



ZESCO

Integrated Report

2024

About this Report

This report has been prepared to provide stakeholders with a comprehensive overview of our strategy, business model, performance, governance practices, and the key risks and opportunities we face. The topics included were selected based on their potential to significantly impact our ability to create sustainable value. This selection was guided by input from both internal and external stakeholders of ZESCO and further refined through consultations with Corporate Leadership Team and the Board of Directors.

Report Approval

The Board of Directors and Corporate Leadership Team acknowledges its responsibility for the integrity of this report and confirms that the Integrated Annual Report addresses all material matters, offering a balanced and accurate representation of the Company’s position and performance. Accordingly, the Board has approved the publication of the 2024 Integrated Annual Report



Mr. Vickson Ncube
Chairman



Eng. Justin C. Loongo
Acting Managing Director



Ms. Rachael Inonge Zekko
Director Investment & Finance



Mr. Evans Twambo
Acting Company Secretary

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Mission Statement

To provide efficient, innovative, and excellent electricity services and energy solutions to our local and international customers.



Vision

To be an effective provider of reliable and environmentally sustainable electricity services to all our customers by 2032.



Values

Integrity

We uphold fairness, accountability and truthfulness in our actions. We conduct ourselves in an honest and ethical manner.

Customer Centricity

The customer is our focal point in our delivery of excellent services. We will care for, understand, respect and support our customers.

Innovation

We will continuously keep abreast with, develop, implement and use modern technology in our business.

Teamwork

We endeavour to work as a team in our quest to serve our customers through understanding, respecting, and supporting one another (Team Work Works).

Safety and Environmental Sustainability

We shall adhere to the highest safety practices and endeavour to protect our stakeholders from danger, risk or injury in all our operations. We shall apply business solutions that enable us to gr in a manner that has the least adverse effects on the environment.

Glossary of Terms and Abbreviations

To ensure clarity and consistency throughout this Integrated Report, frequently used terms and abbreviations are defined in this glossary. These terms will not be defined again within the body of the report. For the purposes of this document, the use of the singular includes the plural, and the masculine includes the feminine and vice versa, unless specifically differentiated.

A
ABSA – Amalgamated Bank of South Africa - a regional financial institution providing banking and investment services.
ADB – African Development Bank - a multilateral financial institution promoting economic growth and social progress across Africa.

B
BCM – Billion Cubic Metres.
Bn – Billion - a numerical term representing one thousand million (1,000,000,000).
BSA – Bulk Supply Agreement - a contractual arrangement governing the supply and purchase of bulk electricity between entities.

C
CAIDI – Customer Average Interruption Duration Index - a reliability indicator measuring the average outage duration per affected customer.
CEC – Copperbelt Energy Corporation Plc - a Zambian independent power transmission and distribution company serving the mining sector.
CLT – Corporate Leadership Team - ZESCO's top management team responsible for strategic and operational oversight.
CNMC – China Nonferrous Metal Mining Corporation - an international mining group with operations in Zambia's copper sector.

D
DBSA – Development Bank of Southern Africa - a development finance institution providing infrastructure funding across Africa.
Dispatch – The real-time management of electricity generation and distribution to ensure system balance and reliability.

E
EBITDA – Earnings Before Interest, Taxes, Depreciation, and Amortization - a measure of an organisation's financial performance.
EIB – European Investment Bank - the European Union's lending arm providing finance for sustainable projects.
ERB – Energy Regulation Board - Zambia's national regulator for the energy sector.
ERM – Enterprise Risk Management. - a framework for identifying and managing organisational risks.
ESD – Environmental Sustainability Department - a ZESCO department mandated with promoting environmental stewardship and compliance.