnes of payable Copper was sold to Chambishi Copper Smelter by LC&Y. Chibuluma earned income royalty of US$ 0.88 million. For the period under review, the Company recorded a net profit of US$ 1.69 million against a budget loss of US$ 1.13 million due to favourable prices and increased production under the lease agreement.<br><br>There were no dividends paid during the year ended 31 December 2021 (2020: Nil). |
| 20 | Chambishi Metals Plc | During the period under review, Chambishi continued to be under care and maintenance due to lack of feedstock for the plant and other Strategic reasons.<br><br>There were no dividends paid during the year under review (2020: Nil). |

**Dr Ndoba J. Vibetti**
**Chief Executive Officer**

# SUSTAINABILITY

Through the 2026 Strategic Plan (2026 SP), ZCCM-IH has committed to strengthening the integration of Environmental, Social and Governance (ESG) factors in its business operations and investments. A robust ESG Policy is being developed that will ensure we integrate an ESG strategy into our Corporate Strategy and business planning processes, as well as full disclosure reporting on the ESG factors related to our operations.

At the moment, we monitor and assess material Environmental, Social and Governance (ESG) risks, including opportunities in the course of our business operations. These material ESG risks are issues considered to have the potential to have a direct or indirect substantial impact on our ability to maximise or erode environmental and social value, as well as economic value for all our stakeholders.

1. We are committed to the following;
2. Having a cautious and responsible approach to environmental management of our business operations by mitigating environmental risks and damage;
3. Implementing a strong and sound corporate governance and risk management culture;
4. Upholding high standards of business integrity and complying in form and substance with various rules and regulations of stock market listings where we are listed, and established best practices in corporate governance;
5. Maintaining safe and healthy working conditions for our employees and contractors; and,
6. As a Group, our portfolio companies undertake various initiatives that enhance their economic value contribution to local communities while also improving the management of their environmental and social impacts.
7. Further, we have taken a holistic and proactive approach to integrating the Sustainable Development Goals (SDGs) into our sustainability strategies and reporting. We are undertaking a thorough assessment of the business risks and opportunities of the SDGs, upon which our contribution will be based. Our aim is to ensure that our activities geared towards the SDGs are well planned and both relevant to, and aligned with, our business strategy. As such, SDGs most relevant to our business and stakeholders, and on which we can have the most impact will be identified and mapped to our current primary investment and corporate social investments (CSI) activities.

## Our Covid-19 Pandemic Response

In the face of the COVID-19 pandemic, ZCCM-IH undertook the following initiatives to support our communities in these tough times:

### Access to clean water projects:

Drilled water boreholes, and placed water reticulation systems at Nyanje Mission Hospital, Sinda District, Eastern Province; Chief Mwene Mutondo's Village in Kaoma District, North-Western Province; Lwitikila Girl's Secondary School in Mpika District, Muchinga Province; and JVC Compound in Kalulushi District, Copperbelt Province.

## Our People

Our employees are our greatest asset, and we are committed to developing them and their capabilities. During the year, we took action to build and align our staff structure to our revised 2026 Strategy. In line with this, our Employee Strategy moving forward is hinged on the following six key pillars which underpin our overall Human Resources Management approach to drive a high-performance culture:

i. **Culture:**

   Ensure that we create a conducive climate for our people to grow and be their best.

ii. **Performance Management:**

   Align Group strategic imperative to individual employee contributions.

iii. **Reward:**

   Define and manage a clear reward platform that enables fair, efficient and consistent application.

iv. **Compliance:**

   Promote a culture that is compliant with the existing legal environment and its own HR policies, procedures and processes.

## Sustainability *(continued)*

**v. Employee Engagement**

Create and sustain an environment of employee engagement where our people feel empowered to do their best, equip staff with the knowledge, resources and enabling framework that support an effective operating environment.

**vi. Talent Planning and Management:**

**vii. Hire, develop and retain the best people in their respective fields.**

These pillars are key as we recognize that to achieve our 2026 strategy, our people continue, and will continue to be our greatest asset.

## Environmental review

ZCCM-IH's environmental related activities continued to be managed through the wholly owned subsidiary, Misenge Environmental and Technical Services Limited (METS). Some of the major activities undertaken by METS during the year included the following:

i. Routine Radiation Surveillance of the Radiation Waste Storage Building and the Uranium Tailings Engineered Disposal Cell continued throughout the year. This is a statutory requirement by the Radiation Protection Authority to ensure compliance.

ii. Routine monitoring of environmental liabilities in Chingola (OB4, OB18, OB19, Mimbula Overburden Dumps), Kitwe (OB53) on the Copperbelt Province and Kabwe (Open Pit No, 5 and 6) in Central Province continued throughout the year.

iii. Routine monitoring of environmental liabilities in Mufulira district on the Copperbelt Province were discontinued in March 2020 following the transfer of TD8 and TD10 to the Ministry of Mines and Minerals Development.

iv. Monitoring of children affected by lead poisoning continued through Integrated Case Management (ICM) activities in Kabwe. This included medical reviews and where necessary for clinical assessment at clinics in Makululu, Kasanda and Chowa Health Centres. Other activities involved home visitations and environmental assessments at homes in the lead affected areas to investigate the causes of persistently high lead levels in blood in some children.

v. Maintenance works were carried out on the Radiation Waste Storage facility in Kalulushi during the financial year under review. Security surveillance of the building has continued although there is need to improve on human/ technological security at the RWSB deter unauthorised personnel entry and eliminate threats to national and global security.

## **Sustainability** *(continued)*

### **Environmental review** *(continued)*

**vi.** Demolition and Site Clean-up of the No.1 Nkana Cobalt Plant and Rehabilitation of Overburden Dump No. 53 in Kitwe was completed during the year. ZEMA conducted a verification inspection of the site which hosted the No.1 Nkana Cobalt Plant on 24th September 2021. ZEMA gave a no objection to ZCCM-IH to handover the site to Mopani Copper Mines Plc which has responded expressing satisfaction of the works conducted.

METS has since stopped undertaking monthly routine inspections at the facility as the land has now been freed for other developments.

METS submitted a Resettlement Action Plan (RAP) implementation reports to ZEMA for review and clearance. ZEMA expressed satisfaction with the implementation of the Kabundi RAP. However, the Project Affected Persons (PAPs) are yet to be resettled and compensated.

# DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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

The Directors accept responsibility for the consolidated and separate annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, 2017 of Zambia.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of consolidated and separate annual financial statements, and for such internal controls as the Directors determine necessary to enable the preparation of the consolidated and separate annual financial statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the consolidated and separate annual financial statements set out on pages 49 to 176 give a true and fair view of the state of the financial affairs of the Group and Company and of its financial performance in accordance with IFRS as issued by the IASB and the requirements of the Companies Act, 2017 of Zambia. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia.

We draw your attention to Note 4a of these financials which indicate that during the year ended 31 December 2021, the Group made a loss for the year ofZMW12,573 million (2020: profit for the year ZMW2,236 million). As of 31 December 2021, the Group had accumulated loss of ZMW8,306 million (2020: Retained earnings of ZMW4,376 million). At the date of reporting the Group current assets exceeded its current liabilities by ZMW2.07 billion (2020: ZMW0.32 billion), and its total assets exceed total liabilities by ZMW12.81 billion (2020: ZMW21.0 billion). The Group has been paying the liabilities as and when they fail due.

Furthermore, Mopani Copper Mines Plc, the group's most significant subsidiary has material uncertainty on going concern on account of operating losses and the need for funding to meet working capital and core capital requirements. In addition, the majority of the Group's non-current liabilities relate to borrowings of Mopani. The loan is guaranteed by ZCCM-IH and if Mopani fails to pay back the loan, ZCCM-IH would be required to fulfil the loan obligations refer to note 4 (a) for details.

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Directors consider the going concern basis of preparation to be appropriate based on the mitigating factors included in note 4a. Other than the above, nothing has come to the attention of the Directors to indicate that the Group and Company will not remain a going concern for at least twelve months from the date of these annual financial statements.

| | |
|---|---|
| Dr. Ndoba J. Vibetti | Mr. Kakenenwa Muyangwa |
| **Director** | **Director** |

Date: 25th August, 2023.

# Report on the audit of the consolidated and separate annual financial statements *(continued)*

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## Independent auditor's report

To the Shareholders of ZCCM Investments Holdings Plc

## Report on the audit of the Consolidated and separate annual financial statements

### Our Opinion

In our opinion, the consolidated financial statements of ZCCM Investments Holdings Plc(the "Company") and its subsidiaries (together the "Group") give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, 2017 of Zambia and the Securities Act, 2016 of Zambia.

**What we have audited**

ZCCM Investments Holdings Plc's consolidated and separate annual financial statements on pages 49 to 176 comprise:

- the consolidated and separate statements of financial position as at 31 December 2021;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate annual financial statements, including a summary of significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate annual financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Group and Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

*PricewaterhouseCoopers, PwC Place, Stand No 2374, Thabo Mbeki Road, P.O. Box 30942, Lusaka, Zambia*
*T: +260 (0) 211 334000, F: +260 (0) 211 256474, www.pwc.com/zm*

A list of Partners is available from the address above

# Report on the audit of the consolidated and separate annual financial statements *(continued)*

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## Report on the audit of the Consolidated and separate annual financial statements (continued)

### Material Uncertainty Relating to Going Concern

We draw attention to note 4(a) in the annual consolidated financial statements, which indicate that the Group incurred a loss before tax of ZMW12,639 million during the year ended 31 December 2021 and, as of that date, the Group had accumulated losses of ZMW8,307 million. Furthermore, as stated in Note 4a, the group's most significant subsidiary has operating losses and needs funding to meet working capital and core capital requirements. These events or conditions, along with other matters as set forth in Note 4a, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key audit matters

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Business Combinations**<br><br>Refer to Note 23(d) to the annual financial statements related to acquisition of subsidiaries. During the year ended 31 December 2021, the Group acquired Mopani Copper Mine Plc, which is a large mining company in Zambia, for a total purchase consideration of US$1 and assumed liabilities of up to ZMW 33 billion (US$1.5 billion.) The Group acquired material amounts of assets and liabilities under this acquisition amounting to net assets of ZMW14,852 million. Management assessed that this acquisition qualified as a business combination and significant management judgment was exercised on the valuation of tangible and intangible assets acquired.<br><br>We considered this to be an area of significance due to the key assumptions and judgment used by management's external valuation expert in determining the valuation of net assets acquired and liabilities assumed under the Purchase Price Allocation (PPA). | We reviewed the purchase transactions and related agreements to obtain an understanding of the transactions and reviewed management's assessment to evaluate criteria used to determine that the acquisition should be accounted for as a business combination and to identify date of control.<br><br>We assessed the competence, independence and objectivity of the external valuation expert engaged by management.<br><br>We assessed management's procedures and assumptions in determining the fair value of the assets acquired and liabilities assumed by comparing management's assumptions to data from other independent sources to assess appropriateness of key financial assumptions applied in the Purchase Price Allocation (PPA). In performing such work, we also involved our internal specialists to support our assessment of the reasonableness of the assumptions.<br><br>We tested the calculation of the PPA and the gain on bargain purchase arising from the acquisition.<br><br>We evaluated the adequacy of the disclosures made in the notes to the annual financial statements. |

# Report on the audit of the consolidated and separate annual financial statements *(continued)*

**Valuation of non current assets (Property, plant and equipment, Investment in associates and financial assets)**

Refer to Note 4: Use of estimates and judgements, Note 17: Property, plant and equipment, Note 24 (d): Valuation of investment in associates, and Note 25: Financial instruments at fair value through profit and loss

The Group's property, plant and equipment (PP&E) carrying value was ZMW12,857 million as of 31 December 2021 covering multiple cash generating units (CGUs) of the Group. Furthermore, investments in associates amounting to ZMW17,067 million stated in the Company's financial statements. The above stated balances represented 82% of the total non-current assets.

We considered this a key audit matter due to the significance of the balances stated above and subjectivity in applying procedures to evaluate audit evidence relating to the significant judgments made by management in its assessment of indicators of impairment.

We evaluated management's assessment of indicators of impairment, which included the following:

- We held discussions with management on the Life of Mine Models (LOM) to understand how management views the technological changes, efficiency impact, and regulatory changes (Taxes and Electricity), and related impact;
- Assessed changes in LOM commodity prices and discount rates, by comparing to external market and industry data and changes in production, operating costs and capital expenditures by considering the current and past performance of the CGUs and evidence obtained in other areas of the audit, as applicable;
- Assessed the competence of management's experts used in reviewing the LOM model by checking their independence, membership status and level of qualification;
- Assessed the completeness of external or internal factors that could be considered as indicators of impairment of the Company's PP&E, by considering evidence obtained in other areas of the audit.
- For investments valued using the market approach, we agreed the prices of the listed shares to the Lusaka Securities Exchange lists.
- For investments in associates we do not directly audit, we engaged their auditors and reviewed their work papers.
- We reviewed the disclosures made on the assumptions and the sensitivities which draw attention to the more significant areas of judgment sensitive to change.

## Report on the audit of the consolidated and separate annual financial statements*(continued)*

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# Report on the audit of the consolidated and separate annual financial statements (continued)

## Other information

The Directors are responsible for the other information. The other information comprises the Annual Report but does not include the consolidated and separate annual financial statements and our auditor's report thereon.

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

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

The Directors are responsible for the preparation of the consolidated and separate annual financial statements that give a true and fair view in accordance with IFRS as issued by the IASB and the requirements of the Companies Act, 2017 of Zambia and the Securities Act, 2016 of Zambia, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual financial statements, the Directors are responsible for assessing the Group's and 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 consolidated and separate or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's and Company's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated and separate annual financial statements

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

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

# Report on the audit of the consolidated and separate annual financial statements*(continued)*

pwc

## Report on the audit of the consolidated and separate annual financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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 Group's and 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 consolidated and separate annual 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 consolidated and separate  to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group annual financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated and separate annual 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 the audit of the consolidated and separate annual financial statements *(continued)*

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## Report on other legal and regulatory requirements

### The Companies Act, 2017 of Zambia

The Companies Act, 2017 of Zambia requires that in carrying out our audit of ZCCM Investments Holdings Plc, we report on whether:

i. as required by section 259 (3)(a), there is a relationship, interest or debt which, ourselves, as the Group and Company Auditor, have in the Group and Company;

ii. as required by section 259 (3)(b), there are serious breaches by the Group's and Company's Directors, of corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia; and

iii. in accordance with section 250 (2), as regards loans made to a Group or Company Officer (a director, group or Company secretary or executive officer of the group or company), the Group or Company does not state the:

- particulars of any relevant loan made during the financial year to which the accounts apply, including any loan which was repaid during that year; or
- amount of any relevant loan, whenever made, which remained outstanding at the end of the financial year.

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

The engagement partner on the audit resulting in this independent auditor's report is Charity Mulenga.

PricewaterhouseCoopers

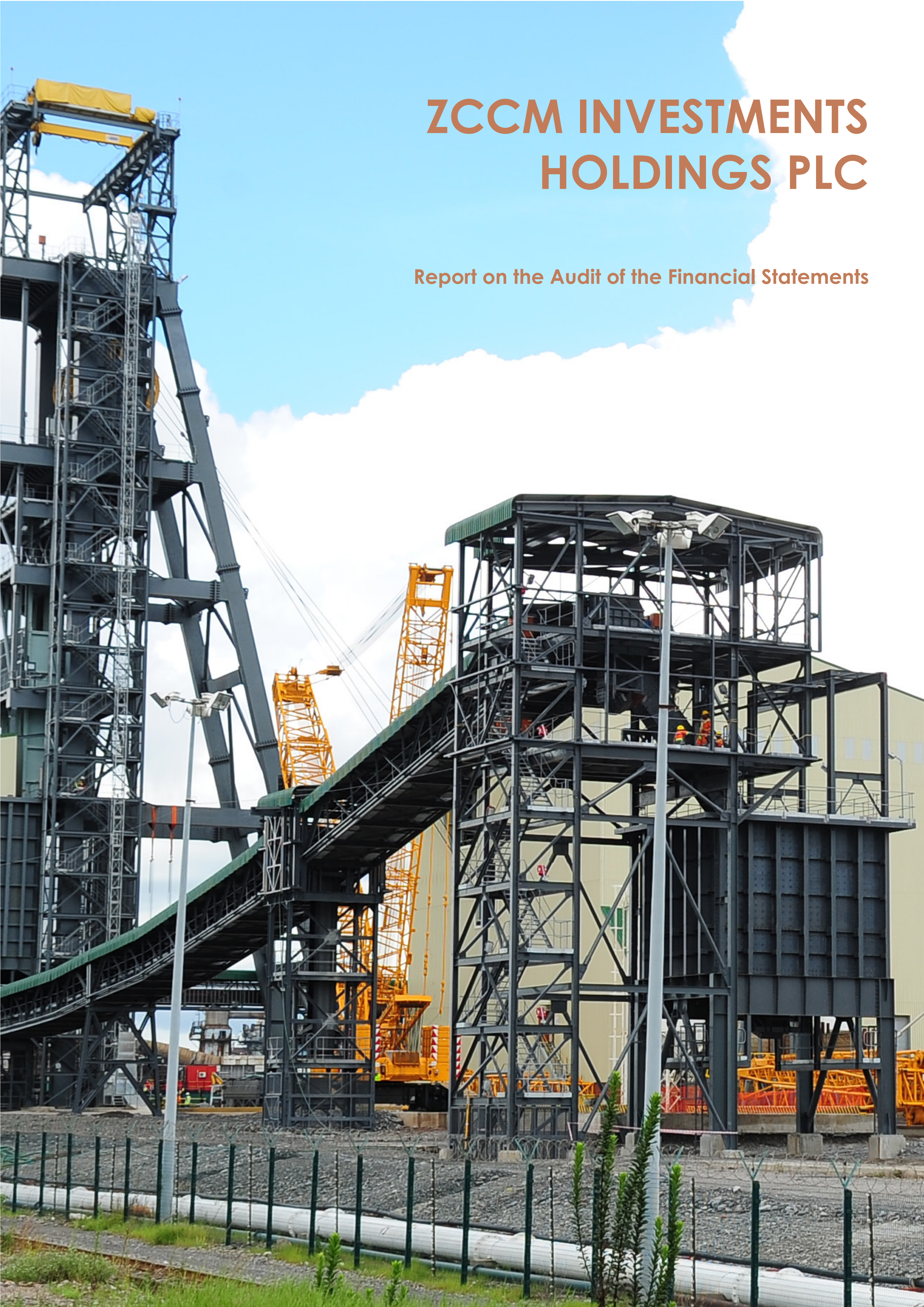
**PricewaterhouseCoopers**
**Chartered Accountants**
Lusaka

08 September 2023

Charity Mulenga
**Practicing Certificate Number: AUD/F000945**
**Partner signing on behalf of the firm**

# ZCCM INVESTMENTS HOLDINGS PLC

## Report on the Audit of the Financial Statements



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

| | Note | 2021<br>ZMW'000 | 2020<br>ZMW'000<br>(Restated) |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 17 | 12,857,452 | 167,023 |
| Exploration and evaluation asset | 18 | 38,989 | 20,704 |
| Intangible assets | 19 | 3,212,334 | 749 |
| Investment property | 21 | 192,227 | 183,917 |
| Investment in associates | 24 | 17,067,159 | 19,351,000 |
| Financial assets at fair value through profit or loss | 25 | 1,458,000 | 292,000 |
| Trade and other receivables | 27 | 1,330,438 | 785,269 |
| Environmental Protection Fund | 28 | 87,130 | - |
| Deferred income tax assets | 36 | 340,848 | 246,605 |
| **Total non-current assets** | | **36,584,577** | **21,047,267** |
| Inventories | 26 | 4,651,886 | 55,728 |
| Trade and other receivables | 27 | 3,264,975 | 510,325 |
| Term deposit | 29 | 653,742 | 194,369 |
| Cash and cash equivalents | 30 | 184,625 | 181,209 |
| | | 8,755,228 | 941,631 |
| **Assets classified as held for sale** | **22** | **1,478,611** | **1,307,400** |
| **Total current assets** | | **10,233,839** | **2,249,031** |
| **Total assets** | | **46,818,416** | **23,296,298** |
| **Equity** | | | |
| Share capital | 33(i) | 1,608 | 1,608 |
| Share premium | 33(iii) | 2,089,343 | 2,089,343 |
| Other reserves | 34 | 19,045,488 | 14,561,120 |
| (Accumulated losses)/Retained Earnings | | (8,306,818) | 4,376,711 |
| **Equity attributable to shareholders** | | **12,829,621** | **21,028,782** |
| **Non-controlling interest** | | **(20,716)** | **(24,365)** |
| **Total equity** | | **12,808,905** | **21,004,417** |
| **Liabilities** | | | |
| Borrowings | 35 | 24,546,001 | 161,370 |
| Trade and other payables | 31 | - | 18,335 |
| Retirement benefits | 37 | 96,287 | 10,792 |
| Provisions for environmental rehabilitation | 38 | 1,198,814 | 173,522 |
| **Total non-current liabilities** | | **25,841,102** | **364,019** |
| Borrowings | 35 | 797,566 | - |
| Overdraft | 30 | 70,449 | 10,034 |
| Trade and other payables | 31 | 4,796,508 | 156,053 |
| Provisions | 32 | 378,746 | 121,177 |
| Current income tax liabilities | 14 | 202,563 | 214,527 |
| Retirement benefits | 37 | 244,001 | 2,402 |
| | | 6,489,833 | 504,193 |
| Liabilities directly associated with assets classified as held for sale | 22 | 1,678,576 | 1,423,669 |
| **Total current liabilities** | | **8,168,409** | **1,927,862** |
| **Total liabilities** | | **34,009,511** | **2,291,881** |
| **Total equity and liabilities** | | **46,818,416** | **23,296,298** |

Refer to Note 46 for Restatement details

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 August 2023 and signed on its behalf by:

.................................. ..................................
**Director** **Director**

The notes on pages 57 to 176 are an integral part of these consolidated and separate financial statements.

# COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

| | Note | 31 December 2021 ZMW'000 | 31 December 2020 ZMW'000 (Restated) | 1 January 2020 ZMW'000 (Restated) |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 17 | 78,439 | 79,052 | 88,439 |
| Intangible assets | 19 | 2,537 | 749 | 648 |
| Investment property | 21 | 192,227 | 183,917 | 167,970 |
| Investments in subsidiaries | 23 | 327,939 | 276,678 | 147,317 |
| Investment in associates | 24 | 20,603,089 | 20,666,806 | 10,746,818 |
| Financial assets at fair value through P&L | 25 | 1,458,000 | 292,000 | - |
| Trade and other receivables | 27 | 676,478 | 785,269 | 385,465 |
| Deferred tax asset | | 468,109 | 354,874 | 436,637 |
| **Total non-current assets** | | **23,806,818** | **22,639,345** | **11,973,294** |
| Inventories | 26 | 22,034 | 13,743 | - |
| Trade and other receivables | 27 | 197,844 | 471,310 | 334,390 |
| Term deposits | 29 | 632,992 | 194,369 | 273,717 |
| Cash and cash equivalents | 30 | 81,498 | 120,639 | 54,359 |
| | | 934,368 | 800,061 | 662,466 |
| Assets classified as held for sale | 22 | 430,977 | 392,357 | 387,110 |
| **Total current assets** | | **1,365,345** | **1,192,418** | **1,049,576** |
| | | | | |
| **Total assets** | | **25,172,163** | **23,831,763** | **13,022,870** |
| **Equity** | | | | |
| Share capital | 33(i) | 1,608 | 1,608 | 1,608 |
| Share premium | 33(iii) | 2,089,343 | 2,089,343 | 2,089,343 |
| Other reserves | 34 | 19,417,205 | 19,475,440 | 9,540,726 |
| Retained earnings | | 3,224,038 | 1,598,567 | 978,367 |
| **Equity attributable to shareholders** | | **24,732,194** | **23,164,958** | **12,610,044** |
| **Liabilities** | | | | |
| Borrowings | 35 | - | 161,370 | - |
| Retirement benefits | 37 | 10,256 | 10,792 | 7,971 |
| Provisions for environmental rehabilitation | 38 | 79,931 | 66,595 | 55,258 |
| **Non-current liabilities** | | **90,187** | **238,757** | **63,229** |
| Borrowings | 35 | 1,135 | - | - |
| Trade and other payables | 31 | 116,883 | 102,551 | 52,271 |
| Provisions | 32 | 29,528 | 119,716 | 83,118 |
| Current income tax liabilities | 14 | 202,236 | 205,781 | 214,208 |
| **Current liabilities** | | **349,782** | **428,048** | **349,597** |
| **Total liabilities** | | **439,969** | **666,805** | **412,826** |
| **Total equity and liabilities** | | **25,172,163** | **23,831,763** | **13,022,870** |

Refer to Note 46 for Restatement details

The Company financial statements were approved and authorised for issue by the Board of Directors on 25 August 2023 and signed on its behalf by:

.................................... ....................................

**Director** **Director**

The notes on pages 57 to 176 are an integral part of these consolidated and separate financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | 2021 ZMW'000 | 2020 ZMW'000 (Restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue from contracts with customers | 7 | 14,395,493 | 174,796 |
| Net interest income from loans and advances, Financial Instruments | | 138,272 | 93,702 |
| Fees and commissions | | 32,441 | 29,696 |
| Cost of sales | 11 | (14,231,033) | (115,808) |
| **Gross profit** | | **335,173** | **182,386** |
| Net investment income | 8 | 13,042 | 16,938 |
| Other income | 9 | 236,722 | 672,678 |
| Fair value adjustment on financial assets at fair value through profit or loss | 25 | 1,166,000 | 292,000 |
| Impairment of goodwill on acquisition of subsidiary | 23(d) | (14,851,790) | (119,818) |
| Net impairment gains/(losses) on financial assets | 10 | 63,317 | (80,379) |
| Administration expenses | 11 | (1,740,199) | (750,329) |
| **Operating (loss)/profit** | | **(14,777,735)** | **213,476** |
| Finance income | 13 | 482,706 | 681,110 |
| Finance costs | 13 | (1,348,751) | (28,899) |
| **Net finance (cost)/income** | | **(866,045)** | **652,211** |
| Share of profit of equity-accounted investees, net of tax | 24(a) | 3,004,542 | 1,487,537 |
| **(Loss)/profit before income tax** | | **(12,639,238)** | **2,353,224** |
| Income tax credit/(expense) | 14 | 66,476 | (116,532) |
| **(Loss)/profit for the year** | | **(12,572,762)** | **2,236,692** |
| **Other comprehensive income** | | | |
| **Items that will never be reclassified to profit or loss** | | | |
| Revaluation surplus on transfer of property, plant, and equipment to investment property, net of tax | 17 | - | 2,761 |
| Remeasurements of post-employment benefit obligations | 37 | (105,270) | 514 |
| Deferred income tax on remeasurements of post-employment benefit obligations | 36 | (1,297) | (180) |
| Equity-accounted investees- share of other comprehensive income | 24 | 52,304 | - |
| **Total items that will never be reclassified to profit or loss** | | **(54,263)** | **3,095** |
| **Items that are or may be reclassified to profit or loss** | | | |
| Foreign currency translation differences - equity - accounted investees | 24(a) | (4,384,250) | 6,187,787 |
| Foreign currency translation differences - subsidiaries investees | 34(ii) | 8,867,760 | - |
| **Total items that are or maybe reclassified to profit or loss** | | **4,483,510** | **6,187,787** |
| **Other comprehensive income, net of tax** | | **4,429,247** | **6,190,959** |
| **Total comprehensive income** | | **(8,143,515)** | **8,427,651** |
| **Loss)/profit attributable to:** | | | |
| Owners of the Company | | (12,576,411) | 2,237,831 |
| Non-controlling interests | | 3,649 | (1,139) |
| | | **(12,572,762)** | **2,236,692** |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | (8,147,163) | 8,428,790 |
| Non-controlling interests | | 3,648 | (1,139) |
| | | **(8,143,515)** | **8,427,651** |
| **Earnings per share** | | | |
| Basic and diluted earnings per share (ZMW) | 15 | **(78.19)** | **13.91** |

The notes on pages 57 to 176 are an integral part of these consolidated and separate financial statements.

Note - The restatement relates to the reclassification of transactions restating each of the affected financial statement line items. Refer to Note 46.

# COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | 31 December 2021 ZMW'000 | 31 December 2020 (Restated) ZMW'000 |
|---|---|---|---|
| Investment income | 8 | 968,137 | 226,169 |
| Revenue from contracts with customers | 7 | 79,837 | 3,695 |
| Cost of sales related to revenue from contracts with customers | 11 | (77,707) | (3,000) |
| Other income | 9 | 35,581 | 16,343 |
| Fair value adjustment financial asset at fair value through profit or loss | 25 | 1,166,000 | 292,000 |
| Net impairment losses on financial assets | 10 | 42,816 | (61,487) |
| Administration expenses | 11 | (372,917) | (355,914) |
| **Operating profit** | | **1,841,747** | **117,806** |
| Finance income | 13 | 75,229 | 677,592 |
| Finance costs | 13 | (327,216) | (14,552) |
| **Net finance income** | **13** | **(251,987)** | **663,040** |
| **Profit income before tax** | | **1,589,760** | **780,846** |
| Income tax credit/(expense) | 14 | 86,158 | (108,136) |
| **Profit for the year** | | **1,675,918** | **672,710** |
| **Other comprehensive income** | | | |
| **Items that will never be reclassified to profit or loss** | | | |
| Revaluation surplus on transfer of property, plant, and equipment to investment property | 21 | - | 2,761 |
| Remeasurements of post-employment benefit obligations | 37 | 3,705 | 514 |
| Deferred income tax on remeasurements of post-employment benefit obligations | 36 | (1,297) | (180) |
| Fair value change in Investments in subsidiaries measured at fair value through other comprehensive income | 23 | 4,624 | - |
| Fair value change in Investments in associates measured at fair value through other comprehensive income | 24 | (63,717) | 9,932,097 |
| **Other comprehensive income, net of tax** | | (56,685) | 9,935,192 |
| **Total comprehensive income** | | **1,619,233** | **10,607,902** |
| **Earnings per share** | | | |
| **Basic and diluted earnings per share** | **15** | **10.42** | **4.18** |

The notes on pages 57 to 176 are an integral part of these consolidated and separate financial statements

Note - The restatement relates to the reclassification of transactions restating each of the affected financial statement line items. Refer to Note 46.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | Share capital | Share premium | Revaluation reserve | Other reserves Translation reserve | Non-controlling interests | Retained earnings | Total |
|---|---|---|---|---|---|---|---|---|
| | | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 |
| **Balance at 1 January 2020** | | 1,608 | 2,089,343 | 266,489 | 8,104,227 | (23,226) | 2,191,390 | 12,629,831 |
| (Loss)/profit for the year | | - | - | - | - | (1,139) | 2,237,831 | 2,236,692 |
| **Other comprehensive income** | | | | | | | | |
| Revaluation surplus on property, plant, and equipment transferred to investment property. | 21 | - | - | 2,761 | - | - | - | 2,761 |
| Currency translation – equity accounted investees | 24(a) | - | - | - | 6,187,787 | - | - | 6,187,787 |
| Remeasurements of post-employment benefit obligations | 37 | - | - | - | - | - | 514 | 514 |
| Deferred tax on remeasurements of post-employment benefit obligations | 36 | - | - | - | - | - | (180) | (180) |
| **Total comprehensive income** | | - | - | 2,761 | 6,187,787 | (1,139) | 2,238,165 | 8,427,574 |
| Transfer of excess depreciation | 36 | - | - | (221) | - | - | 221 | |
| Tax impact on excess Depreciation | | - | - | 77 | - | - | - | 77 |
| Transaction with owners of the Company – Distributions Dividends | | - | - | - | - | | (53,065) | 53,065) |
| **Balance at 31 December 2020** | | **1,608** | **2,089,343** | **269,106** | **14,292,014** | **(24,365)** | **4,376,711** | **21,004,417** |
| Balance at 1 January 2021 | | 1,608 | 2,089,343 | 269,106 | 14,292,014 | (24,365) | 4,376,711 | 21,004,417 |
| Other comprehensive income | | | | | | | | |
| Loss for the year | | - | - | - | - | 3,649 | (12,576,411) | (12,572,762) |
| **Other comprehensive income** | | | | | | | | |
| Currency translation – equity accounted investees | 24(a) | - | - | - | (4,384,250) | - | - | (4,384,250) |
| Currency translation of foreign denominated subsidiaries | | - | - | - | 8,867,760 | - | - | 8,867,760 |
| Remeasurements of post-employment benefit obligations | 37 | - | - | - | - | - | (105,270) | (105,270) |
| Share of associates other comprehensive income | 24(a) | - | - | - | - | - | 52,304 | 52,304 |
| Deferred tax on remeasurements of post-employment benefit obligations | 36 | - | - | - | - | - | (1,297) | (1,297) |
| **Total comprehensive income** | | **-** | **-** | **-** | **4,483,510** | **3,649** | **(12,630,674)** | **(8,143,515)** |
| Transfer of excess depreciation | | - | - | (221) | - | - | 221 | - |
| Deferred income tax on excess depreciation | | - | - | 66 | - | - | - | 66 |
| Over and under provision of prior period on deferred tax excess depreciation | | - | - | 1,013 | - | - | - | 1,013 |
| **Transaction with owners of the Company – Distributions** | | | | | | | | |
| Dividends | | - | - | - | - | - | (53,076) | (53,076) |
| **Balance at 31 December 2021** | | **1,608** | **2,089,343** | **269,964** | **18,775,524** | **(20,716)** | **(8,306,818)** | **12,808,905** |

Refer to Note 46 for Restatement details

Retained earnings are the brought forward recognised income, net of expenses, of the Group plus current period profit or loss attributable to shareholders.

The notes on pages 57 to 176 are an integral part of these consolidated and separate financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | Share capital | Share premium | Other reserves: Revaluation reserve | Other reserves: Fair value reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | | **1,608** | **2,089,343** | **17,275** | **6,398,342** | **978,367** | **9,484,935** |
| Correction of error | 46 | | | | 3,125,109 | | 3,125,109 |
| **Restated total equity at the beginning of the financial year** | | **1,608** | **2,089,343** | **17,275** | **9,523,451** | **978,367** | **12,610,044** |
| Profit for the year (restated) | | - | - | - | - | 672,710 | 672,710 |
| **Other comprehensive income** | | | | | | | |
| Revaluation surplus on property, plant, and equipment transferred to investment property. | 21 | - | - | 2,761 | - | - | 2,761 |
| Actuarial loss on defined benefits | | - | - | - | - | 514 | 514 |
| Deferred tax on defined benefit actuarial loss | | - | - | - | - | (180) | (180) |
| Change in fair value of available-for-sale investments in associates | | - | - | - | 9,932,097 | | 9,932,097 |
| **Total comprehensive income (Restated)** | | **-** | **-** | **2,761** | **9,932,097** | **673,044** | **10,607,902** |
| Transfer of excess depreciation | | - | - | (221) | - | 221 | - |
| Deferred tax on transfer of excess depreciation | 36 | - | - | 77 | - | - | 77 |
| **Transactions with owners of the company - contributions and distributions** | | | | | | | |
| Dividends | | - | - | - | - | (53,065) | (53,065) |
| **Total transactions with owners of the company** | | - | - | - | - | (53,065) | (53,065) |
| **Balance at 31 December 2020 (Restated)** | | **1,608** | **2,089,343** | **17,131** | **19,458,309** | **1,598,567** | **23,164,958** |
| **Balance as at 1 January, 2021 as previously stated** | | **1,608** | **2,089,343** | **19,892** | **12,854,205** | **1,494,288** | **16,459,336** |
| Correction of Error | 46 | | | (2,761) | 6,604,104 | 104,279 | 6,705,622 |
| **Balance at 1 January 2021 Restated** | | **1,608** | **2,089,343** | **17,131** | **19,458,309** | **1,598,567** | **23,164,958** |
| **Profit for the year - restated** | | **-** | **-** | **-** | **-** | **1,675,918** | **1,675,918** |
| **Other comprehensive income** | | | | | | | |
| Remeasurement of post -employment benefits obligations | 37 | - | - | - | - | 3,705 | 3,705 |
| Deferred income tax on remeasurement of post -employment benefits obligation | 36 | - | - | - | - | (1,297) | (1,297) |
| Change in fair value of available-for-sale investments in associates | | - | - | - | (63,717) | - | (63,717) |
| Change in fair value of available-for-sale investments in subsidiary | | - | - | - | 4,624 | - | 4,624 |
| **Total comprehensive income - Restated** | | **-** | **-** | **-** | **(59,093)** | **1,678,326** | **1,619,233** |
| Transfer of excess depreciation | 36 | | | (221) | | 221 | - |
| Deferred tax on transfer of excess depreciation | 36 | - | - | 1,079 | - | - | 1,079 |
| **Transactions with owners of the company - contributions and distributions** | | | | | | | |
| Dividends | | - | - | - | - | (53,076) | (53,076) |
| **Total transactions with owners of the company** | | | | | | **(53,076)** | **(53,076)** |
| **Balance at 31 December 2021- Restated** | | **1,608** | **2,089,343** | **20,750** | **19,396,455** | **3,224,038** | **24,732,194** |

Retained earnings are the carried forward recognised income, net of expenses, of the Company plus current period profit or loss attributable to shareholders.

The notes on pages 57 to 176 are an integral part of these consolidated and separate financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | 2021<br>ZMW'000 | 2020<br>ZMW'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/Profit before tax | | (12,639,238) | 2,353,224 |
| **Adjustments for:** | | | |
| Depreciation | 17,18 | 1,469,278 | 24,374 |
| Amortisation | 19 | 72,680 | 582 |
| Profit on disposal of property, plant, and equipment | 9 | (738) | (271) |
| Interest income from related parties and term deposits | 8,13 | (303,189) | (272,970) |
| Interest expense | 35 | 701,512 | 2,715 |
| Exchange difference on borrowings | | (33,077) | 7,327 |
| Goodwill | | 14,851,790 | 119,818 |
| Change in fair value on financial assets at fair value through profit or loss | 25 | (1,166,000) | (292,000) |
| Profit on disposal of subsidiary | 23 | - | (64,278) |
| (Reversal)/Impairment of property, plant, and equipment | 17 | - | 110,396 |
| Fair value change on investment property | 21 | (5,337) | (3,969) |
| Defined benefits expense | 37 | 82,614 | 39,760 |
| Share of profit of equity – accounted investees, net of tax | 24 | (3,004,542) | (1,487,537) |
| Unrealised foreign currency gain | | 37,397 | (6,240) |
| | | **63,150** | **530,931** |
| Change in: | | | |
| Inventories | | (875,840) | (4,406) |
| Trade and other receivables | | (1,920,773) | (525,505) |
| Trade and other payables and provisions | | 3,123,172 | (490,319) |
| Assets and liabilities held for sale | | 51,791 | 196,879 |
| Provision for environmental rehabilitation | | 124,500 | 54,269 |
| **Cash generated from/ (used in) from operating activities** | | **566,000** | **(238,151)** |
| Interest paid | 35 | (11,573) | - |
| Interest Received | | 217,309 | 191,862 |
| Tax paid | 14 | (39,949) | (34,903) |
| Retirement benefit paid | 37 | (4,212) | (2,646) |
| Dividends paid | | (53,076) | (53,065) |
| **Net cash from operating activities** | | **674,499** | **(136,903)** |
| **Cash flows from investing activities** | | | |
| Interest received | 8,13 | 17,819 | 35,168 |
| Dividend received | 24 | 956,437 | 208,898 |
| Acquisition of property and equipment | 17 | (809,933) | (34,450) |
| Acquisition of intangible assets | 19 | (2,808) | (683) |
| Proceeds on disposal of property, plant, and equipment | | 937 | 1,563 |
| Acquisition of investment property | 21 | (2,973) | (238) |
| Acquisition of investment in associates | 24 | - | (29,507) |
| Cash from acquisition of subsidiary | | 6,337 | - |
| Disposal of subsidiary | | - | (437) |
| Investments in exploration and evaluation asset | 18 | (26,939) | (22,428) |
| Proceeds from term deposits | 29 | 194,369 | 274,960 |
| Investments in term deposits | 29 | (653,742) | (194,369) |
| Net cash generated from investing activities | | **(320,496)** | **238,477** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | 35 | - | 151,328 |
| Repayment of borrowings | 35 | (402,694) | - |
| **Net cash used in financing activities** | | **(402,694)** | **151,328** |
| Net (decrease)/increase/ in cash and cash equivalents | | (48,691) | 252,902 |
| Effects of translation of cash and cash equivalents | | (2,816) | - |
| Effect of movement in exchange rates on cash held | | (37,397) | 6,240 |
| Cash and cash equivalents at 1 January | | 425,005 | 165,863 |
| **Cash and cash equivalents at 31 December** | **30** | **336,101** | **425,005** |
| Included in the statement of financial position | | 114,176 | 171,175 |
| Included in assets held for sale | 22 | 221,925 | 253,830 |
| **Total cash and equivalents as at 31 December** | | **336,101** | **425,005** |

The notes on pages 57 to 176 are an integral part of these consolidated and separate financial statement.

# SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | 2021 ZMW'000 | 2020 ZMW'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 1,589,760 | 780,846 |
| *Adjustments for:* | | | |
| Depreciation | 17 | 12,565 | 11,378 |
| Amortisation | 19 | 978 | 582 |
| Profit on disposal of property, plant, and equipment | 9 | (248) | (271) |
| Fair value changes of financial assets at fair value through profit or loss | 25 | (1,166,000) | (292,000) |
| Defined benefits expense | 37 | 4,979 | 3,335 |
| Fair value change on investment property | 21 | (5,337) | (3,969) |
| Interest expense | 35 | 8,872 | 2,715 |
| Exchange difference on borrowings | | (33,077) | 7,327 |
| Interest receivable on loan and held to maturity investments | 13,8 | (84,538) | (81,441) |
| Unrealised foreign currency gain | | 37,397 | (6,240) |
| | | **365,351** | **422,262** |
| *Change in:* | | | |
| Inventory | | (8,291) | (13,743) |
| Trade and other receivables | | 450,318 | (490,451) |
| Trade and other payables | | 14,333 | 50,281 |
| Provisions | | (90,188) | 36,598 |
| Assets held for sale | | (38,620) | (5,247) |
| Provision for environmental rehabilitation | | 13,336 | 11,337 |
| **Cash generated from operating activities** | | **706,239** | **11,037** |
| Interest paid | | (11,573) | - |
| Tax paid | 14 | (30,840) | (34,903) |
| Dividends paid | | (53,076) | (53,065) |
| Acquisition of investments in subsidiary | 23 | (46,637) | (128,613) |
| Acquisition of investments in associates | 24 | - | (29,507) |
| Proceeds on disposal of investments in associates | | - | 41,616 |
| Retirement benefit paid | 37 | (1,810) | - |
| **Net cash from (used in) operating activities** | | **562,303** | **(193,435)** |
| **Cash flows from investing activities** | | | |
| Interest received | 13,8 | 16,477 | 35,168 |
| Acquisition of property, plant, and equipment | 17 | (12,150) | (13,011) |
| Acquisition of intangible assets | 19 | (2,766) | (683) |
| Acquisition of investment property | 21 | (2,973) | (238) |
| Proceeds on disposal of property, plant, and equipment | | 445 | 1,563 |
| Proceeds from term deposits | 29 | 194,369 | 273,717 |
| Investments in term deposits | 29 | (632,992) | (194,369) |
| **Net cash flows (used in)/from investing activities** | | **(439,590)** | **102,147** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | 35 | - | 151,328 |
| Repayment of borrowings | 35 | (124,457) | - |
| **Net cash used in financing activities** | | **(124,457)** | **151,328** |
| (Decrease)/increase in cash and cash equivalents | | (1,744) | 60,040 |
| Effect of movement in exchange rates on cash held | | (37,397) | 6,240 |
| Cash and cash equivalents at 1 January | | 120,639 | 54,359 |
| **Cash and cash equivalents at 31 December** | **30** | **81,498** | **120,639** |

The notes on pages 57 to 176 are an integral part of these consolidated and separate financial statements.

Note - The restatement relates to the reclassification of transactions restating each of the affected financial statement line items refer to Note 46.

**1. Reporting entity**

ZCCM Investments Holdings Plc (the "Company" or "ZCCM – IH") is domiciled in Zambia. The Company's registered office is at Stand No. 16806, Alick Nkhata Road, Mass Media Complex Area, P.O Box 30048, Lusaka. These consolidated annual financial statements comprise the Company, its subsidiaries, and investments in associates (together referred to as the 'Group'). The principal activity of the Company is to manage the Zambian Government's stake in the mining sector, as the Zambian Government through the Industrial Development Corporation (IDC), is the principal shareholder of the Company.

The Company's shares are listed on the Lusaka Securities Exchange (LuSE), the London Stock Exchange and Euronext

**2. Basis of preparation**

The Consolidated annual financial statements are prepared in compliance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The Consolidated annual financial statements are presented in Zambian Kwacha (ZMW), rounded to the nearest thousand. In accordance with the Companies Act, 2017 of Zambia, the Consolidated annual financial statements for the year ended 31 December 2021 have been approved for issue by the Directors. Reference to *"annual financial statements"* in this report refers to the Consolidated Annual financial statements.

The preparation of Consolidated annual financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires the Directors to exercise judgement in the process of applying the Group's accounting policies. The areas involving higher degree of judgement or complexity, or where assumptions and estimates are significant to the Consolidated annual financial statements are disclosed in Note 4.

**3. Functional and presentation currency**

These Consolidated and Company annual financial statements are presented in Zambian Kwacha. The functional currency for the Company is Zambian Kwacha. All amounts presented in Kwacha have been rounded to the nearest thousand, unless otherwise indicated.

Several of the Company's equity investments prepare financial statements in US Dollars, which is their functional currency, due to the nature of the industry in which they operate. This has resulted in a foreign currency translation reserve at the consolidated level. More detail is included in note 23 and 24.

**4. Use of estimates and judgements**

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's and Company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

**a) Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated and separate financial statements are included in:

- **Going Concern Assumption**

  These financial statements have been prepared on a going concern basis.

  During the year ended 31 December 2021, the Group made a loss for the year of ZMW12,573 million (2020: profit for the year ZMW2,236 million). As of 31 December 2021, the Group had accumulated loss of ZMW8,306 million (2020: Retained earnings of ZMW4,376 million). As of that date, the group's current assets exceeded it's current liabilities by ZMW2.07 billion (2021: ZMW321.17 million) and total assets exceeded total liabilities by ZMW12.81 billion (2020: ZMW21.0 billion)

**4. Use of estimates and judgements** *(Continued)*

**a) Judgements** *(Continued)*

- **Going Concern Assumption** *(Continued)*

  Furthermore, Mopani Copper Mines Plc, the group's most significant subsidiary has material uncertainty on going concern on account

  of operating losses and the need for funding to meet working capital and core capital requirements. In addition, the majority of the

  Group's non-current liabilities relate to borrowings of Mopani. The loan is guaranteed by ZCCM-IH and in the event that Mopani fails to pay back the loan, ZCCM-IH would be required to fulfil the loan obligations.

  These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

  The Directors consider the going concern basis of preparation to be appropriate based on the mitigating factors below:

  **Mitigating factors**

  - ZCCM-IH has secured working capital funding for Mopani Copper Mines amounting to ZMW950 million (US$ 43 million) from various financial institutions.
  - Management's recent change of shareholder agreements in 2022 with certain investee companies i.e., Kansanshi Mining PLC, from dividend model to royalty model. This agreement is expected to result into more cashflows for the group, at an annual average receipts of ZMW1,060 million (US$48 million), spanning over a 25 years estimated life of mine from 2021.
  - The management and Board of ZCCM-IH have been working with a team of consultants, Rothschild & Co., South Africa (Pty) Ltd ("Rothschild & Co.") to assist ZCCM-IH with the strategic review of Mopani Copper Mines Plc ("MCM" or "Mopani") to ensure its sustainability and continued development. In 2011, Mopani embarked on expansion projects to sink new deeper, higher capacity and economical shafts to access the resource in the deep areas that would otherwise not have been easily and economically available. These projects are at various stages of completion and are expected to increase the Life of Mine (LOM) by at least 25 years.
  - The Group has engaged consultants to support the process of raising capital of ZMW7,717 million (US$ 350million) to complete the expansion projects and so far the work is in advanced stages and as July 2023, ZCCM -IH ultimate parent entity, the Zambian Government indicated to have shortlisted potential bidders and aim to complete the selection process in 2023 committed Once the expansion projects are completed, the Group will be able to ramp up its production and achieve profitable, efficient, and sustainable operations which will result in the Group recording profits by 2026 to 2028, if copper prices range between US$6,500 and US$8,400 per ton. Copper prices as at December 2021 was US$9,500 per ton.

  The Directors have therefore formed a judgement that the Going concern assumptions remains applicable to the Group and Company for at least 12 months from the date of these financial statements. This basis assumes that the funds will be available to finance future operations, and that the realisation of the assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of the business.

- **Note 17 – impairment of property, plant, and equipment.**

  In assessing impairment of property plant, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. There was no impairment of fixed assets during the year.

**4. Use of estimates and judgements** *(Continued)*

**a) Judgements** *(Continued)*

- **Note17 - impairement of property** *(Continued)*

  At 31 December 2021, the Group recorded the equity value of ZMW14.3 billion (2020: ZMW 21.02 billion) which is higher than the market value of ZMW 5.7 billion (2020: ZMW 5.8 billion). Management has determined that the disparity in value between the recorded equity and the market value is not indicative of the impairment of Group or company assets. Further management has assessed that the stock market is still growing with limited market activity therefore not reflective of the Company or Group value.

- **Note 22 – Assets held for sale.**

  Management has continued to classify Investrust Bank Plc and Mushe Milling as entities held for sale despite the sale not happening within 12 months from the date they were classified as held for sale in prior year 2020. Following the change of government, there was a shift in IDC's strategy which contributed to the restructuring and reorganization deal not to go through despite earlier agreements which indicated otherwise. The change in strategy on the side of IDC was beyond any of the parties' control and has been treated as a non adjusting post balance sheet event. ZCCM-IH Plc, the Board is committed to divest from these investments and actively searching for buyers.

- **Note 23, 24 and 25 – Determining the fair values of investment in subsidiaries, associates and financial assets at fair value through profit or loss on the basis of significant unobservable inputs.**

  Valuation of the Group's unquoted investments is an area of judgement which involves the use significant estimates and assumptions. Management uses various valuation techniques when determining the fair values of unquoted investee companies whose outcome is dependent on several significant unobservable inputs and assumptions as disclosed under Note 23, 24 and 25.

- **Note 23 – acquisition of subsidiary:**

  Fair valuation of the consideration transferred, and fair value of the assets acquired, and liabilities assumed, is an area of judgement which involves the use significant estimates and assumptions. Management uses various valuation techniques when determining the fair values of the assets acquired and liabilities assumed.

  Where the acquisition of a subsidiary that occurs during the period is incomplete, management recognises the fair values of the amounts of assets, liabilities, non-controlling interests, or items of consideration on a provisional basis and continues to re measure until the earlier of the receipt of information that is needed or after one year from the date of acquisition.

- **Classification of long-term borrowings**

  The classification of current and noncurrent portion of long term debt, is determined by reference to the terms included in individual loan agreements. Where loan terms indicate an existence of a derivative instrument, arising from changes in index factors such as copper quotational price adjustments, There is no embedded derivative as revenue and ebitda are considered non-financial variables specific to a party to the contract and that therefore the liability is measured at amortised cost, and any changes in the expected cash flows due to changes in mine forecasts will cause a remeasurement of the liability in future periods with an adjustment to profit or loss when the forecasts change.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**4. Use of estimates and judgements** *(Continued)*

**a) Judgements** *(Continued)*

- **Uncertain Tax Position regarding Mopani Copper Mines loan forgiveness modification**

  As part of the share purchase Agreement (SPA) between ZCCM-IH and Glencore International AG, the Company's loans/debt with Glencore were amended and restated as at 31 March 2021 to ZMW33.12 billon (US$ 1.5b billion). This loan modification was in fulfilment of the Agreement for the Government of the Republic of Zambia through ZCCM- IH to buy Glencore's 90% shareholding in return for US$1.00 consideration and US$1.5 billion debt. This transaction thereby gave rise to a loan modification gain that has been recorded in the income statement. The resulting debt forgiveness amount was credited to pre-acquisition profits. The tax treatment for this gain is uncertain on the basis that the Zambian Income Tax does not have an express provision that directly deal with the matter. There is equally no judicial precedence from the Tax Appeals Tribunal or a higher court where concrete guidance can be found. The Directors have consulted widely in this transaction related gain and have not accrued for the estimated ZMW13.02 billion (US$590 million) tax that would arise in the unlikely event that the transaction was interpreted as taxable.

- **Note 45(a) ii – consolidation: whether the Company has Control over an investee**

  Management has assessed its control over Mopani Copper Mines, which it has a 100% shareholding in accordance with IFRS 10's control definition and guidance. It has concluded that it has control despite the existence of the offtake agreements, the ability to control the economic returns of Mopani rests with ZCCM-IH as the determination of the strategic direction of Mopani, appointment of the full board of directors and management team rests fully with ZCCM-IH.These factors have been determined to establish that ZCCM-IH is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

- **Note 45(a) iv – consolidation: whether the Company has significant influence over an investee or de facto control over an investee.**

  Management has reassessed its involvement in Rembrandt Properties Limited (49%) and Consolidated Gold Company of Zambia Limited (45%) in accordance with IFRS 10's control definition and guidance. It has concluded it has significant influence but not outright control. In making its judgement, management considered the following:

  - Company's voting rights – the Company's voting rights are limited to 49% and 45% respectively but in relation to the dispersion of the voting rights held by other shareholders the Company has a significant right; and

  - Relative size – in relation to the extent of recent participation by those shareholders in general meetings, the Company is deemed to have significant influence over the investees

  - Further, management has reassessed its involvement in Central African Company Limited (49%) in accordance with IFRS 10's control definition and guidance. It has concluded it has de facto control in the Company. In making its judgement, management considered the following:

    - ZCCM-IH's representation on the board of the investee Company

    - Appointment of key management staff

    - Number of voting rights.

  - Following the above assessment, management has determined that the Company's involvement in all its investee companies in accordance with IFRS 10's control definition and guidance has not changed from prior year except for Mopani Copper Mines Plc.

**4. Use of estimates and judgements** *(Continued)*

**b) Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2021 is included in the following notes:

- **Notes 23** – acquisition of subsidiary: fair value of the consideration transferred, and fair value of the assets acquired, and liabilities assumed.
- **Notes 23, 24 and 25** – measurement of fair value of investee companies; key assumptions about discounted cash flow assumptions;
- **Note 37** – measurement of defined benefit obligations: key actuarial assumptions;
- **Note 32 and 38** – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- **Note 42** – measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted-average loss rate; and
- **Note 45(j)** - impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts

**c) Measurement of fair values**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Significant valuation issues are reported to the Group Audit Committee. This includes the Group finance team that has overall responsibilities for overseeing all significant fair value measurement including level 3 fair values and reports directly to the Chief Financial Officer (CFO).

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information arises such as broker quotes or pricing services, used to measure fair values, then the finance team assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirement of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

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

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**4. Use of estimates and judgements** *(Continued)*

**(c) Measurement of fair values** *(Continued)*

**Determination of ore reserves and life of mine plan**

Reserves are estimates of the amount of product that can be economically and legally extracted from the group's properties. Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. Following this, the quantity of ore that can be extracted in an economical manner is calculated using data regarding the life of mine plans and forecast sales prices (based on current and long-term historical average price trends).

A majority of the groups' property, plant and equipment associated with its mining subsidiaries are depreciated over the estimated lives of the assets on a units-of-production basis. This also includes the timing of repayments of life of mine linked borrowings. The calculation of the units-of-production rate, and therefore the annual depreciation expense could be materially affected by changes in the underlying estimates which are driven by the life of mine plans. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in the commodity prices used in the estimation of mineral reserves.

Changes in the proven and probable reserves estimates may impact the carrying value of property, plant and equipment, asset retirement obligation provision, recognition of deferred income tax amounts and depreciation expense amount.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 42- financial instruments.
- Note 21 - Investment property
- Note 23 – Investment in subsidiaries; and
- Note 24 – Investment in associates.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 5. New or revised Standards or Interpretations

### 5.1. New and amended standards adopted by the Company and Group

The Group adopted the applicable new, revised or amended standards for the financial reporting periods commencing on or after 1 January 2021:

| International Financial Reporting Standards and amendments effective for the first time for December 2021 year-end | | |
|---|---|---|
| **Number** | **Effective date** | **Executive summary** |
| Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2) | Annual periods beginning on or after 1 January 2021<br><br>(Published August 2020) | The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.<br><br>The Directors have performed an assessment impact on this transition and noted no significant impact to the financial statements. |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

### 5.2 International Financial Reporting Standards, interpretations and amendments issued but not effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective for annual reporting period ending 31 December 2021.

| International Financial Reporting Standards, interpretations and amendments issued but not effective | | |
|---|---|---|
| **Number** | **Effective date** | **Executive summary** |
| Amendment to IFRS 3, 'Business combinations'<br><br>Asset or liability in a business combination clarity | Annual periods beginning on or after 1 January 2022<br><br>(Published May 2020) | The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, inorder to determine what constitutes an asset or a liability in a business combination.<br>In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.<br>The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. |
| Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use | Annual periods beginning on or after 1 January 2022<br><br>(Published May 2020) | The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss. |
| Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract | Annual periods beginning on or after 1 January 2022<br><br>(Published May 2020) | The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. |
| Annual improvements cycle 2018 -2020 | Annual periods beginning on or after 1 January 2022<br><br>(Published May 2020) | • IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value. |
| Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current | Annual periods beginning on or after 1 January 2024<br><br>(Published Jan 2020 and deferred July 2020 and October 2022) | • The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). |

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

## 6. Operating segments

### a) Basis for segmentation

The Group has three operational reportable segments, as described below, which are the Group's strategic operations. The strategic operation offer different products and services and are managed separately because they require different technology and marketing strategies.

The group's management committee, consisting of the chief executive officer, the chief financial officer, chief investment officer, chief legal officer, chief internal audit officer, chief ICT officer, chief human resource and administration officer, chief technical officer, and Company secretary, examines the group's performance from an operations perspective and has identified three reportable segments of its business:

1. **Investments** – This comprises of only ZCCM-IH. This is premiere diversified mining investments and operations Company whose majority owner is Industrial Development Corporation (IDC). The Company's focused interests are investments in Zambia's mining and energy sectors.
2. **Mining and processing** – This comprise of entities actively in the exploration activities, mining of minerals and processing to finished products. The minerals mined include copper, gold, amethyst, manganese, and limestone.
3. **Technical services** – This comprises the entity involved in the provision of environmental consultancy services, analytical services, surveying services and radiation safety. This Company has been maintained as a separate segment because of its value to the ZCCM-IH subsidiaries in monitoring of its environmental activities.

The group is exposed to customer concentration risk as its significant component, Mopani Copper Mines has one major customer. Refer to note 35 for further information on sales arrangements.The following summary describes the operations of each reportable segment.

*in thousands of Kwacha*

### 6. Operating segments (continued)

#### a) Basis for segmentation (continued)

| Segment | Entity | Country of operations | Total revenue ZMW'000 | Revenue from Zambia ZMW'000 | Revenue from foreign countries ZMW'000 | Total segment assets ZMW'000 | Non-current assets ZMW'000 | Current assets ZMW'000 |
|---|---|---|---|---|---|---|---|---|
| Investments | ZCCM-IH Plc | Zambia | 79,837 | 79,837 | - | 295,237 | 273,203 | 22,034 |
| Mining and processing | Mopani Copper Mine Plc | Zambia | 14,116,217 | 1,482,527 | 12,633,690 | 17,218,722 | 12,653,870 | 4,564,852 |
| Mining and processing | Limestone Resources Limited | Zambia | 118,995 | 73,740 | 45,255 | 61,970 | 33,441 | 28,529 |
| Mining and processing | Kabundi Resources Limited | Zambia | 5,575 | 5,575 | - | 10,627 | 10,627 | - |
| Mining and processing | Zambia Gold Company Limited | Zambia | 68,283 | 68,283 | - | 114,795 | 87,294 | 27,501 |
| Mining and processing | Kariba Minerals' Limited | Zambia | 26,115 | - | 26,115 | 38,852 | 29,882 | 8,970 |
| Mining and processing | Nkandabwe Coal Mine limited | Zambia | - | - | - | - | - | - |
| Technical Services | Misenge Environmental and Technical Services Limited | Zambia | 17,114 | 17,114 | - | 2,972 | 2,972 | - |
| Others | Others | Zambia | 38,145 | 38,145 | - | - | - | - |
| | | | | | | | | |
| **Total from segments** | | | **14,470,281** | **1,765,221** | **12,705,060** | **17,743,175** | **13,091,289** | **4,651,886** |
| Less intra group transactions | | | (74,788) | - | - | - | - | - |
| **Consolidated balance** | | | **14,395,493** | **1,765,221** | **12,705,060** | **17,743,175** | **13,091,289** | **4,651,886** |

The Group's Chief Executive Officer and the management committee reviews internal reports of each division at least quarterly.

Revenue from foreign countries is distributed as follows:

| Country | Foreign revenue ZMW |
|---|---|
| Switzerland | 12,633,690 |
| Malawi | 45,255 |
| India | 26,115 |
| **Total** | **12,705,060** |

* *Segment assets exclude financial instruments, deferred tax assets/liabilities and employee benefit assets.* **6. Operating segments** (continued)

*in thousands of Kwacha*

**6. Operating segments** *(continued)*

### b) Information about reportable segments

Information recorded on each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Group's Chief Executive Officer is used to measure performance because management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. Only one segment meets the 10% reportable segment criteria per IFRS 8- Segment Reporting. Management has disclosed two additional segments as it deems the additional disclosure useful to users of financial statements. The segment results for the Group were as follows:

**December 2021**

| | Investments | Mining and processing | | | | | | | Technical services | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ZCCM-IH | Mopani Copper Mine Plc | Limestone Resources Limited | Zambia Gold Company Limited | Central African Cement | Kabundi Resources Limited | Kariba minerals Limited | Associates | Misenge Environmental and Technical Services Limited | Others | Consolidation Adjustments | Consolidated |
| | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | | ZMW'000 | ZMW'000 |
| **Revenue from external customers:** | | | | | | | | | | | | |
| Sales | 20,428 | 14,116,217 | 118,995 | 68,283 | - | 5,575 | 26,115 | - | - | 38,145 | - | 14,393,758 |
| Services | - | - | - | - | - | - | - | - | 1,735 | - | - | 1,735 |
| **Total revenue from external customers** | **20,428** | **14,116,217** | **118,995** | **68,283** | **-** | **5,575** | **26,115** | **-** | **1,735** | **38,145** | **-** | **14,395,493** |
| Inter-segment revenue | 59,409 | - | - | - | - | | - | - | 15,379 | - | - | 74,788 |
| **Total segment revenue** | **79,837** | **14,116,217** | **118,995** | **68,283** | **-** | **5,575** | **26,115** | **-** | **17,114** | **38,145** | **-** | **14,470,281** |
| | | | | | | | | | | | | |
| **Consolidated revenue** | **79,837** | **14,116,217** | **118,995** | **68,283** | **-** | **5,575** | **26,115** | **-** | **17,114** | **38,145** | **(74,788)** | **14,395,493** |
| investment income | 968,137 | | | | | | | | | | | 968,137 |
| Interest income | 84,538 | - | - | 1,374 | - | - | - | | - | - | (32) | 85,880 |
| Interest expense | (8,872) | (991,301) | - | - | - | - | (1,599) | | (32) | (10,796) | 32 | (1,012,568) |
| Net impairment of financial assets | 42,816 | - | (1,525) | 269 | - | - | 699 | - | (72) | (9,846) | 30,976 | 63,317 |
| Depreciation and amortisation expense | (13,543) | (1,500,450) | (6,795) | (16,145) | - | (2,763) | (2,771) | - | (342) | (7,812) | 8,663 | (1,541,568) |
| Other income/(expenses) | 436,847 | (13,051,691) | (150,160) | (48,543) | (730) | (3,973) | (22,906) | | (14,012) | (22,242) | (15,724,671) | (28,602,081) |
| **Goodwill impairment** | **14,851,790** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **14,851,790** |
| **Total profit/ (loss) before tax for reported segments** | **1,589,760** | **(1,427,225)** | **(39,485)** | **5,238** | **(730)** | **(1,161)** | **(462)** | **-** | **2,656** | **(12,551)** | **(15,759,820)** | **15,643,780** |
| Income tax credit/(expense) | 86,158 | - | (292) | (5,830) | - | (790) | 7,897 | - | (150) | (20,517) | - | 66,476 |
| Share of profit of equity accounted investees | - | - | - | - | - | - | - | 3,004,542 | - | | - | 3,004,542 |
| **Consolidated profit for the year** | **1,675,918** | **(1,427,225)** | **(39,777)** | **(592)** | **(730)** | **(1,951)** | **7,435** | **3,004,542** | **2,506** | **(33,068)** | **(15,759,820)** | **(12,572,762)** |

## NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

*in thousands of Kwacha*

### 6. Operating segments *(continued)*

#### (b) Information about reportable segments *(continued)*

The following summary describes the operations of each reportable segment.

**December 2021**

| | Investments | Mining and processing | | | | | | | Technical services | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ZCCM-IH | Mopani Copper Mine Plc | Limestone Resources Limited | Zambia Gold Company Limited | Nkandabwe Coal Mine Limited | Kariba minerals Limited | Kabundi Resources Limited | Central African Cement | Misenge Environmental and Technical Services Limited | Others | Consolidation Adjustments | Consolidated |
| | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | | ZMW'000 | ZMW'000 |
| **Segment assets*** | | | | | | | | | | | | |
| Opening balance | 277,461 | - | 52,772 | 38,780 | - | 47,349 | 10,941 | - | 2,421 | 99,821 | - | 529,545 |
| Acquisition of subsidiary | - | 20,343,093 | - | - | - | - | - | - | - | - | - | 20,343,093 |
| Additions | 17,889 | 741,310 | 10,730 | 68,606 | - | 76 | 2,449 | - | 893 | 17,125 | - | 859,078 |
| Movement in inventory | 8,291 | 844,534 | 5,263 | 23,554 | - | (5,802) | - | - | - | 1,086 | - | 876,926 |
| Disposal | (198) | - | - | - | - | - | - | - | - | - | - | (198) |
| Depreciation and amortisation | (13,543) | (1,500,450) | (6,795) | (16,145) | - | (2,771) | (2,763) | - | (342) | (7,812) | 8,663 | (1,541,958) |
| Fair value change | 5,337 | - | - | - | - | - | - | - | - | - | - | 5,337 |
| **Closing balance** | **295,237** | **20,428,487** | **61,970** | **114,795** | - | **38,852** | **10,627** | **-** | **2,972** | **110,220** | **8,663** | **21,061.272** |
| Equity accounted investees | 20,603,089 | - | - | - | - | - | - | - | - | - | (3,535,930) | 17,067,159 |
| Other assets | 4,273,837 | 3,760,838 | 124,484 | 37,639 | 3 | 5,605 | 4,563 | 15 | 11,261 | 1,368,391 | (907,202) | 8,679,434 |
| **Total assets** | **25,172,163** | **24,189,325** | **186,454** | **152,434** | **3** | **44,457** | **15,190** | **15** | **14,233** | **1,478,611** | **(4,434,469)** | **46,818,416** |
| | | | | | | | | | | - | | |
| Segment liabilities | 119,715 | 1,411,505 | - | - | - | - | - | - | 1,897 | - | - | 1,533,117 |
| Other liabilities | 320,254 | 30,295,857 | 71,983 | 17,858 | 38,404 | 43,882 | 1,699 | - | 18,677 | 1,678,576 | (10,796) | 32,476,394 |
| **Total liabilities** | **439,969** | **31,707,362** | **71,983** | **17,858** | **38,404** | **43,882** | **1,699** | **-** | **20,574** | **1,678,576** | **10,796** | **34,009,511** |
| | | | | | | | | | | - | | |
| Cashflows from operating activities | (980,813) | 1,279,446 | 8,378 | 11,215 | - | 7,869 | 2,097 | (730) | (1,185) | 51,791 | (296,431) | 674,499 |
| Cashflows from investing activities | (486,227) | (754,567) | (10,240) | (69,264) | - | (76) | (2,492) | - | (893) | - | 1,003,263 | (320,496) |
| Cashflows from financing activities | (124,457) | - | 1,410 | 43,095 | - | (1,894) | 2,292 | 730 | (148) | - | (323,722) | (402,694) |

** Other Assets include financial instruments, deferred tax assets/liabilities and employee benefit assets.*

**December 2020**

*in thousands of Kwacha*

## 6. Operating segments (continued)

### (b) Information about reportable segments *(continued)*

| | Investments | Mining and processing | | | | | | Technical services | Other | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | ZCCM-IH | Limestone Resources Limited | Zambia Gold Company Limited | Central African Cement | Nkandabwe Coal Mine Limited | Kabundi Resources Limited | Kariba minerals Limited | Misenge Environmental and Technical Services Limited | | Consolidation Adjustments | Consolidated |
| | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | | ZMW'000 | ZMW'000 |
| **Revenue from external customers:** | | | | | | | | | | | |
| Sales | 3,695 | 96,464 | 59,701 | - | - | 912 | 12,435 | - | - | - | 173,207 |
| Services | - | - | - | - | - | - | - | 1,589 | - | - | 1,589 |
| **Total revenue from external customers** | **3,695** | **96,464** | **59,701** | **-** | **-** | **912** | **12,435** | **1,589** | **-** | **-** | **174,796** |
| Inter-segment revenue | - | - | - | - | - | | - | 22,899 | - | (22,899) | - |
| **Total segment revenue** | **3,695** | **96,464** | **59,701** | **-** | **-** | **912** | **12,435** | **24,488** | **-** | **(22,899)** | **174,796** |
| **Revenue** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total revenue from reportable segments** | **3,695** | **96,464** | **59,701** | **-** | **-** | **912** | **12,435** | **24,488** | **-** | **(22,899)** | **174,796** |
| Elimination of inter segment revenue | - | - | - | - | - | - | - | (22,899) | - | - | (22,899) |
| **Consolidated revenue** | **3,695** | **96,464** | **59,701** | **-** | **-** | **912** | **12,435** | **1,589** | **-** | **(22,899)** | **151,897** |
| Interest income | 17,271 | - | - | - | - | - | - | - | 191,862 | (333) | 208,800 |
| Interest expense | 2,715 | - | - | - | - | - | 1,621 | - | (98,160) | (557) | (94,381) |
| Impairment of financial assets | 61,487 | - | 269 | - | - | - | 228 | 22 | (22,062) | (3,689) | 36,255 |
| Depreciation and amortisation | 11,960 | 1,781 | 2,790 | - | - | 1,576 | 2,758 | 402 | (10,017) | - | 11,250 |
| Other Income/(Expenses) | 683,718 | (101,942) | (20,406) | (708) | - | (3,914) | (28,786) | 1,105 | (119,202) | 142,001 | 551,866 |
| **Total profit/ (loss) before tax for reported segments** | **780,846** | **(3,697)** | **42,354** | **(708)** | **-** | **(1,426)** | **(11,744)** | **3,118** | **(57,579)** | **114,523** | **865,687** |
| Income tax credit/(expense) | (108,136) | (14) | (10,334) | - | - | 468 | 558 | - | - | 926 | (116,532) |
| Share of profit of equity accounted investees | - | - | - | - | - | - | - | - | - | 1,487,537 | 1,487,537 |
| **Consolidated profit for the year** | **672,710** | **(3,711)** | **32,020** | **(708)** | **-** | **(958)** | **(11,186)** | **3,118** | **(57,579)** | **1,602,986** | **2,236,692** |

* Segment assets exclude financial instruments, deferred tax assets/liabilities and employee benefit assets.

*Group reconciliation of reported assets and liabilities*

**i.** Other assets consist trade and other receivables, term deposits, cash and cash equivalents.

**ii.** Other liability includes tax liabilities, retirement benefits, environmental liability and legal provision.

**iii.** Elimination adjustments relate to intersegment transactions. The adjustment to other liabilities relates to the elimination of shareholder loans and the reclassification of deferred tax liabilities.

The following summary describes the operations of each reportable segment.

*in thousands of Kwacha*

## 6. Operating segments (continued)

### (b) Information about reportable segments *(continued)*

### December 2020

| | Investments | | | | | Mining and processing | | Technical services | Other | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | ZCCM-IH | Limestone Resources Limited | Zambia Gold Company Limited | Central African Cement | Nkandabwe Coal Mine Limited | Kariba minerals Limited | Kabundi Resources Limited | Misenge Environmental and Technical Services Limited | | Consolidation Adjustments | Consolidated |
| | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | | ZMW'000 | |
| **Segment assets*** | | | | | | | - | | | | |
| Opening balance | 257,057 | 110,396 | - | - | - | 43,083 | 4,106 | 2,451 | 42,926 | - | 460,019 |
| Additions | 27,675 | - | 36,875 | - | - | 15 | 8,411 | 372 | - | - | 73,348 |
| Movement in inventory | - | 23,266 | 3,947 | - | - | 7,009 | - | - | - | - | 34,222 |
| Disposal | (1,293) | - | - | - | - | - | - | - | - | - | (1,293) |
| Depreciation and amortisation | (11,960) | (1,781) | (2,790) | - | - | (2,758) | (1,576) | (402) | - | - | (21,267) |
| Impairment | - | (110,396) | - | - | - | - | - | - | - | - | (110,396) |
| Transfer | (748) | 31,287 | 748 | - | | - | - | | - | | 31,287 |
| Fair value change | 6,730 | - | - | - | - | - | - | - | - | - | 6,730 |
| **Closing balance** | **277,461** | **52,772** | **38,780** | **-** | **-** | **47,349** | **10,941** | **2,421** | **42,926** | **-** | **472,650** |
| Equity accounted investees | 20,666,806 | - | - | - | - | - | - | - | - | (1,315,806) | 19,351,000 |
| Other assets | 2,532,622 | 20,287 | 67,923 | - | 3 | 4,672 | 2,449 | 6,939 | 1,215,331 | (377,578) | 3,472,648 |
| **Total assets** | **23,476,889** | **73,059** | **106,703** | **-** | **3** | **52,021** | **13,390** | **9,360** | **1,258,257** | **(1,693,384)** | **23,296,298** |
| Segment liabilities | 197,103 | - | - | - | - | - | - | 1,461 | - | - | 198,564 |
| Other liabilities | 6,820,450 | 199,008 | 239 | - | 38,404 | 58,880 | - | 16,646 | 1,423,669 | (6,463,979) | 2,093,317 |
| **Total liabilities** | **7,017,553** | **199,008** | **239** | **-** | **38,404** | **58,880** | **-** | **18,107** | **1,423,669** | **(6,463,979)** | **2,291,881** |
| Cashflows from operating activities | (76,931) | (20,581) | 29,811 | (708) | - | (12,176) | 25 | 1,955 | 135,208 | (295,191) | (238,588) |
| Cashflows from investing activities | (14,357) | (31,288) | (37,623) | - | - | (15) | (12,517) | (125) | (3,560) | (67,362) | (166,847) |
| Cashflows from financing activities | 151,328 | 55,516 | 59,539 | 708 | - | 4,324 | 14,109 | - | (6,358) | (10,745) | 268,421 |

* Segment assets exclude financial instruments, deferred tax assets/liabilities and employee benefit assets.

*Group reconciliation of reported assets and liabilities*

**i.** Other assets consist trade and other receivables, term deposits, cash and cash equivalents.

**ii.** Other liability includes tax liabilities, retirement benefits, environmental liability and legal provision.

**iii.** Elimination adjustments relate to intersegment transactions. The adjustment to other liabilities relates to the elimination of

**iv.** shareholder loans and the reclassification of deferred tax liabilities.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*

*in thousands of Kwacha*

## 7. Revenue from contracts with customers

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Sales of goods transferred at a point in time | 14,769,856 | 173,207 | 79,837 | 3,695 |
| Realisation charges (i) | (376,098) | - | - | - |
| Services transferred over time | 1,735 | 1,589 | - | - |
| | **14,395,493** | **174,796** | **79,837** | **3,695** |

**i.** *Realisation charges*

*Realisation charges relate to deductions from the purchase price in line with the sales agreement which includes freight and transportation costs*

## 8. Investment income

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Dividends receivable | - | - | 956,437 | 208,898 |
| Interest income | 13,042 | 16,938 | 11,700 | 17,271 |
| **Total investment income** | **13,042** | **16,938** | **968,137** | **226,169** |

## 9. Other income

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Management fees | 223 | - | 8,923 | - |
| Forex Trading | 15,132 | 16,456 | - | - |
| Fair value adjustment- investment property (note 21) | 5,337 | 3,969 | 5,337 | 3,969 |
| Rental income | 10,632 | 9,827 | 10,774 | 9,975 |
| Gain on disposal of property, plant, and equipment | 738 | 271 | 248 | 271 |
| Gain from Debt written off (note 23e) | - | 64,278 | - | - |
| Sundry income (i) | 204,660 | 577,877 | 10,299 | 2,128 |
| | **236,722** | **672,678** | **35,581** | **16,343** |

**i.** *Sundry income*

*Sundry income mainly includes income such as core shed viewing/sampling, sale of scrap.*

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 10. Net impairment losses on financial assets

Movements on the provision for impairment of loans and receivables are as follows:

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Balance at 1 Jan | 1,228,645 | 1,171,111 | 1,695,601 | 1,634,114 |
| Impairment recognised | 45,794 | (163,676) | 81,272 | 144,784 |
| Impairment recoveries | (109,111) | (83,297) | (124,088) | (83,297) |
| Net impairment (release)/expense recognised | (63,317) | 80,379 | (42,816) | 61,487 |
| Reclassified to assets held for sale | (31,627) | (22,062) | (65) | - |
| Receivables written off | (6,573) | - | (6,573) | - |
| Disposed off subsidiary | - | (783) | - | - |
| **Balance at 31 Dec** | **1,127,128** | **1,228,645** | **1,646,147** | **1,695,601** |

## 11. Expenses by nature

Profit before income tax is stated after charging:

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| ***Cost of sales*** | | | | |
| Inventory movements | 6,212,909 | 62,852 | 77,707 | 3,000 |
| Mining and mineral processing costs | 3,876,795 | 20,680 | - | - |
| Employee costs | 1,259,808 | 12,116 | - | - |
| Depreciation and amortisation | 1.515,948 | 4,085 | - | - |
| Other cost of sales | 1,365,573 | 16,075 | - | - |
| | **14,231,033** | **115,808** | **77,707** | **3,000** |
| ***Administration expenses*** | | | | |
| Depreciation and amortisation | 26,010 | 24,381 | 13,543 | 11,960 |
| Auditors' remuneration | 3,196 | 94,046 | 859 | 1,800 |
| Employee costs | 1,292,822 | 325,738 | 108,765 | 87,453 |
| Environmental consultancy expenses | - | | 7,473 | 9,430 |
| Provision for environmental rehabilitation | 128,771 | | 28,104 | - |
| Impairment of property plant and equipment | - | 110,396 | - | - |
| Corporate and other administration expenses | - | - | 214,173 | 245,271 |
| Legal expenses | 151,300 | 165,200 | - | - |
| Investments expenses | 138,100 | 30,560 | - | - |
| ***Total Administration expenses*** | **1,740,199** | **750,321** | **372,917** | **355,914** |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 12. Personnel expenses

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | Dec 2020 | 31 Dec 2021 | Dec 2020 |
| Salaries and wages | 2,466,530 | 221,431 | 101,668 | 82,214 |
| Retirement benefit costs: | | | | |
| Defined benefit scheme (note 37) | 82,614 | 5,592 | 4,979 | 3,335 |
| Mukuba Pension Scheme | 972 | 869 | 972 | 869 |
| Social Security Funds | 2,514 | 1,455 | 1,146 | 1,035 |
| **Total Employees Cost** | **2,552,630** | **229,347** | **108,765** | **87,453** |

## 13. Finance income and finance costs

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Interest on borrowings | (1,012,568) | (5,121) | (8,872) | (2,715) |
| Exchange differences* | (321,912) | (21,797) | (318,344) | (11,837) |
| Unwinding of discount on site restoration | (14,271) | (1,981) | - | - |
| **Finance costs** | **(1,348,751)** | **(28,899)** | **(327,216)** | **(14,552)** |
| | | | | |
| Interest income from associate companies | 72,838 | 64,170 | 72,838 | 64,170 |
| Exchange differences | 409,868 | 616,940 | 2,391 | 613,422 |
| **Finance income** | **482,706** | **681,110** | **75,229** | **677,592** |
| **Net finance income recognised in profit or loss** | **(866,045)** | **652,211** | **(251,987)** | **663,040** |

## 14. Income tax expense

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Amounts recognised in profit or loss: | | | | |
| Current income tax | (27,985) | (37,121) | (27,295) | (26,476) |
| Deferred income tax charge/(Credit )(note 36) | 94,461 | (79,411) | 113,453 | (81,660) |
| **Total Income tax expenses** | **66,476** | **(116,532)** | **86,158** | **(108,136)** |

*The tax on the Group and Company profit before income tax (excluding tax charge on assets held for sale) differs from the theoretical amount that would arise using the statutory income tax rate as follows:*

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 14. Income tax expense *(continued)*

| | Group | | Company | |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| (Loss)/Profit before income tax | (12,639,238) | 2,353,224 | 1,589,760 | 780,846 |
| Less: share of profit from equity accounted associates | (3,004,542) | (1,487,537) | - | - |
| | **(15,643,780)** | **865,687** | **1,589,760** | **780,846** |
| Tax calculated at rates applicable to profits @ 30% Tax effect of: | (5,475,323) | 302,990 | 556,416 | 273,296 |
| Non-deductible expenses | 5,553,667 | 8,234 | 13,222 | 8,234 |
| Non-disallowable income | (410,352) | (145,578) | (410,352) | (122,519) |
| Income taxed at a lower rate* | (315,580) | (50,875) | (315,580) | (50,875) |
| Over recognition in prior years on deferred income tax | - | (8) | - | - |
| Effect of change in the deferred tax rate | 70,135 | - | 70,136 | - |
| Unrecognised deferred tax losses | 510,977 | 1,769 | - | - |
| | **(66,476)** | **116,532** | **(86,158)** | **108,136** |

** Income taxes at lower rate relates to rental income and dividends taxed at 15% and 0% respectively. Dividend income received from Zambian mines is subject to zero tax. Dividend taxed at 0% tax rate amounted to ZMW810.65 million (2020: ZMW44.00 million).*

*** Included in the Non- Deductible are expenses that are not allowable for deduction for tax purposes, these include items such as impairment of goodwill amount to ZMW 14.85 billion, unrealised exchanges gains amount to about ZMW 360 million.*

Current income tax movement in the statement of financial position:

| | Group | | Company | |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Opening balance 1 Jan | 214,527 | 212,309 | 205,781 | 214,208 |
| Charge for the year | 27,985 | 37,121 | 27,295 | 26,476 |
| Tax paid | (39,949) | (34,903) | (30,840) | (34,903) |
| **Closing balance** | **202,563** | **214,527** | **202,236** | **205,781** |

## 15. Earnings per share

### a) Basic earnings per share

The calculation of basic earnings per share has been calculated based on profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

## NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

*in thousands of Kwacha*

### 15. Earnings per share *(continued)*

#### a) Basic earnings per share

##### i. Profit/(loss) attributable to ordinary shareholders (basic)

| | 31-Dec 2021 | 31-Dec 2020 |
|---|---|---|
| **Group** | | |
| (Loss)/profit for the year | (12,572,762) | 2,236,692 |
| **Company** | | |
| Profit attributable to ordinary shareholders | 1,675,918 | 672,710 |

##### ii. Weighted average number of shares (basic)

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Opening balance at 1 January | 160,800,286 | 160,800,286 |
| **Closing balance** | **160,800,286** | **160,800,286** |

The weighted average number of shares is determined by taking the number of additional shares issued and multiplying by the number of days the new shares were in issue over the reporting period.

#### b) Diluted earnings per share

There were no potentially dilutive shares outstanding at 31 December 2021 (2020: nil). Diluted earnings per share are therefore the same as basic earnings per share.

### 16. Dividends per share

Subsequent to the year end a dividend of ZMW2.09 per share was declared for the year ended 31 December 2021 results (2020: ZMW0.53 per share). In 2021, a dividend of ZMW53.076 million was declared for the year ended 31 December 2020 results.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 17. Property, plant and equipment

Reconciliation of carrying amount

**Group**

| | Land and buildings | Plant and equipment | Vertical and Rotary Kilns | Mine Development | Motor Vehicles | Work in progress | Total |
|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | |
| Balance at 1 January 2020 | 107,065 | 333,951 | 187,529 | - | 86,807 | 671,454 | 1,386,806 |
| Additions | 6,264 | 14,565 | - | - | 13,621 | - | 34,450 |
| Transfers | 671 | 1,139 | (1,730) | - | 3,805 | (3,885) | - |
| Adjustment* | 2,183 | (4,738) | - | - | 3,259 | - | 704 |
| Revaluation surplus on transfer to Invesment property | 2,761 | - | - | - | - | - | 2,761 |
| Transfer to investment property*** | (12,150) | - | - | - | - | - | (12,150) |
| Disposal | - | - | - | - | (4,633) | - | (4,633) |
| Ndola Lime Assets dispossed off** | - | (272,667) | (185,799) | - | - | (556,186) | (1,014,652) |
| **Balance at 31 December 2020** | **106,794** | **72,250** | - | - | **102,859** | **111,383** | **393,286** |
| Balance at 1 January 2021 | 106,794 | 72,250 | - | - | 102,859 | 111,383 | 393,286 |
| Transfers | - | 2,470 | | 330,534 | 33,289 | (366,293) | - |
| Acquisition through business combination | 509,762 | 9,895,577 | - | 1,916,830 | 442,062 | 577,087 | 13,341,318 |
| Additions | 3,894 | 39,443 | - | - | 21,030 | 745,566 | 809,933 |
| Disposal | (6,253) | - | - | - | (199,878) | - | (206,131) |
| **Balance at 31 December 2021** | **614,197** | **10,009,740** | **-** | **2,247,364** | **399,362** | **1,067,743** | **14,338,406** |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Balance at 1 January 2020 | 6,045 | 295,205 | 183,292 | - | 66,923 | 536,216 | 1,087,681 |
| Charge for the year | 3,362 | 8,603 | 230 | - | 10,455 | - | 22,650 |
| Transfer to investment property | (410) | - | - | - | - | - | (410) |
| Adjustment* | 2,183 | (2,183) | - | - | 704 | - | 704 |
| Disposal | - | - | - | - | (3,340) | - | (3,340) |
| Impairment | - | - | - | - | - | 110,396 | 110,396 |
| Ndola Lime Assets dispossed off** | - | (272,667) | (183,522) | - | - | (535,229) | (991,418) |
| **Balance at 31 December 2020** | **11,180** | **28,958** | **-** | **-** | **74,742** | **111,383** | **226,263** |
| Balance at 1 January 2021 | 11,180 | 28,958 | - | - | 74,742 | 111,383 | 226,263 |
| Charge for the year | 144,522 | 1,039,541 | - | 221,540 | 55,021 | - | 1,460,624 |
| Disposal | (6,253) | - | - | - | (199,680) | - | (205,933) |
| **Balance at 31 December 2021** | **149,449** | **1,068,499** | **-** | **221,540** | **(69,917)** | **111,383** | **1,480,954** |
| **Carrying amounts** | | | | | | | |
| **Balance at 31 December 2020** | **95,614** | **43,292** | **-** | **-** | **28,117** | **-** | **167,023** |
| **Balance at 31 December 2021** | **464,748** | **8,941,241** | **-** | **2,025,825** | **469,279** | **956,359** | **12,857,452** |

* *Adjustments relates to fully depreciated assets that were omitted during transition to new accounting system with zero impact on the carrying amount.*

** *These refer to assets that were scrapped off during the transfer of assets and liabilities from Ndola Lime to Limestone Resources. Refer to Note 23(f)*

*** *Transferred PPE to investment properties relates to separately identifiable office block, that was initially planned to be owner occurred, but was since re-purposed and has been rented out. Tenants occurred the said premises in 2021.*

## NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

*in thousands of Kwacha*

**17. Property, Plant and Equipment** *(continued)*

**i. Impairment**

Property, plant and equipment are reviewed for impairment in accordance with note 45 (j)(ii) and no assets were impaired during the year.

**ii. Assets pledged as security**

Refer to note 40 (vii) for information on non-current assets pledged as security by the Group.

**iii. Leased plant and equipment**

The Group did not have any assets under lease as at 31 December 2021 (2020: nil).

**iv. Borrowing costs**

There were no borrowing costs included in property, plant, and equipment during the period (2020: nil) in respect of the construction works. The borrowing cost at group level mostly relating to Mopani and do not qualify for capitalisation

**v. Work in progress**

Work in progress relates to the Group's property plant and equipment in transit and under construction.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*

*in thousands of Kwacha*

**17. Property, Plant and Equipment** *(continued)*

**Reconciliation of carrying amount**

| Company | Land and buildings | Plant and equipment | Motor vehicles | Work in progress | Total |
|---|---|---|---|---|---|
| **Cost or revaluation** | | | | | |
| **Balance at 1 January 2020** | **67,048** | **16,361** | **28,100** | **4,872** | **116,381** |
| Additions | 335 | 3,821 | 8,855 | - | 13,011 |
| Transfers | 671 | 40 | 2,426 | (3,137) | - |
| Transfer to investment property | (9,389) | - | - | - | (9,389) |
| Transfer to equity investment* | - | - | - | (748) | (748) |
| Adjustment** | - | - | 704 | - | 704 |
| Disposal | - | - | (4,633) | - | (4,633) |
| **Balance at 31 December 2020** | **58,665** | **20,222** | **35,452** | **987** | **115,326** |
| Balance at 1 January 2021 | 58,665 | 20,222 | 35,452 | 987 | 115,326 |
| Additions | 1,034 | 7,149 | 3,967 | - | 12,150 |
| Disposal | - | - | (3,781) | - | (3,781) |
| **Balance at 31 December 2021** | **59,699** | **27,371** | **35,638** | **987** | **123,695** |
| **Accumulated depreciation and impairment losses** | | | | | |
| **Balance at 1 January 2020** | **1,209** | **11,393** | **14,353** | **987** | **27,942** |
| Charge for the year | 1,610 | 3,029 | 6,739 | - | 11,378 |
| Transfer to investment property | (410) | - | - | - | (410) |
| Adjustment** | - | - | 704 | - | 704 |
| Disposal | - | - | (3,340) | - | (3,340) |
| **Balance at 31 December 2020** | **2,409** | **14,422** | **18,456** | **987** | **36,274** |
| **Balance at 1 January 2021** | **2,409** | **14,422** | **18,456** | **987** | **36,274** |
| Charge for the year | 1,381 | 3,810 | 7,374 | - | 12,565 |
| Disposal | - | - | (3,583) | - | (3,583) |
| **Balance at 31 December 2021** | **3,790** | **18,232** | **22,247** | **987** | **45,256** |
| **Carrying amount** | | | | | |
| **Balance at 31 December 2020** | **56,256** | **5,800** | **16,996** | **-** | **79,052** |
| **Balance at 31 December 2021** | **55,909** | **9,139** | **13,391** | **-** | **78,439** |

**Transfer to equity investments relates to assets that were transferred to a subsidiary Company as part of equity investments which was done in 2020 which related to asset movement from ZCCM-IH Company to Zambia Gold as an increase in investment.*

***Adjustments relates to fully depreciated assets that were omitted during transition to new accounting system with zero impact on the carrying amount.*

**Revaluation**

Buildings were revalued on 31 March 2019, by independent registered valuers, Sandridge Associates. Valuations were made based on the Open Market Value. The Company revalue land and buildings every three years. The carrying values of the properties were adjusted to their revalued amounts and the resultant surplus net of deferred income tax was credited to the revaluation surplus in shareholders' equity. The carrying values of property, plant and equipment approximates their fair values. Revaluations are done with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value.

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

The carrying amounts of revalued land and buildings were stated on the historical cost basis, the amounts would be as follows:

*in thousands of Kwacha*

**17. Property, Plant and Equipment** *(continued)*

| | 31 Dec 2021 ZMW,000 | 31 Dec 2020 ZMW,000 |
|---|---|---|
| **Land and buildings** | | |
| Cost | 38,489 | 38,489 |
| Accumulated depreciation | (3,332) | (2,401) |
| Net book amount | **35,157** | **36,088** |

**18. Exploration and evaluation asset**

| Reconciliation of carrying amount<br>Cost | Group<br>ZMW'000 |
|---|---|
| Balance at 1 January 2020 | - |
| Additions | 22,428 |
| **Balance at 31 December 2020** | **22,428** |
| Balance at 1 January 2021 | 22,428 |
| Additions | 26,939 |
| **Balance at 31 December 2021** | **49,367** |
| | |
| **Accumulated depreciation and impairment losses** | |
| Balance at 1 January 2020 | - |
| Charge for the year | 1,724 |
| **Balance at 31 December 2020** | **1,724** |
| Balance at 1 January 2021 | 1,724 |
| Charge for the year | 8,654 |
| **Balance at 31 December 2021** | **10,378** |
| | |
| **Carrying amount** | |
| **Balance at 31 December 2020** | **20,704** |
| **Balance at 31 December 2021** | **38,989** |

Exploration and evaluation assets represent costs capitalized by the Group in relation to diamond drilling, laboratory analysis of drilling core samples, geochemical and geophysical studies as well as costs incurred in acquisition of rights to explore the license area in Kasenseli, Mwinilunga district. The site has been deemed to possess commercial reserves. A total of 128 kilograms of gold has been recovered from commencement of exploration in June 2020. The Group has further been able to sell a total of 110 kilograms (48 kilograms in 2020 and 62 kilograms in 2021) of the recovered gold to the Bank of Zambia (BOZ) valued at ZMW127.98 million. (This amount has been recognised as revenue in the current and preceding year in accordance with Note 45 (m). The project is still in its exploration stage and is yet to reach its full commercial production level. The Group classifies exploration and evaluation assets as tangible assets.

The following are the income and expenses, assets, liabilities, and operating and investing cash flows arising from the exploration and evaluation asset:

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**18. Exploration and evaluation***(continued)*

| 2021 | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Revenue | 70,229 | 59,701 |
| Cost of sales and expenses | (64,991) | (17,246) |
| Income tax expense | (5,830) | (10,370) |
| **(Loss)/profit for the year** | **(592)** | **32,085** |
| | | |
| Non-current assets | 87,952 | 34,833 |
| Current assets | 64,482 | 71,826 |
| **Total assets** | **152,434** | **106,659** |
| | | |
| Non-current liabilities | 5,337 | - |
| Current liabilities | 12,521 | 16,616 |
| **Total liabilities** | **17,858** | **16,616** |
| | | |
| Net cash from operating activities | 11,215 | 31,392 |
| Net cash used in investing activities | (69,264) | (37,623) |
| Net cash from financing activities | 43,095 | 57,958 |
| **Net cash outflow** | **(14,954)** | **51,727** |

**19. Intangible assets**

The Group's intangible assets relate to mineral rights, brand and acquired computer software programmes while the company assets relate to computer software.

**Reconciliation of carrying amount:**

| | | | Group | Company |
|---|---|---|---|---|
| | Mineral Rights | Computer software | Total Group intangible assets | Computer software |
| **Cost** | | | | |
| Balance at 1 January 2020 | - | 3,212 | 3,212 | 2,864 |
| Additions | - | 683 | 683 | 683 |
| **Balance at 31 December 2020** | - | **3,895** | **3,895** | **3,547** |
| Balance at 1 January 2021 | - | 3,895 | 3,895 | 3,547 |
| Acquisition through business combination | 3,281,457 | - | 3,281,457 | - |
| Additions | - | 2,808 | 2,808 | 2,766 |
| **Balance at 31 December 2021** | **3,281,457** | **6,703** | **3,288,160** | **6,313** |
| **Amortisation** | | | | |
| Balance at 1 January 2020 | - | (2,564) | (2,564) | (2,216) |
| Amortisation | - | (582) | (582) | (582) |
| **Balance at 31 December 2020** | - | **3,146** | **3,146** | **(2,798)** |
| Balance at 1 January 2021 | - | (3,146) | (3,146) | (2,798) |
| Amortisation | (71,692) | (988) | (72,680) | (978) |
| **Balance at 31 December 2021** | **(71,692)** | **(4,134)** | **(75,826)** | **(3,776)** |
| **Carrying amount** | | | | |
| Balance at 31 December 2020 | - | 749 | 749 | 749 |
| **Balance at 31 December 2021** | **3,209,765** | **2,569** | **3,212,334** | **2,537** |

*in thousands of Kwacha*

## 20. Goodwill

The movements in the net carrying amount of goodwill are as follows:

| | 31 Dec 2021 ZMW'000 | 31 Dec 2020 ZMW'000 |
|---|---|---|
| **Gross carrying amount** | | |
| **At 1 Jan** | **-** | **119,818** |
| Acquired through business combination (Note 23(d)) | 14,851,790 | - |
| **At 31 Dec** | **14,851,790** | **119,818** |
| | | |
| **Impairment** | | |
| **At 1 Jan** | - | - |
| Impairment loss recognised | 14,851,790 | 119,818 |
| **At 31 Dec** | **14,851,790** | **119,818** |
| **Carrying amount at 31 December** | - | - |

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

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

**Mopani Copper Mine CGU**

On 31 March 2021, the ZCCM-IH Shareholders approved the ZCCM-IH's acquisition of the remaining 90% interest in Mopani held by Carlisa Investments Corp ("Carlisa") for a US$1 consideration and ZMW 33.1billion (US$1.50 billion) in Transaction Debt. The acquisition of 90% of the issued shares in Mopani Copper Mine Plc will result in ZCCM-IH being the holder of 100% of the issued shares in the Company.

As at 31 March 2021, Goodwill amounting to ZMW14.86 billion was recognized. The goodwill is attributable to Mopani's strong position as a Grade A copper producer in the mining industry and other factors such as assembled workforce.

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

## NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
*in thousands of Kwacha*

**20. Goodwill** *(continued)*

| Cash Generating Unit | Method Used and Assumptions |
|---|---|
| **Mopani Copper Mine Plc** | Method Used to determine recoverable amount: Fair Value less cost to Sell using discounted cashflow method (DCF)<br><br>Assumptions as at 31 March 2021.<br><br>• WACC impact Excluding SRP -computations for the assets under consideration implied a WACC ranging from 13.71% to 15.96%. The WACC applied for the analysis had been based on the low range of 13.71% to determine the high end of our valuation range.<br>• WACC impact including SRP -Included 1.5-2% specific risk premium to cater for risk of inferred resources being included in LOM valuation and capex funding uncertainty.<br>• CAPEX of ZMW 7.8billion (US$355.3million) was used which was aligned with the status of expansion projects at valuation date.<br>• Copper prices were obtained from Glencore publications.<br>• Tax adjustments which had been adjusted for the impact of disallowed interest expenses.<br>• Outside (Life of Mine) LoM Resources- Included outside LoM resources as a terminal value in the model.<br>• The resources used for the outside LoM is the reserves in the competent person report |

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

Several economic factors deteriorated during the intervening period to year end caused by the country default on its national debt. An impact of this deterioration was a change in the country risk premium from around 8.31% to around 16.11%. As a result, the directors determined that the carrying amount of goodwill for Mopani Copper Mines Plc exceeded the recoverable amount. Accordingly, the full amount of ZMW14,862 million was impaired.

**Assumptions as at 31 December, 2021.**

| Cash Generating Unit | Method Used and Assumptions |
|---|---|
| **Mopani Copper Mine Plc** | Method Used to determine recoverable amount: Fair Value less cost to Sell.<br><br>The Fair Value of Mopani Copper Mines Plc was determined using a discounted cashflow method.<br><br>Key Assumptions<br><br>Commodity price assumptions and Mineral Royalty Tax<br><br>For the period between 2022 and 2024, the average copper and gold price used were obtained from a sample of investment banks. From 2025 onwards, a flat rate of US$3.95 /lb copper and US$1,631/oz gold was used.<br><br>• The Mineral Royalty Tax for copper (a sliding scale – between 10% - 5.5%, with the higher bands being: 10% for Cu price over US$4.08/lb, 8.5% for price between US$4.08/lb – US$3.4/lb and 7.5% for prices between US$3.4 – US$2.72/lb) is assumed to be 8.5% over the LOM.<br><br>• The MRT for cobalt revenue, which is fixed, remains at 8.0%.<br><br>**Cash flow period**<br>Life of mine (LOM) was estimated to be 19 years. |

**20. Goodwill** (continued)

*in thousands of Kwacha*

**Assumptions as at 31 December, 2021** *(continued)*

| Cash Generating Unit | Method Used and Assumptions |
|---|---|
| **Mopani Copper Mine Plc** | **Growth Rate**<br>The growth rate was based on the spread of the proven and probable mineral ore reserves as determined by the mine plan which incorporates mining methods applicable at each stage of the cashflow.<br><br>**Net working capital**<br>The forecast net working capital movements for were from 2022 to 2045<br><br>**Depreciation**<br>Forecast depreciation for Mopani from 2022 to 2045.<br><br>**Operating costs and profitability**<br>Operating cost forecasts for Mopani were obtained from the Mopani LOM. The operating costs were categorised as mining, processing, technical, corporate, general administration, royalties and other costs.<br><br>**Net debt**<br>As at 31 December 2021, Mopani had ZMW 86million (US$ 3.9million) drawn in overdraft, a long-term obligation of ZMW 33billion (US$1.5 billion) to Glencore and cash amounting to ZMW 103.9million (US$4.7million).<br><br>**Free Cash Flows**<br>The free cash flow for Mopani is the cash generated from operations, less capex and adjusted for working capital movements.<br><br>**WACC**<br>Capital structure<br>Mopani's equity value was nil, with significant long-term debt of ZMW 33billion (US$1.5 billion). To calculate a levered beta for Mopani, a target debt-to-equity ratio derived from a peer group of mining companies was applied. This ratio was utilized when determining the relevered beta for the cost of equity calculation.<br><br>**WACC**<br>The cost of equity has been calculated based on:<br>A risk-free rate of 1.5%, which is the yield on the ten-year U.S. treasury-bond.<br>An equity market risk premium of 16.1% for Zambia, comprised of a country risk premium and a market premium.<br><br>Target capital structure assumes 85.7% equity, and 14.3% debt;<br>• Unlevered beta of 0.95 based on a peer group of mining companies remains the same |

**Foreign Exchange Effects on Goodwill.**

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

**Kariba Minerals Limited CGU**

As at 31 December, 2021, The directors established impairment indicators which triggered an impairment assessment to derive a recoverable amount. This was due to the impact of COVID 19 pandemic, limited market for amethyst products and other economic challenges. Further, Kariba Minerals Limited recorded a loss of ZMW11.2 million for the year ended 31 December 2020 and its liabilities exceeded its assets by ZMW6.9 million as at 31 December 2020.

The recoverable amount was computed by discounting the Company's free cashflows using an 16.5% discount rate adjusted for market risk and specific company/segment risk. And as such, goodwill impairment relating to the subsidiary of ZMW119.82 million was recorded, as the recoverable amount was less than the total carrying value plus goodwill recorded as of 31 December 2021.

## NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

*in thousands of Kwacha*

### 20. Goodwill *(continued)*

**Kariba Minerals Limited CGU** *(continued)*

| Cash Generating Unit | Method Used and Assumptions |
|---|---|
| **Kariba Minerals Limited** | **Method Used to determine recoverable amount: Fair Value less cost to Sell using discounted cashflow method (DCF)**<br><br>The Fair Value less cost to Sell using discounted cashflow method (DCF) of the Kariba Minerals Limited was determined using a discounted cashflow method.<br><br>This discounted cashflow method considered the present value of net cash flows from the CGU and the expected growth rate.<br><br>**Key assumptions:**<br><br>- **Discount rate:** A discount rate of 16.5% was used. If the discount rate used changed by 0.5%, the value of the CGU would be (lower)/higher than 16.5% the value of CGU would have been higher/(lower) by ZMW 5.3million<br><br>- **Growth rate:** A 5% growth rate was used in extrapolating cashflow forecasts. If the growth rate used was (lower)/higher than 5% the value of CGU would have been (lower)/higher by ZMW 1.607m<br><br>- **Cashflow period:** A 5-year cashflow from financial budgets approved by management for the five years and extrapolated for the next five years based on an estimated growth rate of 5%. |

### 21. Investment property

#### i. Reconciliation of carrying amounts

| | Group | | Company | |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Balance at 1 January | 183,917 | 167,970 | 183,917 | 167,970 |
| Additions | 2,973 | 238 | 2,973 | 238 |
| Reclassification from Property, Plant and Equipment (Note 17) | - | 11,740 | - | 11,740 |
| Change in fair value (Note 9) | 5,337 | 3,969 | 5,337 | 3,969 |
| **Closing balance** | **192,227** | **183,917** | **192,227** | **183,917** |

#### ii. Amounts recognised in profit or loss for investment properties

| | Group | | Company | |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Rental income from operating leases | 10,632 | 9,827 | 10,774 | 9,975 |
| Direct operating expenses from property that generated rental income | (3,744) | (2,716) | (3,744) | (2,716) |
| Fair value gain recognised in other income | 5,337 | 3,969 | 5,337 | 3,969 |

*in thousands of Kwacha*

## 21 Investment property *(continued)*

### iii. Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable quarterly. Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. There are no variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the group may obtain three months rental deposit for the term of the lease.

| | Group and Company | |
|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 |
| **Within 1 year** | **6,935** | **7,347** |

### iv. Measurement of fair value

Investment properties, principally office buildings and residential apartments, are held for long-term rental yields. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

***Fair value hierarchy***

The fair value of investment property for the Company was determined, as at 31 December 2021 by Sherwood Green Property Consultants, who are sufficiently independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value measurement for investment property of ZMW 192 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

***Valuation techniques and significant unobservable inputs***

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used

| Valuation Technique | Significant Unobservable Inputs | Inter-Relationships Between Key Unobservable Inputs And Fair Value Measurement |
|---|---|---|
| The valuation technique used is the Discounted Cash Flows. This valuation method considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs sum as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary) tenant credit quality | • Expected market rental growth (3 - 5%. Weighted average 4%) (2021: 4%, 2020: 4%)<br>• Void periods (average 6 months after the end of each lease) (2021: 6 months, 2020: 6 months)<br>• Occupancy rate (90-95%, weighted average 90%) (2021: 90%, 2020: 90%)<br>• Rent-free periods (1-month period on new leases) (2021: 1 month, 2020: 1 month)<br>• Risk-adjusted discount rates (10% - 10.5%. weighted average 10%) (2021: 10% 2020: 10%). | The estimated fair value would increase or (decrease) if:<br>• expected market rental growth were higher (lower);<br>• void periods were shorter (longer);<br>• the occupancy rate were higher (lower):<br>• Rent-free periods were shorter (longer); or<br>• The risk-adjusted discount rate were lower (higher). |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 22. Assets classified as held for sale

### a) Description

Shareholders will recall ZCCM-IH's previous market announcements in June 2021, in relation to the Group Restructuring and Reorganization Agreement (relating to Mushe Limited and Investrust Bank Plc), pursuant to a signed agreement between ZCCM-IH and IDC, both parties agreed to conclude the deal within 12 months and the considerations were agreed. In addition, regulator approval from Competition and Consumer Protection commission was obtained.

Subsequently to the year end, and following the change of government, there was a shift from the IDC's strategy and this contributed to the deal not to go through despite earlier agreements which indicated otherwise. The change in strategy on the side of IDC was beyond any of the parties' control and has been treated as a non adjusting post balancing event.

On the part of ZCCM-IH Plc, the Board is committed to divest from these investments and actively searching for buyers.

| 31 Dec 2021 | | Group | Company |
|---|---|---|---|
| | Assets | Liabilities | Fair value |
| Investrust Bank Plc | 1,456,954 | (1,606,593) | 343,214 |
| Mushe Milling Company Limited | 21,657 | (71,983) | 87,763 |
| **Total** | **1,478,611** | **(1,678,576)** | **430,977** |

| 31 Dec 2020 | | Group | Company |
|---|---|---|---|
| | Assets | Liabilities | Fair value |
| Investrust Bank Plc | 1,258,257 | (1,423,669) | 343,214 |
| Mushe Milling Company Limited | 49,143 | - | 49,143 |
| **Total** | **1,307,400** | **(1,423,669)** | **392,357** |

### b) Financial performance and cash flow information

The financial performance and cash flow information presented for the year ended 31 December 2021.

| | Investrust Bank Plc | Mushe Milling Company | Total |
|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec |
| | 2021 | 2021 | 2021 |
| Revenue | 217,309 | 38,145 | 255,454 |
| other income | 47,772 | 483 | 48,255 |
| Cost of sales and expenses | (250,008) | (66,211) | (316,219) |
| Profit/(loss) before income tax | 15,073 | (27,583) | (12,510) |
| Income tax expense | - | (20,427) | (20,427) |
| **Profit/(loss) for the year** | **15,073** | **(48,010)** | **(32,937)** |
| **Profit attributable to non-controlling interest** | **4,311** | **-** | **4,311** |
| | | | |
| Net cash inflow/(outflow) from operating activities | 301,528 | (27,703) | 273,825 |
| Net cash outflow from investing activities | (5,104) | (57) | (5,161) |
| Net cash inflow/(outflow)from financing activities | (16,089) | 51,711 | 35,622 |
| **Net cash inflow by the subsidiary** | **280,335** | **23,951** | **304,286** |

## NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

*in thousands of Kwacha*

**22. Assets classified as held for sale** *(continued)*

**c)** Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale as at 31 December 2021;

| | Investrust Bank Plc | Mushe Milling Company | Total |
|---|---|---|---|
| **Assets classified as held for sale** | | | |
| Property, plant, and equipment | 51,669 | 5,469 | 57,138 |
| Intangible assets | 1,603 | - | 1,603 |
| Financial assets at fair value through profit or loss | 584 | - | 584 |
| Trade and other receivables | 416,097 | 1,060 | 417,157 |
| Term deposits | 653,818 | - | 653,818 |
| Inventories | 51,077 | 402 | 51,479 |
| Other assets | 74,907 | - | 74,907 |
| Cash and cash equivalents | 207,199 | 14,726 | 221,925 |
| **Total assets of disposal group held for sale** | **1,456,954** | **21,657** | **1,478,611** |
| **Liabilities directly associated with assets classified as held for sale** | | | |
| Borrowings | - | (44,749) | (44,749) |
| Trade and other payables | (1,606,593) | (27,234) | (1,633,827) |
| **Total liabilities directly associated with assets classified as held for sale** | **(1,606,593)** | **(71,983)** | **(1,678,576)** |
| **Net liabilities held for sale** | **(149,639)** | **(50,326)** | **(199,965)** |
| **Accumulated non-controlling Interest** | **(35,383)** | **-** | **(35,383)** |

For segment reporting purposes, the 2 companies included in the disposal group above, were classified under investments segment as part of other assets.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 23. Investment in subsidiaries

The following are considered when determining whether the Company has control over the investee companies:

- ZCCM-IH's representation on the board of the investee company
- Appointment of key management staff
- Number of voting rights.

Currently all subsidiaries are wholly owned by ZCCM-IH save for Zambia Gold Company Limited and Central African Cement Company Limited. The two companies are in their development stages. During this period, ZCCM-IH appoints key management personnel for the two investee companies, funds and exercises control over their operations and activities. ZCCM-IH is deemed to exercise control over the two entities.

Set out below is a list of subsidiaries, which are listed and unlisted;

**December 2021**

| Company | Country of incorporation | Principal place of business | Held % Interest | Opening carrying amount | Addition | Change in fair value | Closing carrying amount |
|---|---|---|---|---|---|---|---|
| Mopani Copper Mine Plc | Zambia | Kitwe | *100* | - | - | - | - |
| Ndola Lime Company Limited | Zambia | Ndola | *100* | - | - | - | - |
| Misenge Environmental and Technical Services | Zambia | Kalulushi | *100* | - | - | - | - |
| Nkandabwe Coal Mines Limited | Zambia | Sinazeze | *100* | - | - | - | - |
| Kariba Minerals Limited | Zambia | Mapatizya | *100* | 32,814 | - | - | 32,814 |
| Kabundi Resources Limited | Zambia | Serenje | *100* | 14,043 | 2,292 | 4,624 | 20,959 |
| Limestone Resources Limited | Zambia | Ndola | *100* | 172,553 | - | - | 172,553 |
| Zambia Gold Company limited | Zambia | Lusaka | *51%* | 56,560 | 43,616 | - | 100,176 |
| Central African cement Company limited | Zambia | Lusaka | *49%* | 708 | 729 | - | 1,437 |
| **Total balance** | | | | **276,678** | **46,637** | **4,624** | **327,939** |

| Company | Country of incorporation | Principal place of business | Held % Interest | Opening carrying amount | Addition | Change in fair value | Closing carrying amount |
|---|---|---|---|---|---|---|---|
| Ndola Lime Company Limited | Zambia | Ndola | *100* | - | - | - | - |
| Misenge Environmental and Technical Services | Zambia | Kalulushi | *100* | - | - | - | - |
| Nkandabwe Coal Mines Limited | Zambia | Sinazeze | *100* | - | - | - | - |
| Kariba Minerals Limited | Zambia | Mapatizya | *100* | 32,814 | - | - | 32,814 |
| Kabundi Resources Limited | Zambia | Serenje | *100* | 4,107 | 9,936 | - | 14,043 |
| Limestone Resources Limited | Zambia | Ndola | *100* | 110,396 | 62,157 | - | 172,553 |
| Zambia Gold Company limited | Zambia | Lusaka | *51%* | - | 56,560 | - | 56,560 |
| Central African cement Company limited | Zambia | Lusaka | *49%* | - | 708 | - | 708 |
| **Total balance** | | | | **147,317** | **129,361** | **-** | **276,678** |

*in thousands of Kwacha*

**23. Investment in subsidiaries** *(continued)*

**a) Reconciliation of carrying amounts**

| | | Company |
|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 |
| Balance at 1 January | 276,678 | 147,317 |
| Additions | 46,637 | 129,361 |
| Change in fair value through other comprehensive income | 4,624 | - |
| **Closing Balance** | **327,939** | **276,678** |

In line with the accounting policy for investments in subsidiaries, to carry all its Investments at fair value, the Company performs annual fair value of its Investments in subsidiaries and fair value gain/(loss) is recognised. The fair value gain/(loss) is recognised in the other comprehensive income (OCI). During the year, a fair value gain of K4.6m was recognised (2020: nil). Valuation techniques used are disclosed in note 23 (b).

**b) Measurement of fair value**

**Valuation technique and significant unobservable inputs**

The following table shows the valuation technique used in measuring the fair value of investment in subsidiaries as well as the significant unobservable inputs used.

| Subsidiary | Valuation technique | Significant unobservable inputs and key assumptions | Inter-relationship between Key unobservable inputs and fair value measurement |
|---|---|---|---|
| Nkandabwe Coal Mine Limited<br><br>Misenge Environmental and Technical Services<br><br>Kariba Minerals Limited<br><br>Kabundi Resources Limited | Discounted cash flows: It is an income approach to valuation and the most widely used valuation methodology. It computes the value of a business by calculating the present value of anticipated future cash flows generated by the business. The expected net cash flows are discounted using risk adjusted discount rates. There has been no changes to the valuation technique applied in the prior year. | • Target capital structure Debt to total capitalisation (2021: 0%, 2020: 3%).<br>• Equity to total capitalisation (2021:100%, 2020: 61%)<br>• Cost of debt<br>Cost of debt (2021: 7%, 2020: 12.55%) Effective tax rate (2021: 30%, 2020: 35%) After tax cost of debt (2021: 4.9%, 2020: 8.3%<br>• Cost of equity<br>Risk free rate (2021: 1.51 %, 2020: 0.9%)<br>Market risk premium (2021:16.11%, 2020:16.3%)<br>Levered beta (2021: 0.95,2020: 0.65).<br>• Mineral Royalty tax is assumed at 7.5%. (2020: 7.5%) | The estimated fair value would change in response to the changes in the factors below:<br>• Equity to total capitalisation<br>• Cost of debt were lower<br>• The cost of equity<br>• Coal/limestone/ manganese sales prices.<br>• Capital Expenditure |
| Limestone Resources Limited<br><br>Zambia Gold Company Limited<br><br>Central African Cement Company Limited | Cost approach | • Actual expenditure incurred during developmental stages | • Expenditure higher/(lower) |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**23. Investment in subsidiaries** (continued)

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

**Valuation technique and significant unobservable inputs**

Investments in subsidiaries have been measured at fair value as follows

| Company investments in subsidiaries analysis | 31-Dec 2021 | 31-Dec 2020 |
|---|---|---|
| Kariba Minerals Limited | 32,814 | 32,814 |
| Kabundi Resources Limited | 20,959 | 14,043 |
| Limestone Resources Limited | 172,553 | 172,553 |
| Zambia Gold Company Limited | 100,176 | 56,560 |
| Central African Cement Company Limited | 1,437 | 708 |
| **Total** | **327,939** | **276,678** |

***Fair value hierarchy***

The fair value measurement for the Company's investment in subsidiaries of ZMW 328 million (2020: ZMW 277 million) has been categorised as a level 3 fair value based on the inputs to the valuation technique used. The following table shows a reconciliation from the opening balances to the closing balances for level 2 and 3 fair values.

| December 2021 | Level 3 | Total |
|---|---|---|
| Balance at 1 January | 276,678 | 276,678 |
| Additions | 46,637 | 46,637 |
| Change in fair value | 4,624 | 4,624 |
| **Balance at 31 December** | **327,939** | **327,939** |

| December 2020 | Level 3 | Total |
|---|---|---|
| Balance at 1 Jan | 147,317 | 147,317 |
| Additions | 129,361 | 129,361 |
| **Balance at 31 December** | **276,678** | **276,678** |

**c) Non-controlling interest**

The Group includes three subsidiaries, Investrust Bank Plc, Zambia Gold Company Limited and Central Cement Company Limited, with material non-controlling interests (NCI):

| 2021<br>Name | Proportion of ownership interests and voting rights held by the NCI | | Total comprehensive income allocated to NCI | | Accumulated NCI | |
|---|---|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Investrust Bank Plc | 28.6% | 28.6% | 4,311 | (16,468) | (35,383) | (39,694) |
| Zambia Gold Company Limited | 49% | 49% | (290) | 15,690 | 15,400 | 15,690 |
| Central cement company limited | 51% | 51% | (372) | (361) | (733) | (361) |
| **Total** | | | **3,649** | **(1,139)** | **(20,716)** | **(24,365)** |

## NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

*in thousands of Kwacha*

### 23. Investment in subsidiaries *(continued)*

#### c) Non-controlling interest *(continued)*

Summarised financial information for Investrust Bank Plc, Zambia Gold Company limited and Central Cement Company Limited, before intragroup eliminations, is set on below:

| 2021 | 31 Dec 2021 Investrust Bank Plc | 31 Dec 2021 Zambia Gold Company Limited | 31 Dec 2021 Central African Company Limited |
|---|---|---|---|
| Non-current assets | 56,766 | 87,952 | - |
| Current assets | 1,400,188 | 64,474 | 15 |
| **Total assets** | **1,456,954** | **152,426** | **15** |
| Non-current liabilities | - | 5,337 | - |
| Current liabilities | 1,606,593 | 12,521 | - |
| **Total liabilities** | **1,606,593** | **17,858** | **-** |
| **Equity attributable to owners of the parent** | **(114,256)** | **119,1776** | **7** |
| **Equity attributable non-controlling interests** | **(35,383)** | **15,392** | **8** |
| Revenue | 217,309 | 70,299 | - |
| Profit/(loss) for the year attributable to owners of the parent | 10,762 | (302) | (358) |
| Profit/(loss) for the year attributable to NCI | 4,311 | (290) | (372) |
| **Profit/(loss) for the year** | **15,073** | **(592)** | **(730)** |
| Net cash from/(used) operating activities | 301,528 | 11,215 | (730) |
| Net cash used in investing activities | (5,104) | (69,264) | - |
| Net cash from financing activities | (16,089) | 43,095 | 730 |
| **Net cash in/(out)flow** | **280,335** | **(14,954)** | **-** |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**23. Investment in subsidiaries** *(continued)*

**c) Non-controlling interest** *(continued)*

| 2020 | 31 Dec 2020 Investrust Bank Plc | 31 Dec 2020 Zambia Gold Company Limited | 31 Dec 2020 Central African Company Limited |
|---|---|---|---|
| Non-current assets | 125,918 | 34,833 | - |
| Current assets | 1,132,339 | 71,870 | 15 |
| **Total assets** | **1,258,257** | **106,703** | **15** |
| Non-current liabilities | - | 1,375 | |
| Current liabilities | 1,423,669 | 15,205 | - |
| **Total liabilities** | **1,423,669** | **16,580** | **-** |
| **Equity attributable to owners of the parent** | **(125,718)** | **74,321** | **7** |
| **Equity attributable non-controlling interests** | **(39,694)** | **15,690** | **8** |
| Revenue | 191,862 | 59,701 | - |
| Profit /(loss) for the year attributable to owners of the parent | (41,111) | 16,330 | (347) |
| Profit /(loss) for the year attributable to NCI | (16,468) | 15,690 | (361) |
| **Profit/(loss) for the year** | **(57,579)** | **32,020** | **(708)** |
| Net cash from operating activities | 135,208 | 31,392 | (708) |
| Net cash used in investing activities | (3,560) | (37,623) | - |
| Net cash from financing activities | (6,358) | 57,958 | 708 |
| **Net cash inflow** | **125,290** | **51,727** | **-** |

**d) Acquisition of subsidiary (Group)**

**Mopani Copper Mines Plc**

On 31 March 2021, ZCCM-IH successfully acquired additional 90% stake and voting rights in Mopani Copper Mine Plc at total consideration of US$1. Mopani is one of the oldest and largest copper and cobalt mines in Zambia and the acquisition significantly increased the group's market share in the mining industry. ZCCM-IH having control of Mopani, is an opportunity for ZCCM-IH and its shareholders to extract the full value from the valuable underlying investment. This is in line with the ZCCM-IH's strategic plan to extract better value from its underlying investments and remedy some of the previous challenges associated with minority shareholding held in investee companies. Further, at the time of acquisition in March 2021, Mopani owed its previous shareholders more than ZMW 95.95 billion (US$4.3 billion) in shareholder loans. This debt level was considered unsustainable for the mine, therefore, ZCCM-IH negotiated and succeeded in having the said loan written down to US$1.5 billion. The facility has a charge on all Mopani Shares ,Assets and is guaranteed by ZCCM-IH.

No premiums were paid to an external party regarding the ZCCM- IH financial guarantee on Mopani Loan. IFRS measurement basis arising from comparable market instruments resulted into an estimated mark to market valuation of ZMW 540 million, representing the cumulative impact of the financial guarantee over the loan repayment period. The annual financial impact charge and corresponding income to the profit or loss, regarding the ZCCM-IH financial guarantee, was deemed to be immaterial.

*in thousands of Kwacha*

**23. Investment in subsidiaries** *(continued)*

**d) Acquisition of subsidiary (Group)** *(continued)*

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

**i. Purchase consideration**

| | ZMW '000 |
|---|---|
| Cash consideration for acquisition of 90% stake (US$ 1) | - |
| Total consideration | - |

**Other Terms of the Acquisition**

On completion of the Transaction, the Remaining Debt in MCM from the Glencore International AG Facility (GIAG) and Carlisa Facility was ZMW 33.1 billion (US$1.5billion), with the excess being waived as part of this Transaction. Interest under the Remaining Debt would be capitalised for the first three years after completion, and thereafter would be payable quarterly at LIBOR + 3% (subject to a switch to an equivalent interest rate based on Secured Overnight Financing Rate ("SOFR")). The principal outstanding under the Remaining Debt would be repayable under a dual mechanism as follows:

**i.** 3% of gross revenue of the MCM group from 2021-2023 (inclusive), and 10 -17.5% of gross revenue of the MCM group thereafter; and

**ii.** 33.3% of EBITDA less taxes (limited to taxes in line with previous year's), changes in working capital, capital expenditure, royalty payments to Government of the Republic of Zambia ("GRZ") and interest and principal (calculated under the first mechanism) payments in respect of the Remaining Debt, is at the end of each quarter required to be paid. Repayment of principal (together with accrued interest) would be additionally be required in the event of an occurrence of certain other early prepayment events. These would include certain change of control events in respect of MCM, proceeds from capital raising or disposals and sales of product other than those pursuant to the Offtake Agreements, amongst others. If ZCCM IH ceases to control MCM or the GRZ ceases to control ZCCM IH, the Lenders may, at any time thereafter cancel the facilities and declare all loans, together with accrued interest, immediately due and payable. Control is specified as GRZ maintaining 50% shareholding in ZCCM IH and ZCCM IH maintaining 75% shareholding in MCM, with control of operations and appointment of directors. ZCCM shall guarantee the obligations of MCM under the GIAG Facility and the Carlisa Facility. After completion of the Transaction, Glencore will retain offtake rights in respect of a portion of MCM's copper production until the Remaining Debt has been repaid in full.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 23. Investment in subsidiaries *(continued)*

### d) Acquisition of subsidiary (Group) *(continued)*

#### ii. Identifiable assets acquired and liabilities assumed.

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

| | ZMW'000 |
|---|---|
| Cash and cash equivalents | 6,337 |
| Trade and other receivables | 2,152,412 |
| Environmental Protection Fund | 115,506 |
| Deferred tax asset on fair value uplift regarding business combination upto the extent of DLT | (1,185,160) |
| Deferred tax liability (DTL) on fair value uplift regarding business combination | 1,185,160 |
| Inventories | 3,720,319 |
| Property, plant and equipment | 13,341,318 |
| Mineral Rights ( Note 19) | 3,281,457 |
| Trade and other payables | (1,931,889) |
| Provisions | (976,753) |
| Borrowings | (33,121,500) |
| Retirement benefits ( Note 37) | (223,990) |
| Provisions for environmental rehabilitation | (1,215,007) |
| Net identifiable liabilities acquired | (14,851,790) |
| Less fair value of pre-existing equity interest @ 10% interest | - |
| Goodwill | (14,851,790) |
| **Net assets acquired** | - |

**Trade and other receivables**

The fair value of the Trade and other receivables as at the acquisition date was ZMW2,152 million which included VAT receivables amounting to ZMW150 million with the remaining balance consisting of Glencore receivables and other third party receivables. The carrying value of the Trade and other Receivables was assumed to be equal to the FV as per valuation report done on 31 March 2021. This is due to the short term nature of the receivables. All amounts were deemed as collectable, and any amounts deemed as not collectable were written off prior to the acquisition date. The expected credit loss at date of acquisition was immaterial.

**Provisions and Retirement Benefits**

Long-term provisions include rehabilitation and restoration provision and retirement benefit provision.

**Inventories**

Inventory includes warehouse inventory, process inventory, slime stock and metal stock. Inventory was measured at the lower of cost and net realisable value. Based on information provided, carrying amounts reflected net realisable value therefore no adjustment was required.

**Property, plant and equipment**

Property, plant, and equipment ("PPE") is made up of the Capital projects underway and other categories disclosed.

PPE has been adjusted for economic obsolescence. This is primarily because of the enterprise value of Mopani being less than the PPE value of ZMW 13,320 m (US$600m).

*in thousands of Kwacha*

## 23. Investment in subsidiaries *(continued)*

### d) Acquisition of subsidiary (Group) *(continued)*

#### ii. Identifiable assets acquired and liabilities assumed *(continued)*

**Mining Right**

The value of the mining right of ZMW 10,297m (US$467m) is based on a resource multiple approach. The outside LoM resources had been included in the model as a terminal value. The resources used for the outside LoM is the reserves in the competent person report and the resources as per the model.

**Brand intangible**

Brand intangible is calculated as the present value of the premium received on the LME (US$ 98)/t multiplied by the number of one tonnes cathodes sold. On the other hand, Brand was recognised based on a premium to the copper price on the LME because of the Mopani's refining processes. The higher premium is attributable to the finished product being more than 99.99% pure copper because of Mopani's refining process.

**Borrowings**

Borrowings included amount related to Glencore advances.

**Customer Relationship**

The Glencore Customer relationships was not considered in PPA as it was assessed that the relationship would not yield any unique, identifiable, and measurable future economic benefits.

Note

*The Fair Value adjustments will unwound through use.

Further, Fair value arising from business combinations will not give rise to any further tax obligations as there is no Group tax registrations/obligations in Zambia. As such, the deferred income tax arising on fair value adjustments have been written off.

The following table shows the valuation technique used in measuring the fair value of the business acquired as well as the significant unobservable inputs used.

| Valuation technique | Significant unobservable inputs and key assumptions |
|---|---|
| The DCF method calculates the value of a business from its expected free cash flow at the firm required rate of return (discount rate or "WACC"), using mid period discounting (as the cash flows are assumed to be earned semi-annually). | • Risk-free rate 0.1%<br>• Rating based Default Spread 11.6%<br>• Country risk premium 10.6%<br>• Synthesized risk-free rate range 10.7% to 11.7%<br>• Beta range 0,88 to1,13<br>• Market risk premium range 5.5% to 6.0%<br>• Cost of equity excluding risk premiums 16.9% to 17.9%<br>• Specific risk premium 1.5% to 2.0%<br>• Cost of equity 17.5% to 19.91%<br>• Cost of debt 2.5% to 3.5%<br>• Tax 30.0%<br>• WACC: range 13.71% to 15.37%<br>• For the period between 2022 and 2024, the average copper and gold price used were obtained from a sample of investment banks. From 2025 onwards, a flat rate of US$3.95 / lb copper and US$1,631/oz gold was used.TT<br>• The Mineral Royalty Tax for copper (a sliding scale – between 10% - 5.5%, with the higher bands being: 10% for Cu price over US$4.08/lb, 8.5% for price between US$4.08/lb – US$3.4/lb and 7.5% for prices between US$3.4 – US$2.72/lb) is assumed to be 8.5% over the LOM.<br>• The MRT for cobalt revenue, which is fixed, remains at 8.0%. |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**23. Investment in subsidiaries** *(continued)*

**d) Acquisition of subsidiary (Group)** *(continued)*

**iii. Contingent consideration**

There was no contingent consideration related to the transaction.

**iv. Contingent liabilities of Mopani**

A provision of ZMW 460 million (US$20.85 million) was recognised on the acquisition of Mopani Copper Mines Plc. This provision relates to litigation claims as a result of cancellation of previous service providers' contracts. The significant portion of the provision related to this case,

- Group Five Zambia Limited vs. Mopani Copper Mines Plc In this case, Group Five Zambia Limited has filed a notification with the International Chamber of Commerce International Court of Arbitration relating to a dispute they have with Mopani regarding alleged non-payment of contractual amounts for works executed on the newly constructed Concentrator at Nkana Mines Site. The claim is for amounts well over US$6 million Mopani is defending these claims. As at 1 April 2021, It was unlikely that courts would rule this case against Mopani and there has been no change in this position as at 31 December 2021.
- Mopani had the following legal/ arbitration proceeding considered material at the date of acquisition for which the probability of an adverse outcome was very low resulting into no IFRS 3 provision being made,
- ERB tariffs of 2014 - The Energy Regulation Board (ERB) awarded an electricity tariff increase to ZESCO applicable to all mining companies with effect from 2 April 2014. The ERB communicated a 28.8% increase of tariffs under the Bulk Supply Agreement (BSA) between ZESCO and the CEC. This tariff was applicable for the period between April 2014 to December 2015. The mines have contested this tariff increase and commenced an action in the High Court by way of Judicial Review. As at 31 December 2021, the matter was still pending determination in the High Court.
- Pursuant to the ERB directive, ZESCO had invoiced the CEC on the basis of the new tariffs and the CEC, in turn, invoiced its mining customers on the same basis. The value of potential claims against the Mopani Copper Mines (MCM) that would likely result from an unfavourable outcome as at 31 December 2021 is estimated at ZMW1,646 million (US$99 million) (2020: US$99 million)). A tariff was agreed amongst the parties in 2017 and was effective on that date onwards with a prospective application. Therefore, the contingent amount remains at the disclosed amount since 2017 of US$99 million until the uncertainty is resolved by the courts.
- As regards, the ERB tariffs of 2014 matter, as at acquisition date, the negotiations between different parties indicated the case would be ruled in favour of Mopani and other mining houses. Subsequently, a consent judgement with the favourable position was issued. As such, management did not recognize a provision related to this contingent liability.

  For the contingent liabilities above, due to the nature of the contingent liabilities,

  **i.** There were no amounts reversed unused.

  **ii.** There were no discounted amount arising from the passage of time.

  **iii.** There were no expected reimbursements.

  **iv.** There were no probabilities provided as the full claim value were considered for initial recognition.

## NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

*in thousands of Kwacha*

### 23. Investment in subsidiaries *(continued)*

#### d) Acquisition of subsidiary (Group) *(continued)*

##### v. Revenue and profit contribution

The acquired business contributed revenues of ZMW14.12 billion and net loss of ZMW1.43 billion to the Group for the period from 1 April to 31 December 2021.

##### vi. Purchase consideration – cash outflow

| Outflow of cash to acquire subsidiary, net of cash acquired | 2021<br>ZMW'000 |
|---|---|
| Cash consideration | - |
| Less: Balances acquired | |
| Cash | 6,337 |
| Bank overdraft | - |
| **Net inflow of cash – investing activities** | **6,337** |

##### vii. Acquisition-related costs

Acquisition-related costs of ZMW55.1 million that were not directly attributable to the issue of shares are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

#### e) Fair Value of derecognised 10% stake in Mopani

The fair value assessment of the 10% shareholding conducted as at acquisition date resulted in a nil value. There was no gain or loss recognised at acquisition as Mopani' 10% share holding was being carried at nil value.

#### f) Common Control Change

At 31 August 2020, a wholly owned subsidiary of ZCCM-IH, Ndola Lime Company Limited (NLC), was declared insolvent. NLC's creditors were settled through a Court Order and all identifiable and usable core assets of NLC were transferred to, Limestone Resources Limited (LRL) which commenced operations in September 2020. Following the transfer of assets to LRL, the remainder of NLC's assets and liabilities were disposed off and written off. As ZCCM IH had control of Ndola Lime before and after the transaction, the transaction has been recognised as a common control transaction and as a result no profit has been recognised on this transaction.

| | ZMW 000<br>As at 31 August 2020 |
|---|---|
| **Summary of Assets and Liabilities written off.** | |
| Property, plant and equipment | (23,233) |
| Inventories | (735) |
| Trade and other receivables | (5,537) |
| Trade and other payables | 93,783 |
| **Net (Asset)/Liability written off** | **64,278** |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 24. Investment in associates

### a) Reconciliation of carrying amounts

| | Group | | Company | |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Balance at 1 January | 19,351,000 | 11,855,067 | 20,666,806 | 10,746,818 |
| Share of profit of equity accounted associates | 3,004,542 | 1,487,537 | - | - |
| Dividend received | (956,437) | (208,898) | - | - |
| Share of other comprehensive income | 52,304 | - | - | - |
| Additions | - | 29,507 | - | 29,507 |
| Disposal | - | - | - | (41,616) |
| Change in fair value (unrealised) | - | - | (63,717) | 9,932,097 |
| Currency translation adjustment | (4,384,250) | 6,187,787 | - | - |
| | **17,067,159** | **19,351,000** | **20,603,089** | **20,666,806** |

Investments in associates are measured at fair value in the Company's statement of financial position. In the consolidated financial statements, investments in associates are equity - accounted.
The decrease in fair value from ZMW 20.67 billion to ZMW 20.60 billion in the Company' Statements of Financial position is mainly due to translation losses arising from the appreciation of the Zambian Kwacha against the US Dollar during the year. Whose movement was negated by favourable life of mine outlook on profitable companies.

| Name | Nature of relationship | Principal place of business | Ownership interest | Fair value of ownership interest ZMW' million | Functional currency |
|---|---|---|---|---|---|
| Konkola Copper Mines Plc | Strategic way of promoting Zambian participation in the mining sector | Zambia | 20.60% | Nil | US$ |
| Kansanshi Mining Plc | Strategic way of promoting Zambian participation in the mining sector | Zambia | 20% | 15,799 | US$ |
| Copperbelt Energy Corporation Plc | Strategic way of promoting Zambian participation in the power and energy sector | Zambia | 24.1% | 1,038 | US$ |
| CNMC Luanshya Copper Mining limited | Strategic way of promoting Zambian participation in the mining sector | Zambia | 20% | 1,513 | US$ |
| Maamba Collieries Limited | Strategic way of promoting Zambian participation in the mining sector | Zambia | 35% | 2,203 | US$ |
| Lubambe Copper Mines Limited | Strategic way of promoting Zambian participation in the mining sector | Zambia | 20% | Nil | US$ |
| Rembrandt Properties Limited | Diversification of investments in real estate | Zambia | 49% | 20 | ZMW |
| Consolidated Gold Company of Zambia Limited | Strategic way of promoting Zambian participation in Gold mining and processing | Zambia | 49% | 30 | ZMW |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**24. Investment in associates** *(continued)*

**a) Reconciliation of carrying amounts** *(continued)*

The following are considered when determining the level of control or influence over the investee companies:

- ZCCM-IH's representation on the Board of the investee company
- Appointment of key management staff
- Number of voting rights

Currently ZCCM-IH appoints directors in line with its percentage holding on all the Boards of its associates, and as such it exercise's significant influence over them.

Many of the investee companies have United States Dollars (US$) as their functional currency, due to the nature of the mining industry, although all investee companies are domiciled in Zambia.

*in thousands of Kwacha*

## 24. Investment in associates

### b) Investment in associates' analysis

**Group**

**Summary of financial information for material equity accounted investees.**

Where the equity accounted value is zero, no further losses are recognised by ZCCM-IH as there is no obligation to settle any liabilities. The equity accounted value was zero for Konkola Copper Mines Plc and Lubambe Copper Mines Limited as at 31 December 2021.

| Dec-21 | Accounting year end | Country of incorporation | % Interest held | Current Assets | Non-Current Assets | Current Liabilities | Non-Current Liabilities | Net asset value | Revenues | Profit/ (Loss) | Share of profit/ (loss) | Share of profit/ (loss) not recognised | Share of net assets |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Konkola Copper Mines Plc | 31-Mar | Zambia | 20.60% | 9,109,490 | 22,586,680 | (36,431,613) | (16,699,923) | (21,435,366) | 27,318,364 | (9,825,055) | - | (2,023,961) | - |
| Kansanshi Mining Plc | 31-Dec | Zambia | 20.00% | 39,146,273 | 45,664,111 | (5,555,093) | (10,000,479) | 69,254,812 | 39,569,003 | 12,086,497 | 2,417,299 | - | 13,850,962 |
| Copperbelt Energy Corporation Plc | 31-Dec | Zambia | 24.10% | 2,968,272 | 8,275,915 | (2,726,269) | (3,027,286) | 5,490,632 | 6,739,600 | 1,008,402 | 243,025 | - | 1,323,242 |
| CNMC Luanshya Copper Mine Plc | 31-Dec | Zambia | 20.00% | 2,817,153 | 2,673,993 | (2,308,325) | (1,050,179) | 2,132,642 | 10,166,621 | 2,827,764 | 426,528 | 139,025 | 426,528 |
| Maamba Collieries Ltd | 31-Mar | Zambia | 35.00% | 9,477,432 | 8,427,195 | (7,230,778) | (6,590,970) | 4,082,879 | 3,968,892 | (222,030) | (77,711) | - | 1,429,008 |
| Lubambe Copper Mines Ltd | 31-Dec | Zambia | 20.00% | 1,081,606 | 3,662,298 | (1,815,775) | (13,112,013) | 10,183,884) | 2,923,911 | (1,810,259) | - | (362,052) | - |
| Rembrandt Properties Ltd | 31-Dec | Zambia | 49.00% | 1,690 | 40,986 | (22,223) | (78,578) | 41,875 | - | - | - | - | 20,519 |
| Zambia Consolidated Gold Company Ltd | 31-Dec | Zambia | 45.00% | 11,380 | 35,582 | (9,406) | - | 37,556 | 44,965 | (10,221) | (4,599) | - | 16,900 |
| **Totals** | | | | **64,613,296** | **91,466,760** | **(56,099,482)** | **(50,559,428)** | **49,421,146** | **90,731,356** | **4,055,098** | **3,004,542** | **(2,246,988)** | **17,067,159** |

The financial statements of the Company and associates used in the preparation of the current consolidated financial statements have the same reporting date of 31 December except for Maamba and Konkola Copper Mine. For the two-investee companies with different reporting date from that of the Company, their financial information has been adjusted to align to the reporting date of the consolidated financial statements.

*in thousands of Kwacha*

## 24. Investment in associates *(continued)*

### Summary of financial information for material equity accounted investee

| Dec-20 | Accounting year end | Country of incorporation | % Interest held | Current Assets | Non-Current Assets | Current Liabilities | Non-Current Liabilities | Net asset value | Revenues | Profit/ (Loss) | Share of profit/ (loss) | Share of profit/ (loss) not recognised | Share of net assets |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Konkola Copper Mines Plc | 31-Mar | Zambia | 20.60% | 10,119,220 | 30,352,333 | (30,001,611) | (26,292,261) | (15,822,319) | 19,209,737 | (3,595,654) | - | (740,705) | - |
| Kansanshi Mining Plc | 31-Dec | Zambia | 20.00% | 39,919,692 | 55,454,534 | (4,556,974) | (11,964,343) | 78,852,909 | 28,758,453 | 4,274,674 | 854,935 | - | 15,770,582 |
| Copperbelt Energy Corporation Plc | 31-Dec | Zambia | 24.10% | 3,630,915 | 10,647,083 | (3,373,767) | (4,505,696) | 6,398,535 | 6,910,568 | 104,498 | 25,184 | - | 1,542,047 |
| CNMC Luanshya Copper Mine Plc | 31-Dec | Zambia | 20.00% | 1,962,901 | 4,620,034 | (4,418,119) | (1,650,266) | 514,550 | 6,435,793 | 784,970 | 102,910 | - | 102,910 |
| Maamba Collieries Limited | 31-Mar | Zambia | 35.00% | 8,045,859 | 11,558,062 | (3,998,981) | (10,180,923) | 5,424,017 | 4,392,686 | 1,466,083 | 513,129 | - | 1,898,406 |
| Lubambe Copper Mines Limited | 31-Dec | Zambia | 20.00% | 1,269,360 | 4,717,678 | (1,818,412) | (15,720,209) | (11,551,583) | 2,145,182 | (1,580,034) | - | (316,007) | - |
| Rembrandt Properties Limited | 31-Dec | Zambia | 49.00% | 9,319 | 116,682 | (8,165) | (75,961) | 41,875 | - | - | - | | 20,519 |
| Zambia Consolidated Gold Company Limited | 31-Dec | Zambia | 49.00% | 3,841 | 42,890 | (8,325) | (1,659) | 36,747 | 610 | (19,158) | (8,621) | | 16,536 |
| **Totals** | | | | **64,961,107** | **117,509,296** | **(48,184,354)** | **(70,391,318)** | **63,894,731** | **67,853,029** | **1,435,379** | **1,487,537** | **(1,056,712)** | **19,351,000** |

*Where the equity accounted value is zero, no further losses are recognised by ZCCM-IH as there is no obligation to settle any liabilities. The equity accounted value was zero for Konkola Copper Mines Plc and Lubambe Copper Mines Limited as at 31 December 2021 and 2020.*

### Company

Summary of fair values for equity accounted investees held by the Company:

| | | % Interest | 31 Dec 2021 | % Interest | 31 Dec 2020 |
|---|---|---|---|---|---|
| Copperbelt Energy Corporation Plc | c(i) | 24.1 | 1,038,258 | 24.1 | 430,975 |
| Kansanshi Mining Plc | c(ii) | 20.0 | 15,799,000 | 20.0 | 15,276,000 |
| Maamba Collieries Limited | c(iii) | 35.0 | 2,203,000 | 35.0 | 3,785,000 |
| CNMC Luanshya Copper Mines Plc | c(iv) | 20.0 | 1,513,000 | 20.0 | 1,125,000 |
| Konkola Copper Mines Plc | c(v) | 20.6 | - | 20.6 | - |
| Lubambe Copper Mine Limited | c(vi) | 20.0 | - | 20.0 | - |
| Rembrandt Properties Limited | | 49.0 | 20,324 | 49.0 | 20,324 |
| Zambia Consolidated Gold Company | | 49.0 | 29,507 | 49.0 | 29,507 |
| **Total Balance** | | | **20,603,089** | | **20,666,806** |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**24. Investment in associates** *(continued)*

**c) Measurement of fair value**

*Fair value hierarchy*

The fair values of the Company's investment in associates were determined by Imara Corporate Finance, an external independent fair valuation expert, having appropriate recognised professional qualifications and experience. The independent valuers provide the fair value of the Company's associates annually.

The fair value measurement for the Company's investment in associates of ZMW19.56 billion (2020: ZMW20.24 billion) has been categorised as a level 3 fair value based on the inputs to the valuation technique used (see Note 5). For Copperbelt Energy Corporation Plc, ZMW1.038 billion (2020: ZMW 0.431 billion) has been categorised as a level 2 based on the level of activity in the market which is deemed to be insufficient i.e., shares are not traded sufficiently for it to be classified as a level 1 fair value (see note 2)

The following table shows a reconciliation from the opening balances to the closing balances for level 2 and 3 fair values.

| | Level 2 | Level 3 | Total |
|---|---|---|---|
| **Balance at 1 January 2021** | | | |
| Kansanshi Mining Plc | - | 15,276,000 | **15,276,000** |
| Copperbelt Energy Corporation Plc | 430,975 | - | **430,975** |
| CNMC Luanshya Copper Mine Plc | - | 1,125,000 | **1,125,000** |
| Maamba Collieries Limited | - | 3,785,000 | **3,785,000** |
| Rembrandt Properties Ltd | - | 20,324 | **20,324** |
| Zambia Consolidated Gold Company Limited | - | 29,507 | **29,507** |
| | **430,975** | **20,235,831** | **20,666,806** |
| **Fair value movement** | | | |
| Kansanshi Mining Plc | - | 523,000 | **523,000** |
| Copperbelt Energy Corporation Plc | 607,283 | - | **607,283** |
| CNMC Luanshya Copper Mine Plc | - | 388,000 | **388,000** |
| Maamba Collieries Limited | - | (1,582,000) | **(1,582,000)** |
| | 607,283 | (671,000) | **(63,717)** |
| | **1,038,258** | **19,564,831** | **20,603,089** |
| **Balance at 31 December 2021** | | | |
| Kansanshi Mining Plc | - | 15,799,000 | **15,799,000** |
| Copperbelt Energy Corporation Plc | 1,038,258 | - | **1,038,258** |
| CNMC Luanshya Copper Mine Plc | - | 1,513,000 | **1,513,000** |
| Maamba Collieries Limited | - | 2,203,000 | **2,203,000** |
| Rembrandt Properties Ltd | - | 20,324 | **20,324** |
| Zambia Consolidated Gold Company Limited | - | 29,507 | **29,507** |
| | **1,038,258** | **19,564,831** | **20,603,089** |

## NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

*in thousands of Kwacha*

### 24. Investment in associates *(continued)*

#### (c) Measurement of fair value (continued)

| | Level 2 | Level 3 | Total |
|---|---|---|---|
| **Balance at 1 January 2020** | | | |
| Kansanshi Mining Plc | - | 7,936,000 | **7,936,000** |
| Copperbelt Energy Corporation Plc | 489,744 | - | **489,744** |
| Maamba Collieries Limited | - | 2,239,000 | **2,239,000** |
| Rembrandt Properties Ltd | - | 20,324 | **20,324** |
| CEC Africa Plc | 61,750 | - | **61,750** |
| | **551,494** | **10,195,324** | **10,746,818** |
| **Additions** | | | |
| Consolidated Gold Company Limited | - | 29,507 | 29,507 |
| Total addition | **-** | **29,507** | **29,507** |
| **Disposal** | | | |
| CEC Africa Plc | (41,616) | - | **(41,616)** |
| Total Disposal | **(41,616)** | **-** | **(41,616)** |
| **Fair value movement** | | | |
| Kansanshi Mining Plc | - | 7,340,000 | **7,340,000** |
| Copperbelt Energy Corporation Plc | (58,769) | - | **(58,769)** |
| CNMC Luanshya Copper Mine Plc | - | 1,125,000 | **1,125,000** |
| Maamba Collieries Limited | - | 1,546,000 | **1,546,000** |
| CEC Africa Plc | - | (20,134) | **(20,134)** |
| Total Fair Vale movement | **(58,769)** | **9,990,866** | **9,932,097** |
| **Closing Balance** | **430,975** | **20,235,831** | **20,666,806** |
| **Balance at 31 December 2020** | | | |
| Kansanshi Mining Plc | - | 15,276,000 | **15,276,000** |
| Copperbelt Energy Corporation Plc | 430,975 | - | **430,975** |
| CNMC Luanshya Copper Mine Plc | - | 1,125,000 | **1,125,000** |
| Maamba Collieries Limited | - | 3,785,000 | **3,785,000** |
| Rembrandt Properties Ltd | - | 20,324 | **20,324** |
| Consolidated Gold Company Limited | - | 29,507 | **29,507** |
| **Closing Balance** | **430,975** | **20,235,831** | **20,666,806** |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**24. Investment in associates** *(continued)*

**Valuation technique and significant unobservable inputs**

The following table shows the valuation technique used in measuring the fair value of investment in associates as well as the significant unobservable inputs used.

| Associate | Valuation Technique | Significant Unobservable Inputs And Key Assumptions | Inter-Relationship Between Key Unobservable Inputs And Fair Value Measurement |
|---|---|---|---|
| Kansanshi Mining | **Discounted cash flows:** It is an income approach to valuation and the most widely used valuation methodology. It computes the value of a business by calculating the present value of anticipated future cash flows generated by the business. The expected net cash flows are discounted using risk adjusted discount rates.<br><br>**Relative valuation:**<br><br>The relative valuation methodology values a company using market-based multiples, including operational and asset-based metrics | Target participation capital structure<br>Debt to total capitalisation (2021:14.3%, 2020:14.3%).<br><br>• *Equity to total capitalisation* (2021:85.7%, 2020:85.7%)<br>• *Cost of debt*<br>Cost of debt (2021: 13.4%, 2020: 12.6%)<br>Effective tax rate (2021: 30%, 2020: 35%)<br>After tax cost of debt (2021: 9.4%, 2020: 8.19%)<br>• *Cost of equity*<br>Risk free rate (2021: 1.51%, 2020: 0.93%)<br>Market risk premium (2021: 16.11%, 2020: 17.27%)<br>Levered beta (2021: 0.95, 2020: 1.035).<br>• Key assumptions considered were as follows:<br>- Mineral Royalty tax is assumed as follows for copper (a sliding scale – between 10% - 5.5%, with the higher bands being: 10% for Cu price over US$4.08/lb, 8.5% for price between US$4.08/lb – US$3.4/lb and 7.5% for prices between US$3.4 – US$2.72/lb) is assumed to be 8.5% over the LOM and is treated as deductible from income tax from 2022 onwards<br>- The MRT for gold revenue is assumed at a fixed rate of 6% and is treated as deductible from income tax from 2022 onwards<br>- Copper prices is projected at US$9,284 per ton in 2022 and steadily decrease to US$8,411 per ton in 2024. Gold prices projected at US$1,760/t oz in 2022 and to steadily decrease to US$1,576/t oz in 2024. After 2024, Copper and Gold prices projected at flat rate of US$3.95/lb and US$1,631/oz respectively.<br>- Life of mine was estimated to be 22 years. | The estimated fair value would increase/(decrease) if:<br>• Equity to total capitalisation were (lower)/higher<br>• Cost of debt were higher/ (lower)<br>• The cost of equity were higher /(lower).<br>• If the copper price reduced/ increased the fair value would be higher/(lower). |

*in thousands of Kwacha*

**24. Investment in associates** *(continued)*

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

**Valuation technique and significant unobservable inputs**

The following table shows the valuation technique used in measuring the fair value of investment in associates as well as the significant unobservable inputs used.

| Associate | Valuation Technique | Significant Unobservable Inputs And Key Assumptions | Inter-Relationship Between Key Unobservable Inputs And Fair Value Measurement |
|---|---|---|---|
| Maamba Collieries | Discounted cash flows: It is an income approach to valuation and the most widely used valuation methodology. It computes the value of a business by calculating the present value of anticipated future cash flows generated by the business. The expected net cash flows are discounted using risk adjusted discount rates. There has been no changes to the valuation technique applied in the prior year.<br><br>Relative valuation:<br>The relative valuation methodology values a company using market-based multiples, including operational and asset-based metrics | *Target participation capital structure*<br>Debt to total capitalisation (2021: 39%, 2020: 39%).<br>• *Equity to total capitalisation* (2021:61%, 2020: 61%)<br>• *Cost of debt*<br>Cost of debt (2021: 13.38%, 2020: 12.55%)<br>Effective tax rate (2021:30 %, 2020: 35%)<br>After tax cost of debt (2021: 8.7%, 2020: 8.16%)<br>• *Cost of equity*<br>Risk free rate (2021:1.51 %, 2020: 0.9%)<br>Market risk premium (2021:16.1 %, 2020:16.3%)<br>Levered beta (2021: 0.65, 2020: 0.65).<br><br>• *The assumptions considered were as follows:*<br>- PPA is valid until 2036<br>- The MRT is projected at 5% throughout the forecast period<br>- Plant Availability is assumed to be 77.73%. For the years 2022, 2025, 2029 and 2033, plant availability is reduced by 10.38% to allow for major rehabilitation works.<br>- Projected to produce an annual average of 1.9 million MWH<br>- Projected to mine an annual average of 184,000 tonnes of high-grade coal<br>- Projected to mine an annual average of 1.5 million tonnes of thermal coal | The estimated fair value would increase /(decrease) if:<br>• Equity to total capitalisation were (lower)/higher<br>• Cost of debt were (higher)/lower<br>• The cost of equity were (lower)/ higher<br>• Coal sales prices increase/ decrease.<br>• Capital Expenditure increase/ decrease |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**24. Investment in associates** *(continued)*

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

The following table shows the valuation technique used in measuring the fair value of investment in associates as well as the significant unobservable inputs used.

| Associate | Valuation Technique | Significant Unobservable Inputs And Key Assumptions | Inter-Relationship Between Key Unobservable Inputs And Fair Value Measurement |
|---|---|---|---|
| CNMC Luanshya Copper Mines Plc | Discounted cash flows: It is an income approach to valuation and the most widely used valuation methodology. It computes the value of a business by calculating the present value of anticipated future cash flows generated by the business. The expected net cash flows are discounted using risk adjusted discount rates. | • Target participation capital structure<br>Debt to total capitalisation (2021:16.30%, 2020:38.81%).<br>• *Equity to total capitalisation* (2021:83.70%, 2020:61.19%)<br>• *Cost of debt*<br>Cost of debt (2021: 10.11%, 2020: 10.11%)<br>Effective tax rate (2021: 30%, 2020: 35%)<br>After tax cost of debt (2021: 7.078%, 2020: 6.57%)<br>• *Cost of equity*<br>Risk free rate (2021: 0.9%, 2020: 0.9%)<br>Market risk premium (2021: 16.3%, 2020: 16.3%)<br>Levered beta (2021: 2.18, 2020: 2.18).<br>• *Key assumptions considered were as follows:*<br>- Production of the copper cathode is 40,500 tonnes in 2022 and remains flat at 40,000 tonnes per annum from 2023 to 2026.<br>- Production of copper metal in concentrate will be 10,392 tonnes in 2022, 3,350 tonnes in 2023, 5,850 tonnes in 2024 and increases to 12,150 tonnes per annum from 2025 to 2026.<br>- Mineral Royalty tax is assumed as follows for copper (a sliding scale – between 10% - 5.5%, with the higher bands being: 10% for Cu price over US$4.08/lb, 8.5% for price between US$4.08/lb – US$3.4/lb and 7.5% for prices between US$3.4 – US$2.72/lb) is assumed to be 8.5% over the LOM and is treated as deductible from income tax from 2022 onwards<br>- Copper prices is projected at US$9,284 per ton in 2022 and steadily decrease to US$8,411 per ton in 2024. After 2024, Copper prices projected at flat rate of US$3.95/lb.<br>- Life of mine was estimated to be 5 years. | The estimated fair value would increase/ decrease if:<br>• Equity to total capitalisation were lower/higher<br>• Cost of debt were lower/ higher<br>• The cost of equity were lower/higher.<br>• If the copper price reduced/ increased the fair value would be lower/higher |

**i. Copperbelt Energy Corporation Plc (CEC)**

CEC is listed on Lusaka Securities Exchange (LuSE) and consequently the valuation was based on the spot price and has been categorised as level 2 as shown below:

| Details | 31-Dec 2021 | Mark to market 31-Dec 2020 |
|---|---|---|
| Spot price per share at 31 December (ZMW) | 2.65 | 1.10 |
| Number of issued shares owned | 391,795,562 | 391,795,562 |
| **Market value (ZMW'000)** | **1,038,258** | **430,975** |

CEC categorised as a level 2 based on the level of activity in the market which is deemed to be insufficient i.e., shares are not actively traded for it to be classified as a level 1 fair value

*in thousands of Kwacha*

**24. Investment in associates** *(continued)*

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

**ii. Kansanshi Mining Plc**

A sensitivity analysis table of the equity value, which is based on the discount rate and long-term average copper price over the life of mine indicating reasonably possible changes at the reporting date to one of the relevant valuation assumptions, holding other assumptions constant, would have affected the value of the investment by the amounts shown below:

**2021**

| | Equity Value Sensitivity Analysis | | | | |
|---|---|---|---|---|---|
| | Long-Term Average Copper Price (US$/lb) | | | | |
| | 2.67 | 2.82 | 2.97 | 3.12 | 3.27 |
| **14.1%** | 15,397,000 | 15,795,000 | 16,194,000 | 16,452,000 | 16,843,000 |
| **14.9%** | 15,239,000 | 15,614,000 | 15,989,000 | 16,232,000 | 16,600,000 |
| **15.7%** | 15,092,000 | 15,445,000 | **15,799,000** | 16,027,000 | 16,374,000 |
| **16.5%** | 14,954,000 | 15,287,000 | 15,620,000 | 15,835,000 | 16,163,000 |
| **17.3%** | 14,824,000 | 15,139,000 | 15,453,000 | 15,636,000 | 15,966,000 |

The equity value ranges from ZMW15,287 million (2020: ZMW14,829 million) to ZMW16,232 million (2020: ZMW15,460 million) with the calculated equity value being ZMW15,799 million (2020: ZMW15,276 million).

**2020**

| | Equity Value Sensitivity Analysis | | | | |
|---|---|---|---|---|---|
| | Long-Term Average Copper Price (US$/lb) | | | | |
| | 2.67 | 2.82 | 2.97 | 3.12 | 3.27 |
| **14.9%** | 13,340,000 | 14,365,000 | 14,990,000 | 15,310,000 | 15,920,000 |
| **15.7%** | 13,897,000 | 14,513,000 | 15,129,000 | 15,460,000 | 16,062,000 |
| **16.5%** | 14,059,000 | 14,668,000 | **15,276,000** | 15,619,000 | 16,215,000 |
| **17.3%** | 14,226,000 | 14,829,000 | 15,433,000 | 15,787,000 | 16,379,000 |
| **18.2%** | 14,396,000 | 14,996,000 | 15,596,000 | 15,963,000 | 16,551,000 |

The equity value ranges from ZMW14,829 million (2019: ZMW7,954 million) to ZMW15,460 million (2019: ZMW8,897 million) with the calculated equity value being ZMW15,276 million (2019: ZMW7,936 million).

**iii. Maamba Collieries Limited**

A sensitivity analysis table of the equity value, which is based on the discount rate over the life of power plant indicating reasonably possible changes at the reporting date to one of the relevant valuation assumptions, holding other assumptions constant, would have affected the value of the investment by the amounts shown below:

2021

| | MRT AND ERB FEES | | | | |
|---|---|---|---|---|---|
| | **10%** | **7.2%** | **5.7%** | **4.2%** | **5.0%** |
| **9.7%** | 2,456,000 | 2,451,000 | 2,451,000 | 2,447,000 | 2,447,000 |
| **10.2%** | 2,333,000 | 2,329,000 | 2,329,000 | 2,324,000 | 2,324,000 |
| **10.7%** | 2,206,000 | 2,206,000 | **2,203,000** | 2,202,000 | 2,198,000 |
| **11.3%** | 2,088,000 | 2,088,000 | 2,084,000 | 2,084,000 | 2,080,000 |
| **11.8%** | 1,970,000 | 1,970,000 | 1,966,000 | 1,966,000 | 1,966,000 |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**24. Investment in associates** *(continued)*

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

The equity value ranges from ZMW2,088 million (2020: ZMW3,450 million) to ZMW2,324 million (2020: ZMW 4,148 million) with the calculated equity value being ZMW2,203 million (2020: ZMW3,785 million).

**2020**

| | MRT AND ERB FEES | | | | | |
|---|---|---|---|---|---|---|
| | | **10%** | **7.2%** | **5.7%** | **4.2%** | **5.0%** |
| | **8.0%** | 6,088,000 | 4,311,000 | 4,390,000 | 4,465,000 | 4,527,000 |
| | **9.1%** | 5,590,000 | 4,001,000 | 4,076,000 | 4,148,000 | 4,205,000 |
| | **10.3%** | 5,137,000 | 3,716,000 | **3,785,000** | 3,584,000 | 3,907,000 |
| | **11.9%** | 4,722,000 | 3,450,000 | 3,516,000 | 3,582,000 | 3,636,000 |
| | **12.5%** | 4,341,000 | 3,206,000 | 3,269,000 | 3,329,000 | 3,380,000 |

The equity value ranges from ZMW3,450 million (2019: ZMW892 million) to ZMW4,148 million (2019: ZMW 3,437 million) with the calculated equity value being ZMW3,785 million (2019: ZMW2,239 million).

**iv. CNMC Luanshya Copper Mines Plc**

A sensitivity analysis table of the equity value, which is based on the discount rate over the life of mine indicating reasonably possible changes at the reporting date to one of the relevant valuation assumptions, holding other assumptions constant, would have affected the value of the investment by the amounts shown below:

**2021**

| | Equity Value Sensitivity Analysis | | | | | |
|---|---|---|---|---|---|---|
| | | Long-Term Average Copper Price (US$/lb) | | | | |
| | | 2.67 | 2.82 | 2.97% | 3.12 | 3.27 |
| | **12.6%** | 1,409,000 | 1,524,000 | 1,646,000 | 1,728,000 | 1,854,000 |
| | **14.6%** | 1,354,000 | 1,462,000 | 1,577,000 | 1,654,000 | 1,773,000 |
| | **16.6%** | 1,303,000 | 1,405,000 | **1,513,000** | 1,587,000 | 1,698,000 |
| | **18.6%** | 1,256,000 | 1,352,000 | 1,454,000 | 1,524,000 | 1,629,000 |
| | **20.6%** | 1,212,000 | 1,303,000 | 1,400,000 | 1,465,000 | 1,565,000 |

The equity value ranges from ZMW1,352 million (2020: (ZMW 914 million)) to ZMW1,654 million (2020: (ZMW 1,265 million)) with the calculated equity value being ZMW1,513 million (2020: ZMW1,125 million).

**2020**

| | Equity Value Sensitivity Analysis | | | | | |
|---|---|---|---|---|---|---|
| | | Long-Term Average Copper Price (US$/lb) | | | | |
| | | 2.67 | 2.82 | 2.97% | 3.12 | 3.27 |
| | **15.5%** | 960,000 | 1,125,000 | 1,303,000 | 1,362,000 | 1,544,000 |
| | **17.5%** | 897,000 | 1,049,000 | 1,210,000 | 1,265,000 | 1,430,000 |
| | **19.5%** | 838,000 | 977,000 | **1,125,000** | 1,176,000 | 1,328,000 |
| | **21.5%** | 787,000 | 914,000 | 1,049,000 | 1,096,000 | 1,235,000 |
| | **23.5%** | 736,000 | 855,000 | 982,000 | 1,024,000 | 1,155,000 |

The equity value ranges from ZMW914 million (2019: ZMW 213 million) to ZMW1,265 million (2019: ZMW 4 million) with the calculated equity value being ZMW1,125 million (2019: nil).

**24. Investment in associates** *(continued)*

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

**v. Konkola Copper Mines Plc (KCM)**

The equity value is nil (negative equity value is limited to a zero-value due to the limited liability nature of the investee company) (2020: nil).

**vi. Lubambe Copper Mine Limited**

The equity value is nil (negative equity value is limited to a zero-value due to the limited liability nature of the investee company) (2020: nil).

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 25. Financial assets at fair value through profit or loss

### a) Reconciliation of carrying amounts

| Group and Company | ZMW 2021 | ZMW 2020 |
|---|---|---|
| Balance at 1 January | 292,000 | - |
| Changes in fair value (unrealised) | 1,166,000 | 292,000 |
| **Total balance** | **1,458,000** | **292,000** |

Financial assets at fair value through profit or loss include the following:

| Group and Company | | ZMW 2021 | ZMW 2020 |
|---|---|---|---|
| Unlisted equities – at fair value | | | |
| Chibuluma Mines Plc | b(i) | - | - |
| Chambishi Metals PLC | b(ii) | - | - |
| NFC Africa Mine PLC | b(iii) | 1,458,000 | 292,000 |
| **Total balance** | | **1,458,000** | **292,000** |

The increase in fair value in respect of NFCA Mine Plc is mainly due to the increase in the projected copper price over the life of Mine.

### b) Measurement of fair value

*Fair value hierarchy*

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

The fair value measurement for the Company's investments of ZMW1,458 million (2020: ZMW292 million) has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

**Level 2 and 3 fair value**

The following table shows a reconciliation from the opening balances to the closing balances for level 2 and 3 fair values.

| 31 Dec 2021 | Level 2 | Level 3 | Total |
|---|---|---|---|
| Balance at 1 January | - | 292,000 | 292,000 |
| Net change in fair value | - | 1,166,000 | 1,166,000 |
| **Balance at 31 December** | - | **1,458,000** | **1,458,000** |

| 31 Dec 2020 | Level 2 | Level3 | Total |
|---|---|---|---|
| Balance at 1 January | - | - | - |
| Net change in fair value | - | 292,000 | 292,000 |
| **Balance at 31 December** | - | **292,000** | **292,000** |

*in thousands of Kwacha*

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

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

The following table shows the valuation technique used in measuring the fair value of investment in associates as well as the significant unobservable inputs used.

| Associate | Valuation Technique | Significant Unobservable Inputs And Key Assumptions | Inter-Relationship Between Key Unobservable Inputs And Fair Value Measurement |
|---|---|---|---|
| NFC Africa Mining Plc | **Discounted cash flows:** It is an income approach to valuation and the most widely used valuation methodology. It computes the value of a business by calculating the present value of anticipated future cash flows generated by the business. The expected net cash flows are discounted using risk adjusted discount rates.<br>There has been no changes to the valuation technique applied in the prior year.<br><br>Relative valuation:<br>The relative valuation methodology values a company using market-based multiples, including operational and asset-based metrics | • Target participation capital structure<br>Debt to total capitalisation (2021: 14.3%, 2020: 14.3%%).<br>• Equity to total capitalisation (2021:85.7%, 2020: 85.7%%)<br>• Cost of debt<br>Cost of debt (2021: 13.4%, 2020: 12.6%)<br>Effective tax rate (2021:30 %, 2020: 35%)<br>After tax cost of debt (2021: 9.4%, 2020: 8.19%)<br>• Cost of equity<br>Risk free rate (2021:1.51%, 2020: 0.9%)<br>Market risk premium (2021:16.1 %, 2010:16.3%)<br>Levered beta (2021: 1.06, 2020: 1.16).<br><br>• ***The assumptions considered were as follows:***<br>- Mineral Royalty tax is assumed as follows for copper (a sliding scale – between 10% - 5.5%, with the higher bands being: 10% for Cu price over US$4.08/lb, 8.5% for price between US$4.08/lb – US$3.4/lb and 7.5% for prices between US$3.4 – US$2.72/lb) is assumed to be 8.5% over the LOM and is treated as deductible from income tax from 2022 onwards<br>- Copper prices is projected at US$9,284 per ton in 2022 and steadily decrease to US$8,411 per ton in 2024. After 2024, Copper prices projected at flat rate of US$3.95/lb.<br>- The Main & West Ore Body is projected to produce 27,000 tonnes of copper per annum<br>- the Southeast Ore Body peak in 2022 at 58,311 tonnes per annum declining to 24,413 ton in the latter part of the mine life.<br>- Cost of production is assumed at US$3.23/lb per tonne of copper produced<br>- Operating and admin expenses is assumed at US$0.29/lb per tonne of copper produced<br>- Life of mine: 14 years | The estimated fair value would increase (decrease) if:<br><br>• Equity to total capitalisation were higher/(lower)<br>• Cost of debt were lower/higher<br>• The cost of equity were lower/higher/<br>• Copper sales prices (increase)/ decrease.<br>• Capital Expenditure decrease /increase |

**i.** Chibuluma Mines Plc

The equity value is nil (negative equity value is limited to a zero-value due to the limited liability nature of the investee company) (2020: nil).

**ii.** Chambishi Metals Plc

The equity value is nil (negative equity value is limited to a zero-value due to the limited liability nature of the investee company) (2020: nil).

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

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

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

**iii.** NFC Africa Mines Plc

A sensitivity analysis table of the equity value, which is based on the discount rate and long-term average copper price over the life of mine indicating reasonably possible changes at the reporting date to one of the relevant valuation assumptions, holding other assumptions constant, would have affected the value of the investment by the amounts shown below:

| | Equity Value Sensitivity Analysis | | | | |
|---|---|---|---|---|---|
| | Long-Term Average Copper Price (US$/lb) | | | | |
| | 3.02 | 3.18 | 3.35 | 3.52 | 3.69 |
| **13.2%** | 1,662,000 | 1,771,000 | 1,880,000 | 1,989,000 | 2,098,000 |
| **15.2%** | 1,467,000 | 1,560,000 | 1,653,000 | 1,746,000 | 1,840,000 |
| **17.2%** | 1,298,000 | 1,378,000 | **1,458,000** | 1,538,000 | 1,618,000 |
| **19.2%** | 1,151,000 | 1,220,000 | 1,290,000 | 1,359,000 | 1,428,000 |
| **21.2%** | 1,023,000 | 1,083,000 | 1,143,000 | 1,203,000 | 1,262,000 |

The equity value ranges from ZMW1,220 million (2020: ZMW 116 million) to ZMW1,746 million (2020: ZMW 469 million) with the calculated equity value being ZMW1,458 million (2020: ZMW292 million).

| | Equity Value Sensitivity Analysis | | | | |
|---|---|---|---|---|---|
| | Long-Term Average Copper Price (US$/lb) | | | | |
| | 3.02 | 3.18 | 3.35 | 3.52 | 3.69 |
| **14.9%** | 492,000 | 565,000 | 639,000 | 666,000 | 738,000 |
| **15.7%** | 328,000 | 389,000 | 450,000 | 469,000 | 529,000 |
| **16.5%** | 191,000 | 241,000 | **292,000** | 304,000 | 354,000 |
| **17.3%** | 74,000 | 116,000 | 158,000 | 165,000 | 207,000 |
| **18.2%** | (26,000) | 9,000 | 45,000 | 47,000 | 82,000 |

The equity value ranges from ZMW116 million (2019: nil) to ZMW469 million (2019: nil) with the calculated equity value being ZMW292 million (2019: nil).

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 26. Inventories

| | | | | Company |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| | 2021 | 2020 | 2021 | 2020 |
| Consumable stores | 655,909 | 18,434 | - | - |
| Production stock | 3,887,509 | 2,483 | - | - |
| Stockpiles | 51,248 | 2,955 | - | - |
| Gold nuggets | 49,535 | 17,690 | 22,034 | 13,743 |
| Gemstones | 7,685 | 14,166 | - | - |
| **Balance at 31 December** | **4,651,886** | **55,728** | **22,034** | **13,743** |

Assets pledged as security

Refer to note 40 (vi) for information on current assets pledged as security by the Group.

## 27. Trade and other receivables

| Group<br>Dec 2021<br>Current | Gross | Expected credit loss | Net |
|---|---|---|---|
| Trade receivables | 818,792 | (6,114) | 812,678 |
| Dividend receivable | 78,066 | (78,066) | - |
| Prepayments | 177,149 | - | 177,149 |
| VAT receivable | 1,963,591 | (107) | 1,963,484 |
| Other receivables* | 205,783 | (78,089) | 127,694 |
| Amounts due from related parties (note 39b (vii)) | 184,436 | (466) | 183,970 |
| Price participation receivable (note 39(vii))) | 9,182 | (9,182) | - |
| **Total current receivables** | **3,436,999** | **(172,024)** | **3,264,975** |
| **Non-current** | | | |
| Other long-term receivables | 653,960 | - | 653,960 |
| Amounts due from related parties (note 39b(vi)) | 1,631,582 | (955,104) | 676,478 |
| **Total non-current receivables** | **2,285,542** | **(955,104)** | **1,330,438** |
| **Total balance** | **5,722,541** | **(1,127,128)** | **4,595,413** |

| Group<br>Dec 2020<br>Current | Gross | Expected credit loss | Net |
|---|---|---|---|
| Trade receivables | 36,371 | (4,552) | 31,819 |
| Dividend receivable | 78,066 | (78,066) | - |
| Prepayments | 462 | (22) | 440 |
| Other receivables* | 94,427 | (77,396) | 17,031 |
| Amounts due from related parties (note 39b(vii)) | 416,776 | (315) | 416,461 |
| Price participation receivable (note 39(vi) | 54,479 | (9,905) | 44,574 |
| **Total current receivables** | **680,581** | **(170,256)** | **510,325** |
| **Non-current** | | | |
| Amounts due from related parties (note 39b(vii)) | 1,843,658 | (1,058,389) | 785,269 |
| **Total non-current receivables** | **1,843,658** | **(1,058,389)** | **785,269** |
| **Total balance** | **2,524,239** | **(1,228,645)** | **1,295,594** |

**The carrying values of trade and other receivables approximates their fair values**

**Assets pledged as security**

Refer to note 40 (vii) for information on current assets pledged as security by the Group.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**27. Trade and other recievables** (continued)

**VAT receivables**

Valued Added Tax ("VAT") receivable is balance of ZMW 3.6 billion (US$247 million). Included in this balance are refunds amounting to ZMW1,599 million (US$96 million) that have been recognised given the long-termnature of VAT refunds. Management deems the gross VAT receivable is fully recoverable based on ZRA verification procedures conducted up as at the end of the financial year.

An assessment of output tax amounting to ZMW3.6 billion (US$362 million) had been raised by ZRA. The assessment covers the years 2011, 2012 and the first quarter of 2013. The basis of assessment is that the Company (Mopani) has not provided all the evidence that was required under the old Rule 18 of the VAT (General) Rules to prove an export and in particular the requirement to submit customs import certificates from the country of destination. Therefore, all sales of metal that were zero rated in the returns have been standard rated in the assessment by ZRA. In 2015, VAT Rule 18 was subsequently amended to allow exporters to submit transit documents issued by the customs authority in the country of transit of the goods instead of import certificates from the country of destination, as proof of export for purposes of VAT zero rating. The amendment was with effect from 23 February 2015. As a result, the Company (Mopani)has been able to claim and receive VAT refunds claimed after 1 March 2015.

| Company<br>December 2021<br>Current | Gross | Expected credit loss | Net |
|---|---|---|---|
| Trade receivables | 1,408 | (1,408) | - |
| Dividend receivable | 78,066 | (78,066) | - |
| Prepayments | 1,743 | - | 1,743 |
| VAT receivable | 1,387 | (107) | 1,280 |
| Other receivables * | 88,895 | (78,089) | 10,806 |
| Amounts due from related parties (note 39b(vi)) | 708,206 | (524,191) | 184,015 |
| Price participation receivable(note 39(vi)) | 9,182 | (9,182) | - |
| **Total current receivables** | **888,887** | **(691,043)** | **197,844** |
| **Non-current** | | | |
| Amounts due from related parties (note 39b(vi)) | 1,631,582 | (955,104) | 676,478 |
| **Total balance** | **2,520,469** | **(1,646,147)** | **874,322** |

| Company<br>Current | Gross | Expected credit loss | Net |
|---|---|---|---|
| Trade receivables | 2,036 | (1,419) | 617 |
| Dividend receivable | 78,066 | (78,066) | - |
| Other receivables * | 85,670 | (76,452) | 9,218 |
| Prepayments | 462 | (22) | 440 |
| Amounts due from related parties (note 39b(vi) | 887,809 | (471,348) | 416,461 |
| Price participation receivable (note 39(vi)) | 54,479 | (9,905) | 44,574 |
| **Total non-current receivables** | **1,108,522** | **(637,212)** | **471,310** |
| **Non-current** | | | |
| Amounts due from related parties (note 39b(vi) | 1,843,658 | (1,058,389) | 785,269 |
| **Total balance** | **2,952,180** | **(1,695,601)** | **1,256,579** |

*in thousands of Kwacha*

**27. Trade and other recievables** (continued)

**Other receivables analysis**

| Group | 31 Dec 21 Gross | Impairment | Net | 31 Dec 20 Gross | Impairment | Net |
|---|---|---|---|---|---|---|
| Government receivables | 7,223 | (7,223) | - | 7,223 | (7,223) | - |
| Staff receivables | 9,645 | (824) | 8,821 | 8,451 | (628) | 7,823 |
| Management fees receivable | 13,297 | (12,745) | 552 | 10,800 | (10,800) | - |
| Other sundry debtors | 175,618 | (57,297) | 118,321 | 67,953 | (58,745) | 9,208 |
| | **205,783** | **(78,089)** | **127,694** | **94,427** | **(77,396)** | **17,031** |

| Company | | 31 Dec 2021 | | | 31 Dec 2020 | |
|---|---|---|---|---|---|---|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| Government receivables | 7,223 | (7,223) | - | 7,223 | (7,223) | - |
| Staff receivables | 9,645 | (824) | 8,821 | 8,451 | (628) | 7,823 |
| Management fees receivable | 13,297 | (12,745) | 552 | 10,800 | (10,800) | - |
| Other Sundry debtors | 58,730 | (57,297) | 1,433 | 59,196 | (57,801) | 1,395 |
| | **88,895** | **(78,089)** | **10,806** | **85,670** | **(76,452)** | **9,218** |

**All receivables including other receivables, The carrying values approximated their fair values.*

**28. Environmental Protection Fund**

| | | Group |
|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 |
| Environmental Protection Fund Deposit | 87,130 | - |
| | 87,130 | - |

Environmental Protection Fund deposit relates to the subsidiary Mopani Copper Mine Plc deposits made for the Company's estimated decommissioning and closure costs to be incurred as closure of the Nkana and Mufulira mines. This is recoverable from Government or can be offset against future liabilities as assessed by the Government.

The Mines and Minerals Regulations, 1998 (Statutory Instrument No.102 of 1998) provide for the payment of contributions by mine owners into the Environmental Protection Fund designed to provide for environmental restoration of defunct sites. The Company contributes into the Environmental Protection Fund and the contributions paid into the Fund are based on the environmental assessment carried out by environmental experts. The funds are not accessible and are only available at the time of restoration. Ndola Lime Company Limited/ Limestone Resources Limited have not made any contributions towards the environmental protection funds. The contributions are only due based on the assessment made by the government department in line with the Act. In this case, they was no assessment in 2021 and therefore no payment has been made. Assessment is due in 2022. However, both entities have recognised ARO liabilities which are driven by the company and are significantly material than the assessments done by the mining department of the government. This is done in line with IAS 37.

*Assets pledged as security*

Refer to note 40 (vi) for information on current assets pledged as security by the Group.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

### 29. Term deposits

Term deposits relate to fixed deposits placed in various banks.

The movement in term deposits is as follows:

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| Current | 2021 | 2021 | 2021 | 2020 |
| Balance at 1 January | 194,369 | 274,960 | 194,369 | 273,717 |
| Matured during the period | (194,369) | (274,960) | (194,369) | (273,717) |
| Additions | 653,742 | 194,369 | 632,992 | 194,369 |
| **Total** | **653,742** | **194,369** | **632,992** | **194,369** |

Alien/charge in the sum of ZMW9,164 (US$550,000) was created over the term deposit as security for the payment of an overdraft facility and a balance is included in the total of ZMW632,742 thousand (2020: ZMW194,369). The Company performs the Expected Credit loss (ECL) on term deposits. Based on the assessment, the ECL was considered immaterial for both 2021 and 2020.

### 30. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| | 2021 | 2020 | 2021 | 2020 |
| Cash and bank balances | 184,464 | 180,051 | 81,473 | 119,657 |
| Cash in hand | 161 | 1,158 | 25 | 982 |
| Cash and cash equivalents in the statement of financial position | 184,625 | 181,209 | 81,498 | 120,639 |
| Bank overdraft | (70,449) | (10,034) | - | - |
| Cash and cash equivalents | 114,176 | 171,175 | 81,498 | 120,639 |
| Under assets held for sale | 221,925 | 253,830 | - | - |
| **Cash and cash equivalents at 31 Dec** | **336,101** | **425,005** | **81,498** | **120,639** |

**Bank overdrafts**

*Mopani Copper Mines Plc*

The Company has an overdraft facility with Zambia National Commercial Bank Plc amounting to ZMW75 million (US$4.5 million). The overdraft facility is secured by unconditional corporate guarantee from ZCCM Investment Holdings Plc. The overdraft facility carries interest rate at 10%. At the financial year end, the amount drawn in overdraft amounted to US$3.9 million

The fair value of the two corporate guarantees above was immaterial, thus nil value was recognised.

As at 31 December,2021 the ECL on the two guarantees was assessed to be nil, as there was no adverse conditions that existed.

*Kariba Minerals Limited*

The overdraft facility has a limit of ZMW8,315 thousand (US$ 500,000) and attracts interest at 12% per annum.

*Assets pledged as security*

Refer to note 40 (vi) for information on current assets pledged as security by the Group.

## NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

*in thousands of Kwacha*

### 31. Trade and other payables

| Current | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Trade payables | 1,417,719 | 27,079 | - | - |
| Concentrate purchases | 2,380,447 | - | - | - |
| Statutory liabilities | 617,004 | 13,856 | 1 | 1 |
| Other payables and accrued expenses | 381,338 | 115,118 | 116,882 | 102,550 |
| **Total Current Liabilities** | **4,796,508** | **156,053** | **116,883** | **102,551** |
| **Non-Current** | | | | |
| Statutory liabilities | - | 18,335 | - | - |
| **Total Non - current Liabilities** | **-** | **18,335** | **-** | **-** |
| **Total balance** | **4,796,508** | **174,388** | **116,883** | **102,551** |

**i.** Concentrate purchases relates to costs accrued for purchases of third party concentrates by Mopani Copper Mine Plc.

**ii.** The carrying amount of the current payables and accrued expenses approximate their fair values due to the short-term nature and low impact of discounting.

**iii.** Statutory liabilities relate to Pay As You Earn (PAYE), National Pension Scheme Authority (NAPSA), Mineral Royalty Tax and Value Added Tax (VAT).

**iv.** The significant decrease in statutory liabilities during the year is due to write off of liabilities relating to Ndola Lime Company limited.

Other payables and accrued expenses analysis*

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Staff payables | 305,307 | 3,444 | 3,175 | 3,444 |
| Advances from Related Parties | 10,724 | 10,724 | 10,724 | 10,724 |
| Accrued expenses (includes concentrate purchases) | 41,807 | 15,249 | 41,807 | 15,249 |
| Sundry payables | 25,500 | 85,701 | 61,176 | 73,133 |
| | **383,338** | **115,118** | **116,882** | **102,550** |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 32. Provisions

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Provisions for legal cases (i) | 10,332 | 72,685 | 10,332 | 72,685 |
| Provisions – others (ii) | 368,414 | 48,492 | 19,196 | 47,031 |
| Closing Balance | 378,746 | 121,177 | 29,528 | 119,716 |
| **Legal provision** | | | | |
| Opening balance | 72,685 | 61,549 | 72,685 | 61,549 |
| Addition | - | 12,618 | - | 12,618 |
| Payments | (62,353) | (1,482) | (62,353) | (1,482) |
| **Closing balance** | **10,332** | **72,685** | **10,332** | **72,685** |
| | | | | |
| **Provisions other** | | | | |
| Opening balance | 48,492 | 23,837 | 47,031 | 23,837 |
| Addition | 35,571 | 31,387 | 33,674 | 29,926 |
| Acquired through business combinations | 347,321 | - | - | - |
| Payments | (62,970) | (6,732) | (61,509) | (6,732) |
| **Closing balance** | **368,414** | **48,492** | **19,196** | **47,031** |

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

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

## 33. Share capital and premium

**i.** Ordinary shares

| Group and Company | | Class A shares | | Class B shares | | Total |
|---|---|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Balance at 31 Dec | 969 | 969 | 639 | 639 | 1,608 | 1,608 |

Class "A" Ordinary Shares and Class "B" Ordinary Shares all rank pari passu in all respects.

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share.

The Company has authorised class A and B shares of 96,976,669 and 63,873,617 respectively of ZMW0.01 each. Both class A and B shareholders have a right to vote, appoint directors, chairperson and receive a dividend.

## NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

*in thousands of Kwacha*

### 33. Share capital and premium (continued)

**ii.** Number of shares

| In thousands of shares | Class A shares | | Class B shares | | | Total shares |
|---|---|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| In issue at 31 December – fully paid | 96,927 | 96,927 | 63,873 | 63,873 | 160,800 | 160,800 |
| **Authorised – par value ZMW0.01** | **120,000** | **120,000** | **80,000** | **80,000** | **200,000** | **200,000** |

**iii. Share premium**

| | Class A shares | | Class B shares | | | Total |
|---|---|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Ordinary shares | 1,259,407 | 1,259,407 | 829,936 | 829,936 | 2,089,343 | 2,089,343 |
| | **1,259,407** | **1,259,407** | **829,936** | **829,936** | **2,089,343** | **2,089,343** |

### 34. Other reserves

**i. Revaluation reserve**

The revaluation reserve arises from the periodic revaluation of items of property, plant and equipment, and represents the excess of the revalued amount over the carrying value of the property, plant and equipment at the date of revaluation. The reserves are non-distributable to the shareholders and are recognised net of deferred income tax. Deferred tax arising in respect of the revaluation of property, plant and equipment has been charged directly against revaluation reserves in accordance with IAS 12: Income Taxes.

**ii. Translation reserve**

The translation reserve arises from the translation of the results of the investments in subsidiaries and equity accounted investees whose functional and presentation currency is the US Dollar. Subsidiary translation reserve for the year were as follows;

| | ZMW'000 |
|---|---|
| Trade and other receivables | (841,427) |
| Environmental Protection Fund | (28,376) |
| Cash and cash equivalents | (2,816) |
| Borrowings (note: 35) | 8,193,471 |
| Retirement benefits (note: 37) | 80,568 |
| Provisions for environmental rehabilitation (note: 38) | 314,215 |
| Trade and other payables | 973,936 |
| Provisions (note: 32) | 178,189 |
| **Total** | **8,867,760** |

**iii. 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. The reserves are distributable upon realisation. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, which is effectively realised, is reduced from the investment revaluation reserve and is recognised in other comprehensive income. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in retained earnings. (See note 45 (e (i)).

*in thousands of Kwacha*

### 35. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| **Current** | | | | |
| Borrowings | 797,566 | - | 1,135 | - |
| **Non-current** | | | | |
| Borrowings | 24,546,001 | 161,370 | - | 161,370 |
| **Total borrowings** | **25,343,567** | **161,370** | **1,135** | **161,370** |

| | Group | | Company | |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Opening balance | 161,370 | - | 161,370 | - |
| Acquisition of subsidiary (note 23d(ii)) | 33,121,500 | - | - | - |
| Additions | - | 151,328 | - | 151,328 |
| Repayments | (402,694) | - | (124,457) | - |
| Interest - expense | 701,512 | 2,715 | 8,872 | 2,715 |
| Exchange differences | (33,077) | 7,327 | (33,077) | 7,327 |
| Interest paid | (11,573) | - | (11,573) | - |
| Exchange difference due to translation (included in reserves) (note 34 (ii)) | (8,193,471) | - | - | - |
| **Closing balance** | **25,343,567** | **161,370** | **1,135** | **161,370** |

| | Group | | Company | |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Glencore Plc | 25,342,432 | - | - | - |
| CNMC Luanshya | 1,135 | 161,370 | 1,135 | 161,370 |
| **Closing balance** | **25,343,567** | **161,370** | **1,135** | **161,370** |

**Glencore International AG / Carlisa facility**

Mopani has historically been funded by shareholder loans from Carlisa and other members of the Glencore group. As of 31 December 2020, the total shareholder loan was ZMW 71.509 billion (US$4.3 billion). Before the acquisition of Mopani's 90% stake from Glencore, the shareholder loans agreements were amended, such that the remaining debt in Mopani was reduced to ZMW 24.945 billion (US$1.5 billion.) The amended debt to Carlisa and Glencore key terms and conditions are summarised below:

The facilities include the following parties:

- Mopani as a borrower
- Glencore International AG (GIAG) as a lender in respect of the GIAG facility
- Carlisa as a lender in respect of the Carlisa facility
- ZCCM-IH as a guarantor

The facility amount is for ZMW 24.945 billion (US$1.5 billion) with repayment period ending 2035 or any such later date as agreed amongst the Parties in writing from time to time. ZCCM-IH has guaranteed the obligations of Mopani under the GIAG and Carlisa facility. A current portion of 797 has been deemed to be immaterial.

Interest is capitalised for the first 3 years and thereafter payable quarterly at Libor plus 3%.

**35. Borrowings** (continued)

***Repayment terms***

The facility is repayable under a dual mechanism

- 3% of gross revenue of the Mopani group from 2021- 2023, and 10% to 17.5% of gross revenue of Mopani thereafter.
- 33.3% of EBITDA less taxes, changes in working capital,capital expenditure, royalty payment to Government of the Republic of Zambia (GRZ) for that quarter

Repayment of principal (together with accrued interest) may additionally be required in the event of an occurrence of certain other early repayment events. These include certain change of control events in respect of Mopani, proceeds from capital raising or disposal and sales of product other than those pursuant to the offtake agreements, amongst others. The Group is in compliance to the above terms.

If ZCCM-IH ceases to control Mopani or the GRZ ceases to control ZCCM-IH, the lenders may, at any time thereafter cancel the facilities and declare all loans, together with accrued interest, immediately due and payable.

***Security***

- The facility is secured by first ranking fixed and floating charge over all assets and undertakings of Mopani
- ZCCM-IH shares in Mopani.
- ZCCM-IH Corporate guarantee in favour of Glencore

Aside the terms on repayment, security, offtaking and shareholding, there were no other debt covenants.

**Other terms and conditions**

Glencore has retained offtake rights in respect of a portion of Mopani's production of copper cathode and cathode slimes for the duration of the loan facilities (price based on the London Metal Exchange / London Market Association market pricing for metals) until the loan is repaid in full.

Mopani and Glencore International AG entered into Offtake Agreements relating to the supply by Mopani to a member of Glencore's Group of up to 100% of Mopani's production of copper cathode and copper anode slimes materials for the duration of the Loan Facilities (priced based on London Metal Exchange/London Bullion Market Association market pricing for the relevant metals).

The Offtake Agreements allows up to 20% of Mopani's production of copper cathode to be allocated for sale to domestic Zambian value-adding consumers. This percentage may be increased from time to time to reflect increases in domestic demand, as may be agreed.

In the event that, ZCCM-IH ceases to control Mopani or the GRZ ceases to control ZCCM-IH, the Glencore may, at any time thereafter cancel the facilities and declare all loans, together with accrued interest, immediately due and payable. Control is specified as GRZ maintaining 50% shareholding in ZCCM-IH and ZCCM-IH maintaining 75% shareholding in Mopani, with control of operations and appointment of directors.

**CNMC Luanshya Copper Mines Plc (CNMC Luanshya) loan facility**

On 1 October 2020, CNMC Luanshya Copper Mines Plc advanced a loan facility to ZCCM-IH totalling ZMW 24,725,000 (US$7,500,000) at an interest rate of 7% per annum. This loan is payable over a period of three (3) years and attracts an interest rate of 7% per annum. The loan is payable through future dividend payable by CNMC Luanshya to ZCCM-IH within the tenure of the loan. As of 31 December 2021, total loan outstanding balance was ZMW 1,135 thousand (US$ 68,901) inclusive of interest.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 36. Deferred income tax

**Group**

Deferred income tax assets are recognised for provisions to the extent that the future related tax benefits will be realised. There were no unrecognised deferred tax assets during the period. The deferred tax asset has been recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences will be utilised.

Subject to agreement with the Zambia Revenue Authority, the Group has estimated tax losses of approximately ZMW517.33 million (2020: ZMW255.51 million) deferred tax losses relates to ZCCM-IH the holding Company and are recoverable. ZCCM-IH company has forecasted that sufficient taxable profits will be available to utilises the recognised tax losses. Management has premised the projections on the recent change of shareholder agreements with certain investee companies, from dividend model, (subjected to 0% income tax rate) to the royalty model, (subjected to 30% income tax rate.) The tax losses are available to be carried forward for a period of not more than 5 years from the charge year in which they were incurred, for set off against future taxable profit from the same source as follows:

| | 2021<br>ZMW'000 | 2020<br>ZMW'000 |
|---|---|---|
| 2021 tax losses available until 2025 | 261,822 | - |
| 2020 tax losses available until 2024 | 184,593 | 184,593 |
| 2019 tax losses available until 2023 | 51,027 | 51,027 |
| 2018 tax losses available until 2022 | 19,886 | 19,886 |
| **Total** | **517,328** | **255,506** |

As at 31 December, 2021, the Directors have assessed that there will be sufficient profits realised that can be used to realise the benefit of the deferred tax asset above. As such the total deferred tax asset has not been derecognised as at year end. At the date of acquisation.

*in thousands of Kwacha*

## 36. Deferred income tax *(continued)*

**Group** *(continued)*

Deferred income tax was calculated using the enacted income tax rate of 30% (2020: 35%).

| Group<br>Movement in temporary differences during the year | Balance 01 Jan 2020 | Recognised in profit or loss | Recognised OCI | Balance 31 Dec 2020 | Recognised in a Business combination | Recognised in profit or loss | Recognised in Equity | Balance 31 Dec 2021 |
|---|---|---|---|---|---|---|---|---|
| **Deferred Tax Liability** | | | | | | | | |
| Property, plant and equipment | (8,084) | (804) | - | (8,888) | - | 29,088 | - | 20,200 |
| Property, plant and equipment – Revaluation | 15,732 | - | (77) | 15,655 | - | (7,897) | (1,079) | 6,679 |
| Unrealised exchange gains | 199,899 | 182,305 | - | 382,204 | | (62,726) | - | 319,478 |
| Recognition of deferred tax liabilities (DTL) relating to Business combination fair value uplifts. | - | - | - | - | 1,185,160 | | - | 1,185,160 |
| Employee provision | 14,821 | (1,168) | 180 | 13,833 | - | (935) | 1,297 | 14,195 |
| **Total Deferred Tax Liability** | **222,368** | **180,333** | **103** | **402,804** | **1,185,160** | **(42,470)** | **218** | **1,545,712** |
| **Deferred Tax Asset** | | | | | | | | |
| Provision for gratuity and leave pay | (2,447) | (180) | - | (2,627) | | (207) | - | (2,834) |
| Change in financial assets at fair value through profit or loss | 2,813 | (2,813) | - | - | - | - | - | - |
| Change in investment property | 7,651 | 1,388 | - | 9,039 | - | (9,039) | - | - |
| Other provisions | (15,543) | (6,675) | - | (22,218) | - | 7,358 | - | (14,860) |
| Expected credit losses | (467,609) | (21,521) | - | (489,130) | - | 99,597 | - | (389,533) |
| Legal Provision | (21,542) | (3,897) | - | (25,439) | - | 22,339 | - | (3,100) |
| Environmental provision | (19,340) | (3,968) | - | (23,308) | - | (671) | - | (23,979) |
| Recognition of deferred tax asset relating to Business combination fair value uplifts up to DTL | - | - | - | - | (1,185,160) | - | | (1,185,160) |
| On losses from derivatives | (4,919) | 4,919 | - | - | - | - | - | - |
| Unrealised exchange losses | (2,731) | (3,136) | - | (5,867) | - | (104,255) | - | (110,122) |
| Tax losses | (24,820) | (65,039) | - | (89,859) | - | (67,113) | - | (156,972) |
| **Total Deferred Tax Asset** | **(548,487)** | **(100,922)** | **-** | **(649,409)** | **(1,185,160)** | **(51,991)** | **218** | **(1,886,560)** |
| **Deferred Tax (Asset)/Liability** | **(326,119)** | **79,411** | **103** | **(246,605)** | **-** | **(94,461)** | **218** | **(340,848)** |

*Recognised in profit or loss for the year 2021 is the effect of Tax rate changes amounting to ZMW3.06 million.

*in thousands of Kwacha*

## 36. Deferred income tax (continued)

### Company

### Deferred Tax on Foreign Currency Reserve

The translation reserves which arise from consolidation (reporting) are not recognised. There is no group tax registration in Zambia, hence translation reserves will not result in any tax obligations at any time. All taxes recognised at group level are a summation of individual entity's tax obligations/claims.

Deferred income tax assets are recognised for provisions to the extent that the future related tax benefits will be realised. There were no unrecognised deferred tax assets during the period. The significant portion of the deferred tax in separate financial statements are eliminated on consolidation as they relate to fair value on associates and subsidiaries whose accounting treatment differs in the separate and consolidated financial statements.

Deferred income tax assets and liabilities are attributable to the following items:

| Movement in temporary differences during the year | Balance 1 Jan 2019 (Restated) | Recognised in profit or loss | Recognised OCI (Restated) | Balance 31 Dec 2019 (Restated) | Recognised in profit or loss(Restated) | Recognised OCI | Balance 31 Dec 2020 (Restated) | Recognised in profit or loss | Recognised Equity | Balance 31 Dec 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Property, plant and equipment | (1,726) | 829 | - | (897) | (771) | - | (1,668) | (9) | - | (1,677) |
| Property, plant and equipment – Revaluation | 7,242 | - | (77) | 7,165 | - | (77) | 7,088 | - | (1,079) | 6,009 |
| Unrealised exchange gains | 216,755 | (18,084) | - | 198,671 | 182,592 | - | 381,263 | (62,955) | - | 318,308 |
| Provision for gratuity and leave pay | (1,804) | (676) | - | (2,480) | (180) | - | (2,660) | (207) | - | (2,867) |
| Change in financial assets at fair value through profit or loss | 2,079 | - | - | 2,079 | 2,079) | - | - | - | - | - |
| Change in investment property | 4,035 | 3,616 | - | 7,651 | 1,388 | - | 9,039 | (9,039) | - | - |
| Fair value change on investments in subsidiaries – (Note 46) | (231,309) | - | (4,471) | (235,780) | - | 235,780 | - | - | - | - |
| Fair value change on investments in associates -(Note 46) | 2,995,682 | - | 365,207 | 3,360,889 | - | (3,360,889) | - | - | - | - |
| Other provisions | (722) | (1,299) | - | (2,021) | (6,675) | - | (8,696) | 7,405 | - | (1,291) |
| Expected credit losses provision | (534,444) | (37,495) | - | (571,939) | (21,521) | - | (593,460) | 99,597 | - | (493,863) |
| Legal Provision | (41,549) | 20,007 | - | (21,542) | (3,897) | - | (25,439) | 22,339 | - | (3,100) |
| Employee provision | (1,929) | (610) | (250) | (2,789) | (1,168) | 180 | (3,777) | (597) | 1,297 | (3,077) |
| Environmental provision | (39,517) | 20,177 | - | (19,340) | (3,968) | - | (23,308) | (671) | - | (23,979) |
| Unrealised exchange Losses | (1,767) | 503 | | (1,264) | (2,565) | | (3,829) | (104,255) | | (108,084) |
| On losses from derivatives | (8,774) | 3,663 | - | (5,111) | 5,111 | - | - | - | - | - |
| Tax losses | (55,525) | 30,705 | - | (24,820) | (64,607) | - | (89,427) | (65,061) | - | (154,488) |
| | **2,306,727** | **21,336** | **360,409** | **2,688,472** | **81,660** | **(3,125,006)** | **(354,874)** | **(113,453)** | **218** | **(468,109)** |

* Recognised in profit or loss for the year 2021 is the effect of Tax rate changes amounting to ZMW70,136.

*in thousands of Kwacha*

## 37. Retirement benefits

### i. Group defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into the fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The Company's contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate. The Group has no further obligation once contributions have been paid.

### ii. Group defined benefit scheme

Under the terms of employment, permanent employees of the Group are entitled to post employment gratuity benefits. The benefits are defined benefit in nature based on the members' length of service and their salary at the earlier of retirement or death or termination from employment. This scheme is unfunded, and the Group only pays a benefit upon retirement of an individual qualifying for the benefit.

The regulator, Pensions and Insurance Authority, does not regulate gratuity schemes such as this one. However, companies that opt to provide an additional and separate unfunded gratuity benefit for their employees are required to operate within the governing covenants and agreements with their employees. Taxation of this scheme falls under the framework and administration of this arrangement, including decisions as to whether to prefund the benefit costs or amend the arrangement design.

The Group's accrued liability in respect of each employee is the present value of the benefits in respect of service completed to the valuation date but based on projected earnings to retirement or date of payment. The total accrued liability (or the required provision) at the valuation date is a summation of the accrued liability in respect of each employee.

**Key risks**

The plan typically exposes the Group to actuarial risks such as: interest rate risk, salary risk and liquidity risk.

| | |
|---|---|
| Interest Rate Risk | The plan liabilities are calculated using a discount rate set with reference to Zambian government bond yields. A decrease in government bonds will increase the plan liabilities. |
| Salary Risk | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability. |
| Liquidity Risk | The plan is unfunded. There is a risk that resources might not be available when needed to pay the benefits that have become due. |

**a) The amounts recognised in the statement of financial position are determined as follows:**

| | Group | | Company | |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| **Present value of unfunded obligations** | **340,288** | **13,194** | **10,256** | **10,792** |

## NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

*in thousands of Kwacha*

**37. Retirement benefits** *(continued)*

**ii. Group defined benefit scheme** *(continued)*

**b) Movement in the defined benefit obligation over the year is as follows:**

| | Group 31 Dec 2021 | 31 Dec 2020 | Company 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|---|---|
| Balance at 1 January | 13,194 | 34,669 | 10,792 | 7,971 |
| Acquisition of subsidiary | 223,990 | - | - | - |
| Charge for the period – expense | 82,614 | 5,592 | 4,979 | 3,335 |
| Charge for the period – other comprehensive income | 105,270 | (514) | (3,705) | (514) |
| Benefits paid during the year | (4,212) | (2,646) | (1,810) | - |
| Translation | (80,568) | (23,907) | - | - |
| **Closing balance – 31 December** | **340,288** | **13,194** | **10,256** | **10,792** |

**c) Recognised in profit or loss**

| | Group 31 Dec 2021 | 31 Dec 2020 | Company 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|---|---|
| Current service cost | 78,719 | 901 | 1,084 | 901 |
| Interest cost | 3,895 | 2,434 | 3,895 | 2,434 |
| Personnel expenses (note 12) | 82,614 | 3,335 | 4,979 | 3,335 |
| Interest expense | - | 2,257 | - | - |
| **Total employees benefit expensed** | **82,614** | **5,592** | **4,979** | **3,335** |

**d) Recognised in equity**

| | Group 31 Dec 2021 | 31 Dec 2020 | Company 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|---|---|
| Experience adjustment | 95,009 | (1,788) | 548 | (1,788) |
| Financial assumptions | 10,261 | 1,274 | (4,253) | 1,274 |
| **Total** | **105,270** | **(514)** | **(3,705)** | **(514)** |

**e) Actuarial assumptions**

Critical assumptions are made by the actuary in determining the present value of retirement benefit obligation including the discount rate. The carrying amount of the provision and the key assumptions made in estimating the provision were as follows:

| | Group 31Dec 2021 | 31 Dec 2020 | Company 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|---|---|
| Discount rate | 26% | 35.50% | 26% | 35.50% |
| Future salary increases | 11.7% | 22.00% | 18.4% | 22.00% |

The liability and actuarial assumptions are based on the actuarial valuation report as at 31 December 2021.

## NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

*in thousands of Kwacha*

**37. Retirement benefits** *(continued)*

**ii. Group defined benefit scheme** *(continued)*

**f) Sensitivity analysis**

The results of the actuarial valuation are sensitive to changes in the financial assumptions than changes in the demographic assumptions. In preparing the sensitivity analysis of the results to the discount rate used, the actuarial relied on calculations of the duration of the liability. Based on this methodology, the results of the sensitivity analysis are summarized in the table below:

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| | Present value of obligation | Present value of obligation | Present value of obligation | Present value of obligation |
| | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 |
| 1% increase in discount rate | (4,883) | (698) | (652) | (698) |
| 1% decrease in discount rate | 5,381 | 782 | 734 | 782 |
| 1% increase in salary rate | 6,010 | 797 | 780 | 797 |
| 1% decrease in salary rate | (5,516) | (719) | (719) | (719) |

Since all the benefits payable under the plan are salary related, the sensitivity of the liability to a change in the salary escalation assumption is not expected to be materially different.

**Effect on Company cash flows**

The arrangement is unfunded and the Company pays benefits from general revenues as and when they arise. The timing of the benefit payments from the plan will be influenced by the age at which employees retire from the Company.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 38. Provisions for environmental rehabilitation

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Balance at 1 April/January | 173,522 | 119,253 | 66,595 | 55,258 |
| Acquisition of subsidiary | 1,215,007 | - | - | - |
| Charge for the year | 128,771 | 44,061 | 28,104 | 3,110 |
| Exchange movement | (17,933) | 22,671 | (14,159) | 22,671 |
| Unwinding of discount | 14,271 | 1,981 | - | - |
| Payment | (609) | (14,444) | (609) | (14,444) |
| Translation - included in reserves | (314,215) | - | - | - |
| **Balance at 31 December** | **1,198,814** | **173,522** | **79,931** | **66,595** |

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

The provisions have been assessed to cost ZMW1,198.81 million as at 31 December 2021 as compared to ZMW173.52 million as at 31 December 2020. The increase is largely on account of the acquisition of Mopani whose balance accounts for 84.5% of the total balance.

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

The valuation for the environmental restoration provision at 31 December 2021 for the Company and subsidiaries were performed by independent consultants.

**Assumptions**

The following assumptions were taken into account, Inflation rate 7% Discount rate 1% (2020: 1.4%) and (2021: 0.36%) time to settle (which varies from the various entities) of 5 to 25 years, when cash flows are expected to be incured.

Based on this assessment, there was an increase in the liability for ARO and remediation on an undiscounted basis after an inflation factor of 7.0% (2020: 1.4%) of approximately US$67.64 million (2020: US$ 315,505). The discount factor of 1.26 % was applied in 2021 (2020: 0.36%). The increase in the restoration provision in the current year is principally attributable to the acquisition of Mopani which has contributed US$ 54.08 million.
The changes in cash flow estimates result from new Net Present Value ( NPV) estimates of the asset retirement obligation. An impact of a 10% movement in the inflation rate results into ZMW371.50 million (2020: ZMW 12.77 million) change in the retirement and remediation liability while a 10% movement in the discount rate results into a ZMW 85.41 million (2020: 3.46 million) change in the liability and corresponding mineral properties asset. For each mining area, the ARO cash outflows have been estimated to occur after the end of the mining over a period which is between 5 to 25 years

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 39. Related party transactions

### a) Parent and ultimate controlling party

The Group is controlled by the Government of the Republic of Zambia through the Zambian Industrial Development Corporation (IDC) (60.3%) and Ministry of Finance (17.2%) which owns a total of 77.5% of the Company's shares.

### b) Related party transactions

#### i. Dividend paid to parent Company

| Name | Type | Ownership interest | Place of incorporation | 31 Dec 2021 ZMW million | 31 Dec 2020 ZMW million |
|---|---|---|---|---|---|
| Industrial Development Corporation | Ultimate parent entity and controlling party | 60.3% | Zambia | 32.0 | 32.0 |

#### ii. Key management personnel compensation Group

| | Group | | Company | |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| **Directors' emoluments** | **19,991** | **9,850** | **7,599** | **8,080** |

Key management compensation relates to Director's in the Company and its subsidiaries. Directors' emoluments include sitting allowances and salaries.

#### iii. Dividend income from related parties

| Relationship | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Kansanshi Mines – Associate | 676,760 | 44,003 |
| CNMC Luanshya Copper Mines Plc – Associates | 133,892 | - |
| Copperbelt Energy Corporation – Associate | 145,785 | 164,895 |
| **Total dividends (note 8)** | **956,437** | **208,898** |

#### iv. Interest income from related parties

| Relationship | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Maamba Collieries Limited – Associate | 42,111 | 37,716 |
| Konkola Copper Mines Plc – Associates | 21,773 | 18,750 |
| Mushe mailing Company limited – Held for sale | 8,234 | 6,705 |
| Staff loans | 673 | 666 |
| Misenge Environmental & Technical limited (subsidiary) | 47 | 333 |
| **Total interest income (Note 13)** | **72,838** | **64,170** |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**39. Related party transactions** (continued)

**c) Related party transactions**

**v. Management fees income from related parties**

**Company**

| Relationship | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Lubambe Copper Mines – Associate | 223 | - |
| Misenge Environmental & Technical limited (subsidiary) | 12 | - |
| Kariba Minerals Limited (subsidiary) | 95 | - |
| Kabundi Resources Limited (subsidiary) | 450 | - |
| Zambia Gold Company Limited (subsidiary) | 8,143 | - |
| **Total management fees (note 9)** | **8,923** | **-** |

In 2020, majority of the subsidiaries i.e. (Zambia gold, Kariba and Kabundi) were in development phase and hence very little involvement of ZCCM IH. However, In 2021 management fees included Salaries of Staff(Zambia gold, Kabundi, Kariba and Misenge).

**vi. Trade revenue from related parties**

| Relationship | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Limestone Resources Limited– Subsidiary | 52,751 | - |
| Mushe mailing Company limited – Held for sale | 26,516 | - |
| **Total revenue** | **79,267** | **-** |

Limestone and Mushe Milling were not actively trading with ZCCM IH in the prior year (2020) hence no comparative amounts for Trade revenue from related parties. In 2021, ZCCM IH bought fuel from Puma and sold it at a mark up to Limestone, similarly, ZCCM IH bought maize and delivered it to Mushe.

**vii. Amounts due from related parties**

**Group 2021**

| | Relationship | Gross | Impairment | Carrying amount |
|---|---|---|---|---|
| Maamba Collieries Limited (i) | Associate | 930,089 | (253,611) | 676,478 |
| Lubambe Copper Mines Limited (ii) | Associate | 701,493 | (701,493) | - |
| Konkola Copper Mines Plc (KCM) (vii) | Associate | 184,154 | (184) | 183,970 |
| Consolidated Gold Company limited | Associate | 282 | (282) | - |
| **Sub total** | | **1,816,018** | **(955,570)** | **860,448** |
| Price participation receivable (KCM) | Associate | 9,182 | (9,182) | - |
| Dividends receivable (KCM) | Associate | 78,066 | (78,066) | - |
| **Sub total** | | **87,248** | **(87,248)** | **-** |
| **Total amounts due from related parties** | | **1,903,266** | **(1,042,818)** | **860,448** |

## NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

*in thousands of Kwacha*

### 39. Related party transactions *(continued)*

#### vii. Amounts due from related parties (continued)

**Group**

**December 2020**

| | Relationship | Gross | Impairment | Carrying amount |
|---|---|---|---|---|
| Maamba Collieries Limited (i) | Associate | 1,142,165 | (356,896) | 785,269 |
| Lubambe Copper Mines Limited (ii) | Associate | 701,493 | (701,493) | - |
| Konkola Copper Mines Plc (KCM)(vii) | Associate | 416,776 | (315) | 416,461 |
| **Sub total** | | **2,260,434** | **(1,058,704)** | **1,201,730** |
| Price participation receivable (KCM) | Associate | 54,479 | (9,905) | 44,574 |
| Dividends receivable (KCM) | Associate | 78,066 | (78,066) | - |
| **Sub total** | | **132,545** | **(87,971)** | **44,574** |
| **Total amounts due from related parties** | | **2,392,979** | **(1,146,675)** | **1,246,304** |

**Company**

**December 2021**

| | Relationship | Gross | Impairment | Carrying amount |
|---|---|---|---|---|
| Ndola Lime Company Limited (iii) | Subsidiary | 436,985 | (436,985) | - |
| Kariba Minerals Limited (iv) | Subsidiary | 5,839 | (5,839) | - |
| Limestone resources limited | Subsidiary | 46,850 | (46,850) | - |
| Misenge Environmental and Technical Services Limited (vi) | Subsidiary | 4,535 | (4,490) | 45 |
| Nkandabwe Coal Mine (v) | Subsidiary | 7,845 | (7,845) | - |
| Mushe Milling Company Limited (viii) | Subsidiary | 55,856 | (21,780) | 34,076 |
| Maamba Collieries Limited (i) | Associate | 930,089 | (253,611) | 676,478 |
| Lubambe Copper Mine Limited (vii) | Associate | 701,493 | (701,493) | - |
| Konkola Copper Mine Plc (viii) | Associate | 184,154 | (184) | 183,970 |
| Consolidated Gold Company Limited | Associate | 282 | (282) | - |
| **Sub total** | | **2,373,928** | **(1,479,359)** | **894,569** |
| Price participation receivable (KCM) | Associate | 9,182 | (9,182) | - |
| Dividends receivable: (KCM) | Associate | 78,066 | (78,066) | - |
| **Sub total** | | **87,248** | **(87,248)** | **-** |
| **Total amounts due from related parties** | | **2,461,176** | **(1,566,607)** | **894,569** |

**Company**

**December 2020**

| | Relationship | Gross | Impairment | Carrying amount |
|---|---|---|---|---|
| Ndola Lime Company Limited (iii) | Subsidiary | 436,985 | (436,985) | - |
| Kariba Minerals Limited (iv) | Subsidiary | 5,839 | (5,839) | - |
| Misenge Environmental and Technical Services Limited (vi) | Subsidiary | 4,685 | (4,685) | - |
| Nkandabwe Coal Mine (v) | Subsidiary | 23,524 | (23,524) | - |
| Mushe Milling Company Limited (viii) | Subsidiary | 25,906 | - | 25,906 |
| Maamba Collieries Limited (vi) | Associate | 1,142,165 | (356,896) | 785,269 |
| Lubambe Copper Mine Limited (ii) | Associate | 701,493 | (701,493) | - |
| Konkola Copper Mine Plc (viii) | Associate | 416,776 | (315) | 416,461 |
| **Sub total** | | **2,757,373** | **(1,529,737)** | **1,227,636** |
| Price participation receivable | Associate | 54,479 | (9,905) | 44,574 |
| Dividends receivable: | Associate | 78,066 | (78,066) | - |
| **Sub total** | | **132,545** | **(87,971)** | **44,574** |
| **Total amounts due from related parties** | | **2,889,918** | **(1,617,708)** | **1,272,210** |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**39. Related party transactions** *(continued)*

**vii. Amounts due from related parties** (continued)

**i.** Maamba Collieries Limited (MCL)

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

On 25 March 2019, ZCCM-IH advanced a short-term liquid support of ZMW 220.5 Million (US$10 million) to MCL payable within 60 days from the date of disbursement, and when Maamba receives payment for its power sales to ZESCO. This shareholder loan is subordinated to the project finance loans and is unsecured and interest is charged at 6% per annum.

The above loans subordinated to the financier's loans of Maamba project and are payable after the financial close date when all project finance loans are repaid by 2026.

In 2020 financial year, ZCCM Investments Holdings Plc instituted legal proceedings against MCL in the Lusaka High Court seeking the payment of the ZMW 220.5 Million (US$10 million) plus damages and interest. This matter was on 16 November 2022, withdrawn from court by ZCCM-IH, and the parties agreed to settle this matter ex-curia.

**ii.** Lubambe Copper Mines Limited

On 15 September 2012, ZCCM – IH entered into an inter-company loan agreement with Lubambe Copper Mines Limited, for a cash call loan amounting to ZMW926.44 million (US$76 million). The loan attracts an interest rate of Libor plus 5% and is not secured. The loan was to be repaid in twelve equal quarterly instalments, none of which were made. This loan is fully impaired.

**iii.** *Ndola Lime Company Limited*

The total loans and advances due from Ndola Lime Company Limited, including interest amounts was ZMW436 million (2019: ZMW436 million) which is fully impaired as per liquidation court order.

**iv.** *Kariba Minerals Limited*

On 22 January 2019, ZCCM-IH advanced a loan to Kariba Minerals Limited amounting to ZMW5.84 million (US$489,520) for the purchase of equipment. The loan attracts an interest rate of 6 % per annum. The loan has a moratorium of two years. This loan is fully impaired.

**v.** *Nkandabwe Coal Mine Limited*

ZCCM – IH advanced a loan to Nkandabwe Coal Mine of ZMW7.845 million is recoverable from Ministry of Finance through a debt swap arrangement. Under this arrangement ZCCM-H, will recover the Nkandabwe loan from dividend payable to Ministry of Finance. Subsequent to year end, the loan was recovered in full.

**vi.** *Misenge Environmental and Technical Services Limited*

The loans totalling ZMW4.4 million is interest free with quarterly repayments of ZMW156,678. After year end, a total of ZMW313,356 was paid

**39. Related party transactions** *(continued)*

**vii. Amounts due from related parties** (continued)

**vii.** Konkola Copper Mine Plc (KCM)

Following the High Court order to appoint a provisional liquidator for KCM, ZCCM-IH advanced ZMW166.57 million (US$10 million) to KCM through the liquidator. Further, on 23rd August 2019, ZCCM-IH advanced a loan of ZMW208.21 million (US$12.5 million) to KCM. The US$12.5 million loan attracted an interest rate of 6 % per annum. As at 31 December 2021, a combined loan total of ZMW184,154 million (US$11.06) million was still outstanding. Subsequent to the year end the US$12.5 million loan with accrued interest was fully paid.

Price Participation fees are variable amount, if any, to be credited to the seller as an additional income based on variations in the Payable Copper Price, if, as and when reflected in Benchmark Reference Terms from time to time. The price participation fees are recognised once conditions indicate that additional income is to be received, based on prevailing prices over the agreed period, and that its been agreed with other parties involved, in this case the buyer.

**viii.** Mushe Milling Company

On 12 December 2019, ZCCM-IH and Mushe Milling Company Limited entered into a loan facility agreement amounting to ZMW20.48 million. The facility attracts interest computed as the Bank of Zambia average commercial lending rate plus 2% per annum. Payment of interest to commence six months from the date of the facility. The principal repayment of the loan has a moratorium of 12 months, thereafter, the principal to be paid in 24 equal monthly instalments

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 40. Contingent liabilities

**i.** ZCCM-IH, being a co-owner of Maamba Collieries Limited (MCL) with Nava Bharat (Singapore) PTE Ltd (NBS), was in 2017 required to contribute ZMW162 million (US$9.75 million) in form of a shareholder loan towards Maamba's Base Project Equity according to its shareholding ratio of 35%. However, NBS contributed the whole amount including the ZMW215 million (US$9.75million) share for ZCCM-IH.

As a result, it was resolved that ZCCM-IH refunds NBS, interest free, the excess contribution through offset of ZMW27.1 million (US$1.23 million) interest payment which was due to ZCCM-IH from Maamba on the initial outstanding shareholder loan of 31 May 2015. The balance of ZMW141.68 million (US$8.52 million) was to be paid by Maamba to NBS from future dividends of Maamba, payable to ZCCM-IH.

ZMW27.1 million (US$1.23 million) was paid to NBS in 2017, however, no dividends have been received from Maamba since 2017 to settle the balance. ZCCM-IH has determined that in the absence of dividends from Maamba it has no present obligation to settle the outstanding balance. For this reason, ZMW187.9million (US$8.52 million)due to NBS has not been recognised in these financial statements.

**ii. Security and guarantee of US$100 million KCM Trafigura Transactions**

In June 2021, ZCCM-IH pledged ZMW3,326 million (US$200 million) worth of its shareholding in Kansanshi Mining Plc and executed a corporate guarantee in favour of Trafigura as security for a ZMW1,663 million (US$100 million) on prepayment transaction to KCM by Trafigura. The prepayment carries an interest rate of Libor plus 7% and is repayable by KCM through copper deliveries to Trafigura on a monthly basis for a period of 18 months with a 6-month moratorium. The ZMW665.2 million (US$40 million) prepayments has not been recognised in these financial statements. Subsequent to the year end, KCM paid settled the prepayment in full and the pledged ZCCM-IH shares were released and free from any encumbrances.

**iii. ZMW 1,663 million (US$10 million) Corporate Guarantee**

ZCCM Investments Holdings Plc has provided a Corporate Guarantee to Zambia National Commercial Bank Plc ("ZANACO") for the amount of ZMW1,663 million (US$10 million) (the "Transaction"). The provision of ZMW1,663 million (US$10 million) Corporate Guarantee to ZANACO Plc by ZCCM-IH is for working capital to Konkola Copper Mines Plc ("KCM"). Provision of ZMW1,66.3 million (US$10 million) Corporate Guarantee to ZANACO Plc is valid until 31 December 2022 comprising

- **i.** A ZMW133.04million (US$8 million) Standby Letter of Credit ("SBLC") by ZANACO Plc in favour of Trafigura, the suppliers of copper concentrates to KCM and buyers of the finished copper, and.
- **ii.** A ZMW33.26million (US$2 million) overdraft facility.
- **iii.** Promissory note issued in favour of ZCCM-IH by Ministry of Finance for the Corporate Guarantee.
- **iv.** The fair value of the two corporate guarantees above was nil as there was no premium that was paid. As at 31 December,2021 the ECL on the two guarantees was accessed to be immaterial.

**iv. Mopani contingent liabilities**

Glencore International AG (the previous majority shareholder) decided on 8 April 2020 to place the Mopani operations under care and maintenance in the wake of the current COVID-19 situation and other persistent operational challenges. This resulted in termination of contracts with all contractors. As a result of these terminations, three of the contractors commenced action against the Company in the International Court of Arbitration of the International Chamber of Commerce. The Directors are of the view that material losses will arise in respect of these claims at the date of these financial statements and a provision has been made. For Group consolidation, Those legal claims for which no provision was recognised as of 31 March 2021, where appropriately considered for IFRS 3 recognition. Refer to Note 23 d) ii).

**v.** In addition, the Company had contingent liabilities estimated at ZMW19.956 million (US$1.2 million) relating to contractor and other claims against the Company. No provision has been made in these financial statements as the Directors do not consider that there is any probable loss that will arise following the finalisation of these matters

*in thousands of Kwacha*

## 40. Contingent liabilities (continued)

### vi. Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

| Non-current assets | Notes | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|---|
| Property, plant, and equipment | 17 | 12,857,452 | - |
| Intangible assets | 19 | 4,673,727 | - |
| Trade and other receivables | 27 | 552,946 | - |
| Environmental protection fund | 28 | 87,130 | - |
| Deferred tax assets | 36 | 340,848 | - |
| **Total non current assets** | | **18,512,103** | **-** |
| **Current assets** | | | - |
| Inventories | 26 | 4,651,886 | - |
| Trade and other receivables | 27 | 3,042,293 | - |
| Term deposits | 29 | 8,328 | 10,577 |
| Cash and cash equivalents | 30 | 78,469 | - |
| **Total current assets** | | **7,780,976** | **10,577** |

## 41. Commitments

### i. Assets pledged as security

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

| | 31Dec 2021 | Group 31Dec 2020 | 31Dec 2021 | Company 31 Dec 2020 |
|---|---|---|---|---|
| **Property, plant, and equipment** | **155,859** | **16,599** | **27,450** | **16,599** |

## 42. Financial risk management

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

- Market risk (see (a))
- Credit risk (see (b))
- Liquidity risk (see (c))

### Risk management framework

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

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

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**42. Financial risk management** (continued)

**Risk management framework** (continued)

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

**a) Market risk**

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

**i. Exposure currency risk**

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

Management's policy to manage foreign currency risk is to hold both functional and 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. The Group did not enter into any transactions that required currency swap technique during the year and the prior year.

| Group<br>Dec 2021 | ZMW equivalent of US$ and other foreign currencies | US$ Amounts |
|---|---|---|
| Cash and cash equivalents | 85,438 | 5,129 |
| Trade and other receivables | 4,550,140 | 273,175 |
| Term deposits | 506,340 | 30,399 |
| Assets held for sale | 248,840 | 14,940 |
| Borrowings | (25,343,567) | (1,521,542) |
| Trade and other payables | (5,088,232) | (305,480) |
| Liabilities directly associated with assets classified as held for sale | (254,297) | (15,267) |
| **Net exposure** | **(25,295,338)** | **(1,518,646)** |

| Dec 2020 | ZMW equivalent of US$ and other foreign currencies | US$ Amounts |
|---|---|---|
| Cash and cash equivalents | 120,250 | 5,685 |
| Trade and other receivables | 1,203,301 | 56,883 |
| Term deposits | 145,257 | 6,867 |
| Assets held for sale | 160,010 | 7,564 |
| Borrowings | (161,370) | (7,628) |
| Trade and other payables | (11,220) | (530) |
| Liabilities directly associated with assets classified as held for sale | (173,229) | (8,189) |
| **Net exposure** | **1,282,999** | **60,652** |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**42. Financial risk management** (continued)

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

**i. Exposure to currency risk** *(continued)*

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

| Dec 2021 | ZMW equivalent of US$ and other foreign currencies | US$ Amounts |
|---|---|---|
| Cash and cash equivalents | 70,107 | 4,209 |
| Financial assets at fair value through comprehensive income | 20,553,258 | 1,233,948 |
| Trade and other receivables | 860,448 | 51,658 |
| Term deposits | 506,340 | 30,399 |
| Borrowings | (1,135) | (68) |
| Trade and other payables | (87,363) | (5,245) |
| **Net exposure** | **21,901,655** | **1,314,901** |

| Dec 2020 | ZMW equivalent of US$ and other foreign currencies | US$ Amounts |
|---|---|---|
| Cash and cash equivalents | 116,272 | 5,496 |
| Financial assets at fair value through comprehensive income | 20,616,975 | 974,614 |
| Trade and other receivables | 1,201,731 | 56,809 |
| Term deposits | 145,257 | 6,867 |
| Borrowings | (161,370) | (7,628) |
| Trade and other payables | (150) | (7) |
| **Net exposure** | **21,918,715** | **1,036,151** |

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

| | Average rate | | Reporting date spot rate | |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Kwacha | | | | |
| **US$ 1** | 19.6765 | 18.6303 | 16.6565 | 21.154 |

*Sensitivity analysis*

A 10 percent strengthening of the Kwacha against the US Dollar at 31 December 2021 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The analysis is performed on the same basis for 31 December 2020.

| | Equity and profit or loss | |
|---|---|---|
| | Group | Company |
| **31 Dec 2021** | | |
| **ZMW** | **(2,529,534)** | **2,190,165** |
| **31 Dec 2020** | | |
| **ZMW** | **128,300** | **2,191,871** |

*in thousands of Kwacha*

**42. Financial risk management** (continued)

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

**ii. Exposure to interest rate risk**

The Group's operations are subject to cash flow variability due to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times and/or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices. Asset-liability risk management activities are conducted in the context of the Group's sensitivity to cash flow variability attributable to interest rate changes.

| Group | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Zero rate instruments | Floating rate instruments | Fixed rate instruments | Total | Zero rate instruments | Floating rate instruments | Fixed rate instruments |
| **Assets** | | | | | | | | |
| Cash and cash equivalents | 184,625 | - | - | 184,625 | 181,209 | - | - | 181,209 |
| Trade and other receivables* | 1,800,820 | 940,372 | - | 860,448 | 1,264,392 | 18,088 | - | 1,246,304 |
| Term deposits | 653,742 | - | - | 653,742 | 194,369 | - | - | 194,369 |
| | | | | | | | - | - |
| **Total assets** | **2,639,187** | **940,372** | **-** | **1,698,815** | **1,639,970** | **18,088** | **-** | **1,621,882** |
| **Liabilities** | | | | | | | | |
| Borrowings | (25,343,567) | - | (25,342,432) | (1,135) | (161,370) | - | - | (161,370) |
| Bank overdraft | (70,449) | | | | (10,034) | | | (10,034) |
| Trade and other payables* | (1,757,250) | (1,757,250) | - | (70,449) | (174,388) | (174,388) | - | - |
| Liabilities directly associated with assets classified as held for sale | (1,678,576) | (1,678,576) | - | - | (1,423,669) | (1,423,669) | - | - |
| **Total liabilities** | **(28,849,842)** | **(3,435,826)** | **(25,342,432)** | **(71,584)** | **(1,769,461)** | **(1,598,057)** | **-** | **(171,404)** |
| **Gap** | **(2,639 187)** | **(2,495,454)** | **(25,342,432)** | **1,627,231** | **(129,491)** | **1,579,696** | **-** | **1,450,478** |

*The interest rate gap is measured on a n ongoing basis to assess the impact of the exposure after which corrective measures are deliberated*

*in thousands of Kwacha*

**42. Financial risk management** (continued)

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

**i. Exposure to interest rate risk** *(continued)*

**Company**

| | Total | Zero rate instruments | Fixed rate instruments | Total | Zero rate instruments | Fixed rate instruments |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 81,498 | - | 81,498 | 120,639 | - | 120,639 |
| Trade and other receivables* | 1,295,154 | 48,850 | 1,246,304 | 1,256,579 | 10,275 | 1,246,304 |
| Term deposits | 632,992 | - | 632,992 | 194,369 | - | 194,369 |
| **Total assets** | **2,009,644** | **48,850** | **1,960,794** | **1,571,587** | **10,275** | **1,561,312** |
| **Liabilities** | | | | | | |
| Borrowings | (1,135) | - | (1,135) | (161,370) | - | (161,370) |
| Trade and other payables* | (47,277) | (47,277) | - | (102,551) | (102,551) | - |
| **Total liabilities** | **(48,412)** | **(47,277)** | **(1,135)** | **(263,921)** | **(102,551)** | **(161,370)** |
| Gap | **24,350,260** | **1,573** | **1,959,659** | **1,307,666** | **(92,276)** | **1,399,942** |

**Trade and other receivables/payables, excludes prepayments and statutory obligations and contract liabilities respectively. Statutory liabilities are imposed by law while contract liabilities represent an obligation to deliver a good or service rather than cash or other assets in settlement. Therefore, these do not meet the definition of financial instruments and have been excluded from the table above*

**Risks arising from the interest rate benchmark reform**

The key risks for the Group arising from the transition are:

- **Interest rate basis risk**: There are two elements to this risk as outlined below:

  If the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of IBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into and is not captured by our interest rate risk management strategy. For example, in some cases the fallback clauses in IBOR loan contracts may result in the interest rate becoming fixed for the remaining term at the last IBOR quote. The Group is working closely with all counterparties to avoid this from occurring, however if this does arise, the Group's interest rate risk management policy will apply as normal and may result in closing out or entering into new interest rate swaps to maintain the mix of floating rate and fixed rate debt

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**42. Financial risk management** (continued)

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

**i. Exposure to interest rate risk** *(continued)*

**Risks arising from the interest rate benchmark reform** *(continued)*

- **Interest** rate risk basis may arise if a non-derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

- **Liquidity risk:** There are fundamental differences between IBORs and the various alternative benchmark rates which the Company will be adopting. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments which will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates

- **Accounting:** If transition to alternative benchmark rates for certain contracts is finalised in a manner that does not permit the application of the reliefs introduced in the Phase 2 amendments, this could lead to volatility in the profit or loss if nonderivative financial instruments are modified or derecognised. The Group is aiming to agree changes to contracts that would allow IFRS 9 reliefs to apply.

- **Litigation risk**: If no agreement is reached to implement the interest rate benchmark reform on existing contracts, (e.g., arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

The following table summarises the non-derivative financial instruments held by the Group that feature cash flows that will be affected by the interest rate benchmark reform. It does not include the Group's fixed rate financial instruments because cashflows on those instruments are not affected by the interest rate benchmark reform.

| Non-derivative financial instrument prior to transition | Maturing | Entity | Nominal in currency "US$000" | Total Nominal "USD 000" | Hedge accounting | Description | Transition progress for the nonderivative financial instruments |
|---|---|---|---|---|---|---|---|
| Term loans linked to USD LIBOR | 2035 | Mopani Copper Mines | 1,500,000 | 1,500,000 | Not applicable | Expected to transition in 2023 | Expected to transition in 2023 |
| | Ongoing | Chambishi | 3,700,000 | 3,700,000 | Not Applicable | Contingent Liability | Expected to transition in 2023 |
| Term loans linked to USD LIBOR | Ongoing | Lubambe Copper Mines | 76,000,000 | 76,000,000 | Not Applicable | Intercompany loan Receivable | Expected to transition in 2023 |
| | Ongoing | Trafigura | 40,000,000 | 40,000,000 | Not Applicable | Loan advance-Payable through copper Purchases | Expected to transition in 2023 |

**42. Financial risk management** (continued)

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

**i. Exposure to interest rate risk** *(continued)*

**Risks arising from the interest rate benchmark reform** *(continued)*

*Interest rate risk*

The Group's interest rate risk arises primarily from the interest received on short term deposits and variable interest long term borrowings. This exposes the Group to cash flow interest risk.

Cash flow sensitivity analysis of variable rate instrument

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.

**iii. Price risk**

The Group is exposed to equity securities price risk because of investments in quoted and unquoted shares classified as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity and debt securities, the Group diversifies its portfolio, in accordance with limits set by the Group. All quoted shares held by the Group are traded on the Lusaka Securities Exchange. Further, management of the Group monitors the proportion of equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee of the Board.

The primary goal of the Group's investment strategy is to maximise investment returns and to improve its returns in general. Management is assisted by external advisers in this regard.

At 31 December 2021, if the LUSE Index had increased/decreased by five percent with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, consolidated equity and profit or loss would have been ZMW51.91 million (2020: ZMW21.55 million) higher/lower.

*Commodity price risk*

General corporate hedging unrelated to any specific project is not undertaken by the Group. The Group also does not issue or acquire derivative instruments for trading purposes.

**b) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's from cash and cash equivalents, term deposits with banks, as well as trade and other receivables. Credit risk is managed on a Group basis. Credit risk arises

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. However, management also considers the factors that may influence the credit risk of its counterparty base, including the default risk associated with the industry.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**42. Financial risk management** (continued)

**b) Credit risk** *(continued)*

**i. Risk management**

The Group through risk and audit committee has established a credit procedure under which each new customer or counterparty is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and monitored regularly by line management.

**ii. Security**

To limit the amount of credit exposure to financial institution for term deposits, the Group obtains collateral from financial institutions which are rated "B" and below. As at 31 December 2021, ZMW220.45 million (December 2020: ZMW31.5 million) of term deposits, collateral was held in the form of treasury bills. Due to the short-term nature of collateral held for term deposits, their carrying amounts approximates their fair values. No collateral is obtained as security for trade and other receivables. Instead, the Group requests for advance payments where necessary to reduce credit risk on some customers.

*The amount that best represents the Group's and Company's maximum exposure to credit risk at 31 December 2021 is made up as follows:*

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Cash and cash equivalents | 184,625 | 181,209 | 81,498 | 120,639 |
| Trade and other receivables | 1,800,820 | 1,291,489 | 1,246,304 | 1,256,142 |
| Term deposits and other financial assets at amortised costs | 653,742 | 194,369 | 632,992 | 194,369 |
| **Total Balance** | **2,639,187** | **1,667,067** | **1,960,794** | **1,571,150** |

**iii. Impairment of financial assets**

The Group applies the Simplified Approach to assess and measure expected credit losses (ECLs) for cash and cash equivalents, financial instruments at amortised costs and contract assets. The simplified approach entails recognising the ECL on the lifetime of the balance due to the Group. It involves the calculation of the loss rates to categories of the third parties that is then applied to the balance. The categorization is done both per unique characteristics and time the balances are outstanding.

The loss rates is derived using the Group's own historical credit loss experience and adjust for both current and forward-looking information. The information is evaluated for its appropriateness in light of market changes so as to remain relevant and provide valid assessment results. To calculate ECL, trade and other receivables are grouped based on shared credit risk characteristics and the days past due.

The Group's historical credit loss experience does not indicate significantly different loss patterns for the various customer segments. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers. Historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. . The Group has identified long term consensus copper price of $3/lb or 6,615/MT, gross domestic product projected growth of 4% for Zambia, inflation rate for Zambia projected to trend around 8% and 10%, The group considers these factors in which it sells its goods and services to be the most relevant and, accordingly, adjusts the historical loss rates based on expected changes in these factors.

The Group's historical credit loss experience does not show significantly different loss patterns for the various customer segments. Therefore, the grouping of trade receivables is not disaggregated into further risk profiles other than days past due.

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

*in thousands of Kwacha*

**42. Financial risk management** (continued)

**b) Credit risk** *(continued)*

**iii. Impairment of financial assets** (continued)

The loss allowance as at reporting date was determined as follows:

**Group**

| 31 December 2021 | Gross | Lifetime expected credit loss | Net | Estimated rate of Default (%) |
|---|---|---|---|---|
| Not due | 4,841,390 | (255,625) | 4,585,765 | 5.28 |
| Past due 30 - 60 days | 8,675 | (4,163) | 4,512 | 47.99 |
| Past due 61 – 90 days | 26,671 | (26,027) | 644 | 97.59 |
| Past due 91 - 120 days | 47,767 | (43,275) | 4,492 | 90.60 |
| Over 121 days | 798,038 | (798,038) | - | 100.00 |
| **Total Balance** | **5,722,541** | **(1,127,128)** | **4,595,413** | |

| 31 December 2020 | Gross | Lifetime expected credit loss | Net | Estimated rate of Default (%) |
|---|---|---|---|---|
| Not due | 1,653,519 | (359,991) | 1,293,528 | 21.77 |
| Past due 30 - 60 days | 247 | (97) | 150 | 39.27 |
| Past due 61 – 90 days | 689 | (219) | 470 | 31.79 |
| Past due 91 - 120 days | 2,482 | (2,023) | 459 | 81.51 |
| Over 121 days | 867,302 | (866,315) | 987 | 99.89 |
| **Total Balance** | **2,524,239** | **(1,228,645)** | **1,295,594** | |

**Company**

| Dec 2021 | Gross | Lifetime expected credit loss | Net | Estimated rate of Default (%) |
|---|---|---|---|---|
| Not due | 1,128,944 | (254,717) | 874,227 | 22.56 |
| Past due 30 - 60 days | 4,054 | (4,051) | 3 | 99.93 |
| Past due 61 - 90 days | 26,048 | (26,027) | 21 | 99.92 |
| Past due 91 - 120 days | 42,303 | (42,232) | 71 | 99.85 |
| Over 121days | 1,319,120 | (1,319,120) | - | 100.00 |
| **Total Balance** | **2,520,469** | **(1,646,147)** | **874,322** | |

| Dec 2020 | Gross | Lifetime expected credit loss | Net | Estimated rate of Default (%) |
|---|---|---|---|---|
| Not due | 1,614,227 | (358,034) | 1,256,193 | 22.18 |
| Past due 30 - 60 days | - | - | - | - |
| Past due 61 - 90 days | 221 | (219) | 2 | 99.1 |
| Past due 91 - 120 days | - | - | - | - |
| Over 121days | 1,337,732 | (1,337,348) | 384 | 99.97 |
| **Total Balance** | **2,952,180** | **(1,695,601)** | **1,256,579** | |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**42. Financial risk management** (continued)

**b) Credit risk** *(continued)*

**iii. Impairment of financial assets** (continued)

The movement in expected credit loss in respect of trade and other receivables during the year was as follows:

| Group | 31-Dec 2021 | 31-Dec 2020 |
|---|---|---|
| **Balance at 1 January** | 1,228,645 | 1,171,111 |
| Recognised expected credit loss | 45,794 | 163,676 |
| Recovery of impairment loss | (109,111) | (83,297) |
| Written off | (21,781) | (783) |
| Included in assets held for sale | (16,419) | (22,062) |
| **Closing balance 31 Dec** | **1,127,128** | **1,228,645** |

The movement in expected credit loss in respect of trade and other receivables during the year was as follows:

| Company | 31-Dec 2021 | 31-Dec 2020 |
|---|---|---|
| **Balance at 1 January** | **1,695,601** | **1,634,114** |
| Impairment recognised | 81,272 | 144,784 |
| Recovery | (124,088) | (83,297) |
| Classified to assets held for sale | (65) | - |
| Written off | (6,573) | - |
| **Closing balance 31 Dec** | **1,646,147** | **1,695,601** |

The movement in expected credit loss in respect of trade and other receivables during the year was as follows:As at 31 December 2021 an expected credit loss of ZMW81.27 million was recognised mainly relating to supply chain receivables and management fees. These amounts have been impaired in accordance with the Company's expected credit loss model.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The write off is approved by the Board of Directors.

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

The loss allowance recognised is categorised as follows:

| | | Group | | Company |
|---|---|---|---|---|
| | 2021 ZMW'000 | 2020 ZMW'000 | 2021 ZMW'000 | 2020 ZMW'000 |
| Performing debtors | 370 | 3,402 | 5,787 | 8,081 |
| Non-performing debtors | 35,578 | 138,212 | 75,485 | 136,703 |
| **Total Balance** | **35,948** | **141,614** | **81,272** | **144,784** |

**42. Financial risk management** (continued)

**b) Credit risk** *(continued)*

**iii. Impairment of financial assets** (continued)

*Cash and cash equivalents*

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. To limit the amount of credit exposure to financial institution for cash and cash equivalent, cash and cash equivalents are held with banks which are rated A.

*Term deposits and other financial assets*

Term deposits and other financial assets at amortised cost relate to staff debtors are considered to have a low risk of default and the counterparts have a strong capacity to meet their contractual cash flow obligations in the near term.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**42. Financial risk management** (continued)

**c) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

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

**i. Financing arrangements**

The Group had no undrawn borrowing facilities at the end of the reporting period (2020: 135,155).

**ii. Maturities of financial liabilities**

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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Carrying amount | Contractual amount | Within 1 year | 2 -5 years |
|---|---|---|---|---|
| **At 31 December 2021** | | | | |
| Financial liabilities | | | | |
| Borrowings | 25,343,567 | 25,343,567 | 1,135 | 34,201,852 |
| Overdraft | 70,449 | 70,449 | 70,449 | - |
| Trade and other payables | 1,757,250 | 1,757,250 | 1,759,469 | - |
| Liabilities directly associated with assets classified as held for sale | 1,678,576 | 1,678,576 | 1,678,576 | - |
| | **28,849,842** | **28,849,842** | **3,509,629** | **34,201,852** |
| **At 31 December 2020** | | | | |
| Financial liabilities | | | | |
| Borrowings | 161,370 | 147,401 | - | 157,408 |
| Overdraft | 10,034 | 10,034 | 10,034 | - |
| Trade and other payables | 153,490 | 153,490 | 135,155 | 18,335 |
| Liabilities directly associated with assets classified as held for sale | 1,423,669 | 1,423,669 | 1,423,669 | - |
| | **1,748,563** | **1,734,594** | **1,568,858** | **175,743** |

*in thousands of Kwacha*

## 42. Financial risk management (continued)

### c) Liquidity risk *(continued)*

#### iii. Maturities of financial liabilities *(continued)*

**Company**

| | Carrying amount | Contractual amount | Within 1 year | 2 - 5 years |
|---|---|---|---|---|
| **At 31 Dec 2021**: | | | | |
| Financial liabilities | | | | |
| Borrowings | 1,135 | 1,135 | 1,135 | - |
| Trade and other payables | 47,277 | 47,277 | 47,277 | - |
| **Total Balance** | **48,412** | **48,412** | **48,412** | **-** |

| | Carrying amount | Contractual amount | Within1 year | 2 - 5 years |
|---|---|---|---|---|
| **At 31 Dec 2020** | | | | |
| Financial liabilities | | | | |
| Borrowings | 161,370 | 161,370 | - | 157,408 |
| Trade and other payables | 85,952 | 85,952 | 85,952 | - |
| **Total Balance** | **247,322** | **247.322** | **85,952** | **157,408** |

#### i. Capital management

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

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

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

The Group monitors capital on the basis of the average gearing ratio in the industry, in Zambia which currently stands at below 50% of equity. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The gearing ratios at 31 Dec 2021 and 31 Dec 2020 were as follows:

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**42. Financial risk management** (continued)

**c) Liquidity risk** *(continued)*

**iii. Maturities of financial liabilities** *(continued)*

**i. Capital Management** *(continued)*

| | | Group | | Company |
|---|---|---|---|---|
| | 31 Dec 2021 | 31 Dec 2020 | 31 Dec 2021 | 31 Dec 2020 |
| Borrowings | 25,343,567 | 161,370 | 1,135 | 161,370 |
| Bank overdraft | 70,449 | 10,034 | | |
| Less: cash and cash equivalents | (184,625) | (181,209) | (81,498) | (120,639) |
| **Net debt** | **25,229,391** | **(9,805)** | **(80,363)** | **40,731** |
| Total equity | 12,808,905 | 21,004,417 | 24,732,194 | 23,164,958 |
| **Total capital** | **38,038,296** | **20,994,612** | **24,651,831** | **23,205,689** |
| **Gearing ratio** | **66.33%** | **0%** | **0%** | **0%** |

The interest rates used to discount estimated cash flows when applicable are based on the government yield curve at the reporting date plus an appropriate credit spread, and are as follows:

| | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| Loans and borrowings | 15.75% | 16.5% |

There has been no change in management of capital during the year.

**ii. Fair value estimation**

The Group classifies its financial assets in the following measurement categories:

**i.** those to be measured subsequently at fair value (either through OCI or through profit or loss): and

**ii.** those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. Financial liabilities are recorded initially at fair value and subsequently measured at amortised cost using the effective interest rate method except for derivative instruments that continue to be measured at fair value.

The fair value of the financial assets and liabilities carried at amortised cost including cash and cash equivalents, trade and other receivables, term deposits, borrowings and trade and other payables are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

*in thousands of Kwacha*

## 42. Financial risk management (continued)

### c) Liquidity risk *(continued)*

#### iii. Maturities of financial liabilities *(continued)*

##### ii. Fair value estimation *(continued)*

| Group – 2021 | Financial assets at FVTPL | Financial liabilities at FVTPL | Financial assets at amortised cost | Financial liabilities at amortised cost |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at fair value through profit or loss | 1,458,000 | - | - | - |
| Cash and cash equivalents | - | - | 184,625 | - |
| Trade and other receivables | - | - | 1,800,820 | - |
| Term deposits | - | - | 632,992 | - |
| Assets classified as held for sale | 1,478,611 | - | - | - |
| **Financial liabilities** | - | - | - | - |
| Borrowings | - | - | - | (25,341,297) |
| Bank overdraft | - | - | - | (70,449) |
| Trade and other payables | - | (1,757,250) | - | - |
| Liabilities directly associated with assets classified as held for sale | - | (1,678,576) | - | - |
| **Total balance** | **2,936,611** | **(3,435,826)** | **2,618,437** | **(25,411,746)** |

| Group – 2020 | Financial assets at FVTPL | Financial liabilities at FVTPL | Financial assets at amortised cost | Financial liabilities at amortised cost |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at fair value through profit or loss | 292,000 | - | - | - |
| Cash and cash equivalents | - | - | 181,209 | - |
| Trade and other receivables | - | - | 1,264,392 | - |
| Term deposits | - | - | 194,369 | - |
| Assets classified as held for sale | 1,307,400 | - | - | - |
| **Financial liabilities** | - | - | - | - |
| Borrowings | - | - | - | (161,370) |
| Bank overdraft | - | - | - | (10,034) |
| Trade and other payables | - | (174,388) | - | - |
| Liabilities directly associated with assets classified as held for sale | - | (1,423,669) | - | - |
| **Total balance** | **1,599,400** | **(1,598,057)** | **1,639,970** | **(171,404)** |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 42. Financial risk management (continued)

### c) Liquidity risk *(continued)*

#### iii. Maturities of financial liabilities *(continued)*

##### ii. Fair value estimation *(continued)*

| Company – 2021 | Financial assets at FVTPL | Financial liabilities at FVTPL | Financial assets at amortised cost | Financial liabilities at amortised cost |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at fair value through profit or loss | 1,458,000 | - | - | - |
| Investments in associates | 20,603,089 | - | - | - |
| Investments in subsidiaries | 327,939 | - | - | - |
| Cash and cash equivalents | - | - | 81,498 | - |
| Trade and other receivables | - | - | 1,295,154 | - |
| Term deposits | - | - | 632,992 | - |
| Assets classified as held for sale | 430,977 | - | - | - |
| | | | | |
| **Financial liabilities** | - | - | - | - |
| Borrowings | - | - | - | (1,135) |
| Trade and other payables | - | (47,277) | - | - |
| **Total balance** | **22,820,005** | **(47,277)** | **2,009,644** | **(1,135)** |

| Company – 2020 | Financial assets at FVTPL | Financial liabilities at FVTPL | Financial assets at amortised cost | Financial liabilities at amortised cost |
|---|---|---|---|---|
| **Financial assets** | - | - | - | - |
| Financial assets at fair value through profit or loss | 292,000 | - | - | - |
| Investments in associates | 20,666,806 | - | - | - |
| Investments in subsidiaries | 276,678 | - | - | - |
| Cash and cash equivalents | - | - | 120,639 | - |
| Trade and other receivables | - | - | 1,256,579 | - |
| Term deposits | - | - | 194,369 | - |
| Assets classified as held for sale | 392,357 | - | - | - |
| | | | | |
| **Financial liabilities** | - | - | - | - |
| Borrowings | - | - | - | (161,370) |
| Bank overdraft | - | - | - | - |
| Trade and other payables | - | (87,310) | - | - |
| **Total balance** | **21,627,841** | **(87,310)** | **1,571,587** | **(161,370)** |

*in thousands of Kwacha*

## 42. Financial risk management (continued)

### c) Liquidity risk *(continued)*

#### iii. Maturities of financial liabilities *(continued)*

##### ii. Fair value estimation *(continued)*

*Fair value hierarchy*

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

| Group | | | |
|---|---|---|---|
| **Dec-21** | **Level 2** | **Level 3** | **Total** |
| Assets | | | |
| Financial investments at fair value through profit or loss | - | 1,458,000 | 1,458,000 |
| Assets classified as held for sale | - | 1,478,569 | 1,478,569 |
| Total Balance | - | **2,936,569** | **2,936,569** |
| **Dec-20** | | | |
| Assets | | | |
| Financial investments at fair value through profit or loss | - | 292,000 | 292,000 |
| Assets held for sale | - | 1,307,400 | 1,307,400 |
| **Total balance** | **-** | **1,599,400** | **1,599,400** |

| Company | | | |
|---|---|---|---|
| **Dec-21** | **Level 2** | **Level 3** | **Total** |
| Assets | | | |
| Financial investments at fair value through profit or loss | - | 1,458,000 | 1,458,000 |
| Financial investments at fair value through other comprehensive income | 1,038,258 | 19,892,770 | 20,931,028 |
| Assets classified as held for sale | 343,214 | 87,763 | 430,977 |
| **Total Balance** | **1,381,472** | **21,438,533** | **22,820,005** |
| **Dec-20** | | | |
| Assets | | | |
| Financial investments at fair value through other comprehensive income | 430,975 | 20,512,509 | 20,943,484 |
| Financial investments at fair value profit or loss | - | 292,000 | 292,000 |
| Assets held for sale | 343,214 | 49,143 | 392,357 |
| **Total Balance** | **774,189** | **20,853,652** | **21,627,841** |

*Valuation techniques and sensitivity analysis are included in note 23, 24 and 24*

The fair value of the financial assets and liabilities carried at amortised cost including cash and cash equivalents, trade and other receivables, term deposits, borrowings and trade and other payables are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 43. Subsequent events

### i. Konkola Copper Mines Plc Court proceeding

**Winding Up Proceedings (Lusaka Proceedings).**

Following the decision by the High Court to deny Vedanta Resources Holdings Limited ("Vedanta") application to stay the Lusaka Proceedings on 7 August 2019, Vedanta appealed to the Court of Appeal against the said decision. On 20 November 2020, the Court of Appeal overturned the decision of the High court and stayed the liquidation proceedings, referring the parties to arbitration. ZCCM-IH appealed to the Supreme Court against the decision of the Court of appeal on 7 September 2021. The Supreme Court, in a Ruling dated 22 March 2022, declined to hear the appeal. The decision was based on the fact that the matters that ZCCM-IH sought to have the Supreme Court hear and determine had already been dealt with in the Partial Final Award delivered on 7 July 2021 in Arbitration. By this Ruling, the Court of Appeal's decision staying the liquidation proceedings and referring the parties to Arbitration remains unvacated.

**Arbitral Proceedings (South African Proceedings)**

The substantive hearing of the arbitration are yet to commence. However, there have been various interlocutory applications before the tribunal.

**Konkola Copper Mines Plc (KCM) separation of Business Units**

After the year end, KCM was split into two separate Business Units to improve operational and financial efficiencies. The split was done by way of formation of two subsidiary companies, namely KCM Smelter Co Limited, and KCM Mineral Resources Limited, with two Separate Management structures and employee arrangements. Both companies are currently wholly owned by KCM.

### ii. First Quantum Minerals Limited (FQM) Arbitration Proceedings

On 11 November 2019, Kansanshi Holdings Limited ("KHL") filed a Request for Arbitration in London against ZCCM-IH (as Respondent) and Kansanshi Mining Plc (KMP) (as Nominal Respondent). These Arbitration proceedings were strictly confidential as between the parties. On 29 January 2021, the Tribunal made certain decisions in a Partial Final Award and reserved some matters for resolution in a Final Award. On 12 January 2022, the Tribunal delivered a Final Award by Consent, thereby disposing of the said proceedings. The arbitration has, therefore, been concluded.

## 44. Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for the following items which are measured on an alternative basis on each reporting date.

| Items | Measurement basis |
|---|---|
| Financial assets at fair value through profit or loss | Fair value |
| Investments in associates (Company) | Fair value |
| Retirement benefits | Present value of the defined obligation revaluation |
| Investment property | Fair value |
| Investment in subsidiary | Fair value |

## 45. Significant accounting policies

The Group has consistently applied the following accounting policies to all policies to all periods presented in these financial statements. Certain comparative amounts in the statement of profit or loss and OCI have been re-presented, to ensure consistency see Note 11 and 36).

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

| | |
|---|---|
| (a) | Basis of consolidation |
| (b) | Foreign currency |
| (c) | Discontinued operation |
| (d) | Financial instruments |
| (e) | Property, plant and equipment |
| (f) | Investment property |
| (g) | Intangible assets |
| (h) | Assets held for sale |
| (i) | Inventory |
| (j) | Impairment |
| (k) | Employee benefits |
| (l) | Provisions |
| (m) | Revenue from contracts with customers |
| (n) | Investments income |
| (o) | Finance income and costs |
| (p) | Exploration costs |
| (q) | Income tax |
| (r) | Earnings per share |
| (s) | Segment reporting |
| (t) | Leases |
| (u) | Share capital |
| (v) | Dividend |
| (w) | Mine Developments |
| (x) | Environmental restoration |

### a) Basis of consolidation

#### i. Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 45. Significant accounting policies (continued)

### a) Basis of consolidation *(continued)*

#### iii. Business combinations *(continued)*

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Common control transaction are accounted for as below :

The transferee incorporates the assets and liabilities of the existing entity at their pre-combination carrying amounts without fair value uplift. This is on the basis that there is no substantive economic change. In essence, the combination of the two entities reflects the results and financial position of the existing business. All that changes is the structure of the group.

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

The Group's financial statements include the transferee full-year results (including comparatives), even though the transaction might have occurred part of the way through the year, or incorporate the results from the date when the entity joined the group, where such a date is later.

The common control has no impact on the entities within the ZCCM-IH group. However,This would affect the wider group i.e changes outside the ZCCM- IH group.

#### ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

In the separate financial statements, investments in subsidiaries are classified as fair value through other comprehensive income (OCI).

#### iii. Non-controlling interests (NCI)

The group recognises non-controlling interests in an acquired entity either at fair value or at the noncontrolling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

#### iv. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-controlling interests (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**45. Significant accounting policies** (continued)

**a) Basis of consolidation** *(continued)*

**v. Interest in equity accounted investees**

The Group's interest in equity accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

In the separate financial statements investments in associates is subsequently measured at fair value. These are classified as fair value through other comprehensive income.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

**vi. Transactions eliminated on consolidation**

Intra-group balances and transactions, fair value changes recognised in respect of its investment in subsidiaries and associates, and any unrealised income and expenses arising from intra group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**vii.** Price Participation Fee

Price Participation fees are variable amount, if any, to be credited to the seller as an additional income based on variations in the Payable Copper Price, if, as and when reflected in Benchmark Reference Terms from time to time. The price participation fees are recognised once conditions indicate that additional income is to be received, based on prevailing prices over the agreed period, and that its been agreed with other parties involved, in this case the buyer.

**viii. Reporting date**

The financial statements of the Company and subsidiaries used in the preparation of the current consolidated financial statements have the same reporting date of 31 December. When the end of the reporting date of the Company is different from that of the subsidiary or associates, the Company consolidates the financial information of the subsidiaries or associates using the most recent financial statements of the subsidiaries or associates adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

**45. Significant accounting policies** (continued)

**b) Foreign currency**

***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

- An investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).
- Foreign currency differences which arise on the translation of investee companies (which have a different functional currency) are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

**c) Discontinued operation**

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

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

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

**d) Financial instruments**

**i. Recognition and initial measurement**

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

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

**45. Significant accounting policies** (continued)

**d) Financial instruments** *(continued)*

**ii. Classification and subsequent measurement**

***Financial assets***

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

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the
- principal amount outstanding.

A **debt investment** is measured at FVOCI if it meets both of the following conditions and is notdesignated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

***Financial assets – Business model assessment***

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

**45. Significant accounting policies** (continued)

**d) Financial instruments** *(continued)*

**iii. Classification and subsequent measurement** *(continued)*

***Financial assets – Business model assessment*** *(continued)*

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity
- Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

***Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

***Financial assets – Subsequent measurement and gains and losses***

| | |
|---|---|
| **Financial assets at FVTPL** | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| **Financial assets at amortised cost** | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| **Debt investments at FVOCI** | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| **Equity investments at FVOCI** | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

**45. Significant accounting policies** *(continued)*

**d) Financial instruments** *(continued)*

**ii. Classification and subsequent measurement** *(continued)*

***Financial liabilities – Classification, subsequent measurement and gains and losses***

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

**iii. Derecognition**

*Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

*Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**iv. Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. No set offs have been effected in these financial statements.

**e) Property, plant and equipment**

**i. Recognition and measurement**

All Group property, plant and equipment are measured at cost save for land and buildings are which are measured at revalued amounts for the Company and Group. For subsidiaries, property plant and equipment are measured at cost less accumulated depreciation and others at revalued amounts as applicable (see note 17 for full disclosure). Cost includes capitalised borrowing costs, less accumulated depreciation, and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

**45. Significant accounting policies** *(continued)*

**e) Property, plant and equipment** *(continued)*

**i. Recognition and measurement** *(continued)*

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Capital work in progress relates to items of property, plant and equipment that are under construction and are yet to be commissioned for use. Work in progress is measured at the costs incurred in relation to the construction up to the reporting date. Capital work in progress is not depreciated.

The Group's policy is to revalue regularly to ensure that the carrying amount does not differ materially from the fair value. The revaluation differences are recognised in other comprehensive income and accumulated in equity "revaluation reserve" unless the revaluation difference represents the reversal of a revaluation decrease previously recognised as an expense, in which case the revaluation difference is recognised in profit or loss. A decrease arising as a result of a revaluation is recognised as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset. The revaluation surplus included in equity is transferred directly to retained earnings when the asset is used by the Group. The amount of the surplus transferred is the difference between depreciation charge based on the revalued carrying amount of the assets and the depreciation charge based on the original cost.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

**ii. Subsequent expenditure**

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**iii. Depreciation**

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

| | |
|---|---|
| • Property | 20 years |
| • Leasehold land and buildings | Life of mine |
| • Vehicles | 3 - 5 years |
| • Plant, equipment and furniture | 3 - 7 years |
| • Vertical kiln | 15 years |
| • Rotary kiln | 12 years |
| • Mineral properties | Unit of production method |
| • Mine Development | Unit of production method |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**45. Significant accounting policies** *(continued)*

**e) Property, plant and equipment** *(continued)*

**iv. Reclassification to investment property**

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

**f) Investment property**

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

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

**g) Goodwill and Intangible assets**

**i. Recognition and measurement**

*Goodwill*

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

*Intangible assets*

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less any accumulated amortisation. The group's intangible assets comprises acquired computer software programmes. Costs associated with maintaining software programmes are recognised as an expense as incurred.

**ii. Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, are recognised in profit or loss as incurred.

## 45. Significant accounting policies *(continued)*

### g) Goodwill and Intangible assets *(continued)*

#### iii. Amortisation and impairment

*Goodwill*

Goodwill has an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

*Intangible assets*

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss.

The estimated useful lives of the Group's computer software is three to five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### iv. Derecognition

Intangible assets are derecognised when an asset is sold, exchanged or abandoned and therefore, removed from the statement of financial position.

### h) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

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

### i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

**45. Significant accounting policies** *(continued)*

**j)** Impairment

**i. Non-derivative financial assets**

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

12-month ECLs are the portion of ECLs that result from default events that are possible within the. 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).45. Significant accounting policies (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

**Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

**Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

**45. Significant accounting policies** *(continued)*

**j) Impairment**

**i. Non-derivative financial assets** *(continued)*

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

***Write-off***

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

**i. Non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Determining whether goodwill is impaired requires an estimation of the present value of future cash flows generated from the cash generating units to which the goodwill has been allocated. The present value calculation requires an estimation of the future cash flows expected to arise and a suitable discount rate in order to calculate present value.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 45. Significant accounting policies *(continued)*

### k) Employee benefits

#### i. Short -term employee benefits

Short term-employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### ii. Defined contribution plans

Obligations for contribution to defined contribution plans are expensed in the profit or loss as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available. The Group and all its employees also contribute to the National Pension Scheme Authority, which is a defined contribution scheme. Amounts recognised as an expense during the year were ZMW1.9 million (2020: ZMW 1.2 million)

#### iii. Defined benefit plans

The Group provides for retirement benefits (i.e. a defined benefit plan) for all permanent employees in accordance with established pension scheme rules as well as the provisions of Statutory Instrument No. 119 of the Laws of Zambia. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The cost of providing the defined benefit plan is determined annually using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

The discount rate is required to be determined with reference to the corporate bond yield. However, due to the non-availability of an active developed market for corporate bonds the discount rate applicable is the yield at the reporting date on the Government of the Republic of Zambia's bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The defined benefit obligation recognised by the Group, in respect of its defined benefit pension plan, is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets. When the calculations above result in a benefit to the Group, the recognised asset is limited to the net total of any cumulative unrecognised actuarial losses and past service costs and the present value of any economic benefits available in the form of any refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan or on settlement of the plan liabilities.

Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to other comprehensive income when they arise. These gains or losses are recognised in full in the year they occur. Past service costs are recognised immediately in the profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period (the vesting period). In this case, the past-service costs are amortised on a straight line basis over the vesting period.

#### iv. Other entitlements

Some employees are on fixed term contracts and are entitled to gratuity. These are recognised when they accrue to employees. An estimate is made for the liability for such entitlements as a result of services rendered by employees up to the reporting date.

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

**45. Significant accounting policies** *(continued)*

**l) Provisions and contingent liabilities**

Provisions are determined by discounting the expected future cash flows at a pre – tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**i. Environmental rehabilitation and restoration**

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

**ii. Financial guarantee contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments, and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

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

**i.** changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:

- a decrease in the liability is (subject to (b)) be recognised in other comprehensive income and increase the revaluation surplus within equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss;
- an increase in the liability is recognised in profit or loss, except that it shall be recognised in other comprehensive income and reduce the revaluation surplus within equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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

*in thousands of Kwacha*

**45. Significant accounting policies** *(continued)*

**l) Provisions and contingent liabilities** *(continued)*

**ii. Financial guarantee contracts**

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

All possible obligations whose outcomes are dependent on whether some uncertain future event occurs, or a present obligation but payment is not probable, or the amount cannot be measured reliably are considered as Contingent liabilities. ZCCM-IH's contingent liabilities includes corporate guarantees as disclosed under note 40. These contingent liabilities are reviewed on a regular basis and were appropriate an estimate is made of the potential financial impact on the Group. As at 31 December 2021 and 2020, no potential liability was recognised.

**m) Revenue from contracts with customers**

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

| Type of product/service | Nature and timing of satisfaction of performance obligations, including significant payment terms | Revenue recognition policies |
|---|---|---|
| Sale of goods | Customers obtain control of the products when the goods are delivered. Invoices are generated and revenue is recognised at that point in time. Invoices are payable within 30 days. | Revenue is recognised in the period in which the Group has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligations that could affect the customers' acceptance of the products. Delivery does not occur until the products have been accepted by the customers. |
| Services rendered | The Group is involved in provision of environmental consultancy services, analytical services, surveying services and radiation safety. Revenue from providing services is recognised in the accounting period in which the services are rendered. | Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. |

Contract assets primarily relate to the Group's right to consideration for the work completed but not billed at the reporting date on the customer contracts. The Group had no contract assets as at year end. Contract liabilities primarily relate to the advance consideration received from the customer for which revenue is recognised when the goods and services are provided. The Group had no contract liabilities as at year end.

As at 31 December, 2021, the group had one contract Liability which has been disclosed in Note 39. For cashflow purposes, interest income, which is classified as "Net Interest Income from loans and advances/ Financial Instruments", is presented as interest received under cashflows from operating activities.45. Significant accounting policies (continued)

**45. Significant accounting policies** *(continued)*

**n) Investment income and expenses**

The Group's investments income and expenses costs include:

- Dividends receivables;
- Interest income; and
- Interest expense.

Dividends are recognised as revenue in the period in which the right to receive payment is established, which in the case of quoted securities is usually the ex-dividend date.

Interest income or expense is recognised using the effective interest method.

**o) Finance income and finance costs**

For cashflow purpose, interest income on the term deposit is presented as interest receivable under cashflows from investing activities.

The Group's finance income and finance costs include

- Gain or loss on financial assets at fair value through profit or loss;
- The foreign currency gain or loss on financial assets and financial liabilities;
- Unwinding income or expense on price participation fees;
- Unwinding expense on environmental provision; and
- Borrowing costs.

All borrowing costs are recognised in the profit or loss using the effective interest method.

Borrowing costs attributable to fixed assets during construction are capitalised

**p) Exploration costs**

The Group is involved in exploration and evaluation of mineral resources including, oil and gas and other similar non – regenerative resources in specific licence areas where the Group has legal rights. This process also involves the determination of both the technical feasibility and commercial viability of extracting the mineral resource. General exploration and associated costs incurred in connection with exploration and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource is demonstratable, are expensed in the period in which they are incurred. Exploration and associated costs for projects which are commercially viable, and it is considered that future economic benefits will flow to the Company are capitalised.

***Accounting for exploration and evaluation expenditures***

Exploration and evaluation expenditures are measured at cost on initial recognition. Costs directly associated with commercially viable exploration project are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expenses.

***Depreciation of exploration and evaluation assets***

Exploration and evaluation asset are depreciated using a straight-line method over a period of five years.

**q) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

**45. Significant accounting policies** (continued)

**q) Income tax** (continued)

**i. Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

**ii. Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;`
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when probability of future taxable profit improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

**iii. Tax exposures**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

**45. Significant accounting policies** (continued)

### r) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options.

### s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and to assess its performance.

### t) Leases

#### i. The Group as a lessee

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of us

***Measurement and recognition of leases as a lessee***

At lease commencement date, the Group recognises a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

**45. Significant accounting policies** (continued)

**t) Leases** (continued)

**i. The Group as a lessee** *(continued)*

***Measurement and recognition of leases as a lessee*** (continued)

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease

payments arising from a change in the lease term or a change in the assessment of an option to

purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

**ii. The Group as a lessor**

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

**u) Share capital**

**Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

**v) Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's annual financial statements in the period in which the dividends are approved by the Company's shareholders. When dividends are proposed they are presented in a separate column in the statement of changes in equity.

**45. Significant accounting policies** (continued)

**w) Mine development costs**

Exploration and associated costs relating to non-specific projects or properties are expensed in the period in which they are incurred. Significant property acquisition costs and development costs relating to specific properties for which economically recoverable reserves are believed to exist are deferred until the project to which they relate is sold, abandoned, or placed into production. No costs are deferred on a property believed to be impaired in value. Mine development and property acquisition costs, including costs incurred during production to expand ore reserves within existing mine operations, are deferred, and amortised over the life of the mines. Reviews are undertaken regularly to evaluate the carrying values of operating mines and development properties. If it is determined that the net recoverable amount is significantly lower than the carrying value, and the impairment in value is likely to be permanent, a write-down to the net recoverable amount is made by a charge to profit or loss.

**x) Environmental restoration**

Provision is made for costs associated with the restoration and rehabilitation of mining sites as soon as the obligation to incur such costs arises. Such restoration and closure costs are typical of the extractive industry and are normally accrued to reflect the Company's obligations at that time. Additional disturbances that arise due to further development/construction at the mine are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16. If the related asset is measured using the revaluation model, a decrease in the liability shall be recognised in other comprehensive income and an increase in the liability shall be recognised in profit or loss, except that it shall be recognised in other comprehensive income. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of profit or loss and other comprehensive income as part of finance costs. For closed sites, changes to estimated costs are recognised immediately in the statement of profit or loss and other comprehensive income. The Company is required to make contributions to the government for future rehabilitation work relating to its production activities. The contributions are based on an environmental assessment that is performed by environmental auditors. The Company records a liability for the future contributions to be made to the government based on the environmental disturbances incurred to date per the environmental auditor’s assessment with a corresponding charge to profit or loss.

## 46. Restatement

### Consolidation Restatement

**a)** Correction of amounts misclassified in discontinued operations, other income, and finance income - In the month of March 2023 the directors discovered a classification error. Ndola Lime Limited, Investrust Limited, and Mushe Milling Limited were wrongly classified as discontinued operations despite not meeting the criteria of classification as per IFRS 5- Non-Current Assets Held for Sale and Discontinued. The error affected several Financial Statement Line Items. This classification error resulted in material overstatement and understatement of the affected FSLIs. for the 2020. The error has been corrected by restating each of the affected financial statement line items for the prior periods.

### Consolidation/Company Restatement

**b)** Equity Investments – Fair value adjustments -The directors erroneously classified Fair value adjustments on revaluation of financial assets carried at fair value through profit and loss under finance income for the Group and Company instead of being presented under a separate line for fair value adjustment of financial assets through profit or loss.

### Company Restatements.

**c)** Impairment credits on financial assets – The directors erroneously classified Impairment credits on financial assets under other income in the prior year instead of being included under impairment charge/(credit) line item on the face of the statements of profit and loss for the group and company. This error resulted in a material overstatement of the other Income and understatement of the impairment charge.

**d)** Deferred Income Tax recognised on fair value adjustments on associates and subsidiaries - In March 2023, the directors discovered a computational error on deferred Income tax arising from fair value measurement of investments and associate companies. The error resulted in a material overstatement of deferred Income tax liability recognized for the 2020 and prior financial years and a corresponding understatement of other reserves. The error has been corrected by restating each of the affected financial statement line items.

**e)** Correction of Cashflows from investing activities to Cashflows from Operating Activities- Subsequent to 31 December 2021, Management discovered a classification error in presentation of acquisition of investments in subsidiaries and Investments in associates. The error resulted in misclassification of acquisition of investments in subsidiaries and investments in associates under investing activities instead of operating activities.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 46. Restatement *(Continued)*

**Statement of Profit or Loss and other Comprehensive Income 2020 - Consolidated.**

| | 31 December 2020 As previously stated | Correction Note (a) Reclassification from discontinued operations | Correction Note (b) Equity Investments – Fair value adjustments | 31 December 2020 Restated Amount |
|---|---|---|---|---|
| Revenue | 113,088 | 61,708 | | 174,796 |
| Net Interest income from loans and advances | - | 93,369 | | 93,369 |
| Fees and commissions | - | 29,696 | | 29,696 |
| Cost of Sales | (57,348) | (58,460) | | (115,808) |
| Other Income | 100,131 | 655,844 | (83,297) | 672,678 |
| Administration expenses | (490,933) | (259,429) | - | (750,362) |
| Equity Investments – Fair value adjustments | - | - | 292,000 | 292,000 |
| Net Investment income | 16, 938 | 333 | - | 17,271 |
| Finance Income | 969,606 | 3,504 | (292,000) | 681,110 |
| Finance costs | (24,728) | (4,171) | - | (28,899) |
| Net impairment losses on financial assets | (141,610) | (22,066) | 83,297 | (80,379) |
| Profit from discontinued operation | 500,399 | (500,399) | - | - |
| Profit before Income Tax | 2,353,224 | - | - | 2,353,224 |
| Income Tax Expense | (116,532) | - | - | (116,532) |
| Profit for the year | 2,236,692 | - | - | 2,236,692 |
| Other comprehensive income | 6,190,882 | - | - | 6,190,882 |
| **Total comprehensive income** | **8,427,574** | **-** | **-** | **8,427,574** |

*Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for basic and diluted earnings per share was a decrease of K 50.71 and K 13.91 (2020) per share respectively.*

**Statement of financial position 2020 - Consolidated**

There was no impact on the consolidated statement of financial position as these were reclassifications within the statement of profit and loss.

**Statement of Cashflows 2020 - Consolidated**

There was no impact on the consolidated statement of cash flows.

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

### 46. Restatement *(Continued)*

**Statement of Profit or Loss and other Comprehensive Income.- Company.**

| | 31 December 2020<br>As previously stated | Correction Note (d)<br>Deferred Income Tax | Correction note (c)-<br>Net impairment losses on financial assets | Correction note (a)-<br>Fair value adjustment on financial assets | 31 December 2020<br>Restated Amount |
|---|---|---|---|---|---|
| Comprehensive Income Correction | | | | | |
| Fair value adjustment on financial assets at fair value through profit or loss | - | - | - | 292,000 | 292,000 |
| Finance Income | 969,592 | - | - | (292,000) | 677,592 |
| Net impairment losses on financial assets | (144,784) | - | 83,297 | - | (61,487) |
| Other Income | 99,640 | - | (83,297) | - | 16,343 |
| Profit before income tax | 780,846 | - | - | - | 780,846 |
| Income tax expense | (212,415) | 104,279 | - | - | (108,136) |
| Profit for the year | 568,431 | 104,279 | - | - | 672,710 |
| Other comprehensive income | 6,458,958 | 3,476,234 | - | - | 9,935,192 |
| Total comprehensive income | 7,027,389 | 3,580,513 | - | - | 10,607,902 |

**Statement of financial position 2020 - Consolidated**

There was no impact on the consolidated statement of financial position as these were reclassifications within the statement of profit and loss.

**Statement of Cashflows 2020 – Consolidated**

There was no impact on the consolidated statement of cash flows.

| Statement of Financial Position (Extract) - | | Company | | | | |
|---|---|---|---|---|---|---|
| | 1 Jan 2020 | | 1 Jan 2020 | 31 Dec 2020 | | 31 Dec 2020 |
| | As previously stated | Correction Note (d)<br>Deferred Income Tax adjustment | Restated Amount | As previously stated | Correction Note (d)<br>Deferred Tax adjustment | Restated Amount |
| | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 | ZMW'000 |
| Deferred Income tax asset/(liability) | (2,688,472) | 3,125,109 | 436,637 | (6,350,748) | 6,705,622 | 354,874 |
| Other reserves | 6,415,617 | 3,125,109 | 9,540,726 | 12,874,097 | 6,601,343 | 19,475,440 |
| Retained earnings | 978,367 | - | 978,367 | 1,494,288 | 104,279 | 1,598,567 |
| Total equity | 9,484,935 | 3,125,109 | 12,610,044 | 16,459,336 | 6,705,622 | 23,164,958 |

**NOTES TO THE FINANCIAL STATEMENTS** *(CONTINUED)*
*in thousands of Kwacha*

## 46. Restatement *(Continued)*

**Statement of Cashflow Income: 2020 - Company**

| Statement of Cashflow Income: 2020 - Company | | 31-Dec-20 As previously stated, | Correction Note (e) Reclassification | 31-Dec-20 Restated Amount |
|---|---|---|---|---|
| **Cash flows from investing activities** | 354,874 | - | - | - |
| Acquisition of investments in subsidiary | (128,613) | (128,613) | 128,613 | - |
| Acquisition of investments in associates | - | (29,507) | 29,507 | - |
| Proceeds on disposal of investments in associates | - | 41,616 | (41,616) | - |
| **Cash generated from operating activities** | (128,613) | | | |
| Acquisition of investments in associates | - | - | (29,507) | (29,507) |
| Proceeds on disposal of investments in associates | 41,616 | - | 41,616 | 41,616 |
| Acquisition of investments in subsidiary | - | - | (128,613) | (128,613) |
| **Net movement in Cashflow** | - | **(116,504)** | **-** | **(116,504)** |

## CORPORATE INFORMATION

### Registered and Corporate Office

Stand No. 16806
Alick Nkhata Road
Mass Media Complex Area
P O Box 30048
Lusaka 10101, Zambia

### UK Registrars

Link Asset Service
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

### Brokers for Lusaka Securities Exchange Listing

Stockbrokers Zambia Limited
32 Lubu Road
Longacres
P O Box 38956
Lusaka, Zambia

### Auditors

PricewaterhouseCoopers Zambia (PWC)
PWC Place, Stand No. 2374 Thabo Mbeki Road
PO. Box 30942
Lusaka, Zambia

### Principal Bankers

Barclays Bank (Zambia) Plc
Standard Chartered Bank (Zambia) Plc
Zambia National Commercial Bank Plc

### Transfer Secretaries

Corpserve Transfer Agents Limited
Mwaleshi Road, Olympia Park
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SULPHURIC
ACID PLANT

## APPENDIX

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021** (Unaudited)

| | 31-Dec 2021 US$'000 | 31-Dec 2020 US$'000 |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment | 777,599 | 15,709 |
| Exploration and evaluation asset | 2,077 | 979 |
| Intangible assets | 192,953 | 140 |
| Investment property | 11,541 | 15,397 |
| Investment in associates | 1,024,655 | 914,768 |
| Financial assets at fair value through profit or loss | 87,533 | 13,804 |
| Trade and other receivables | 79,875 | 37,122 |
| Environmental Protection Fund | 5,231 | - |
| Deferred tax assets | 20,463 | 11,658 |
| **Non-current assets** | **2,201,927** | **1,009,577** |
| Inventories | 280,927 | 4,989 |
| Trade and other receivables | 196,018 | 24,124 |
| Assets held for sale | 88,771 | 61,804 |
| Term deposit | 39,248 | 9,188 |
| Cash and cash equivalents | 11,084 | 8,566 |
| **Current assets** | **616,048** | **108,671** |
| **Total assets** | **2,817,975** | **1,118,248** |
| **Equity** | | |
| Share capital | 132 | 132 |
| Share premium | 171,398 | 171,398 |
| Other reserves | 954,557 | 543,594 |
| Retained earnings | (348,685) | 295,917 |
| **Equity attributable to shareholders** | **777,402** | **1,011,041** |
| **Non-controlling interest** | **(1,244)** | **(1,135)** |
| **Total Equity** | **776,158** | **1,009,906** |
| **Liabilities** | | |
| Borrowings | 1,473,659 | 7,628 |
| Trade and other payables | - | 867 |
| Retirement benefits | 5,781 | 510 |
| Provisions for environmental rehabilitation | 71,973 | 8,203 |
| **Non-current liabilities** | **1,551,413** | **17,208** |
| Borrowings | 47,883 | - |
| Bank overdraft | 4,230 | 474 |
| Trade and other payables | 287,966 | 7,377 |
| Liabilities associated with assets classified as held for sale | 100,776 | 67,300 |
| Provisions | 22,739 | 5,728 |
| Current tax liabilities | 12,161 | 10,141 |
| Retirement benefits | 14,649 | 114 |
| **Current liabilities** | **490,404** | **91,134** |
| **Total liabilities** | **2,041,817** | **108,342** |
| **Total equity and liabilities** | **2,817,975** | **1,118,248** |

## APPENDIX

**COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021** (Unaudited)

| | 31-Dec 2021 US$'000 | 31-Dec 2020 US$'000 |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment | 6,702 | 6,733 |
| Intangible assets | 149 | 58 |
| Investment property | 11,541 | 14,563 |
| Investments in subsidiaries | 19,688 | 13,079 |
| Investment in associates | 1,236,940 | 976,969 |
| Financial assets at fair value through P&L | 87,533 | 13,804 |
| Deferred tax assets | 28,104 | 16,776 |
| Trade and other receivables | 40,613 | 37,122 |
| **Non-current assets** | **1,431,270** | **1,079,104** |
| Inventory | 1,159 | 738 |
| Trade and other receivables | 11,878 | 22,280 |
| Assets held for sale | 25,874 | 18,548 |
| Term deposit | 38,003 | 9,188 |
| Cash and cash equivalents | 4,893 | 5,703 |
| **Current assets** | **81,807** | **56,457** |
| **Total assets** | **1,513,077** | **1,135,561** |
| **Equity** | | |
| Share capital | 132 | 132 |
| Share premium | 171,398 | 171,398 |
| Other reserves | 1,120,039 | 820,027 |
| Retained earnings | 195,093 | 112,483 |
| **Equity attributable to shareholders** | **1,486,662** | **1,104,040** |
| **Liabilities** | | |
| Borrowings | - | 7,628 |
| Deferred tax liabilities | - | - |
| Retirement benefits | 616 | 510 |
| Provisions for environmental rehabilitation | 4,799 | 3,148 |
| **Non-current liabilities** | **5,415** | **11,286** |
| Borrowings | 68 | - |
| Trade and other payables | 7,017 | 4,848 |
| Provisions | 1,773 | 5,659 |
| Current tax liabilities | 12,142 | 9,728 |
| **Current liabilities** | **21,000** | **20,235** |
| **Total liabilities** | **26,415** | **31,521** |
| **Total equity and liabilities** | **1,513,077** | **1,135,561** |

## APPENDIX

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021**
(Unaudited)

| | 31-Dec 2021 US$'000 | 31-Dec 2020 US$'000 |
|---|---|---|
| **Revenue from customer with contracts** | 731,608 | 9,382 |
| Net interest income from loans and advances | | |
| FInancial instruments | 7,027 | 5,030 |
| Fees and commissions | 1,649 | 1,594 |
| Cost of sales | (723,250) | (6,216) |
| **Gross profit** | **17,034** | **9,790** |
| Investment income | 663 | 909 |
| **Net investment income** | **663** | **909** |
| Other (expense)/income | 12,031 | 36,107 |
| Fair value adjustment financial asset at fair value through profit or loss | 59,258 | 15,673 |
| Impairment of goodwill on acquisition | (754,798) | (6,431) |
| Net impairment losses on financial assets | 3,218 | (4,314) |
| Administration expenses | (88,440) | (40,275) |
| **Operating profit/(loss)** | **(751,034)** | **(11,459)** |
| Finance income | 24,532 | 36,559 |
| Finance costs | (68,546) | (1,551) |
| **Net finance income** | **(44,014)** | **35,008** |
| Share of profit of equity-accounted investees, net of tax | 152,697 | 79,845 |
| **Profit before tax** | **(642,351)** | **126,312** |
| Income tax (expense)/credit | 3,378 | (6,255) |
| **Profit for the year** | **(638,973)** | **120,057** |
| **Other comprehensive income** | | |
| **Items that will never be reclassified to profit or loss** | | |
| Revaluation on property, plant and equipment | - | 148 |
| Actuarial gain on defined benefit pension plans | (5,350) | 28 |
| Deferred tax on defined benefit actuarial loss | (66) | (10) |
| Equity-accounted investees- share of other comprehensive income | 2,658 | - |
| | (2,758) | 166 |
| **Items that are or may be reclassified to profit or loss** | | |
| Foreign currency translation differences - equity - accounted investees | (222,816) | 332,135 |
| Foreign currency translation differences - Subsidiaries investees | 450,677 | - |
| | 227,861 | 332,135 |
| **Other comprehensive income, net of tax** | 225,103 | 332,301 |
| **Total comprehensive income** | **(413,870)** | **452,358** |

## APPENDIX

**SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021**
(Unaudited)

| | 31-Dec 2021 US$'000 | 31-Dec 2020 US$'000 |
|---|---|---|
| Investment income | 49,203 | 12,140 |
| Revenue from contracts with customers | 4,057 | 198 |
| Cost of sales | (3,949) | (161) |
| Other income | 1,808 | 877 |
| Fair value adjustment financial asset at fair value through profit or loss | 59,258 | 15,673 |
| Net impairment losses on financial assets | 2,176 | (3,300) |
| Administration expenses | (18,952) | (19,104) |
| **Operating profit** | **93,601** | **6,323** |
| Finance income | 3,823 | 36,370 |
| Finance costs | (16,630) | (781) |
| **Net finance income** | **(12,807)** | **35,589** |
| **Profit/(loss) before tax** | **80,794** | **41,912** |
| Income tax credit/(expense) | 4,379 | (5,804) |
| **Profit/(loss) for the year** | **85,173** | **36,108** |
| **Other comprehensive income** | | |
| **Items that will never be reclassified to profit or loss** | | |
| Revaluation of property, plant and equipment | - | 148 |
| Actuarial gain on defined benefit pension plans | 188 | 28 |
| Deferred tax on defined benefit actuarial gain | (66) | (10) |
| Investments in subsidiaries – net change in fair value | 235 | - |
| Investments in associates – net change in fair value | (3,238) | 533,114 |
| Deferred tax on fair value change on subsidiaries | - | (12,656) |
| Deferred tax on fair value change on investments | - | 180,399 |
| **Other comprehensive income, net of tax** | **(2,881)** | **701,023** |
| **Total comprehensive income** | **82,292** | **737,131** |


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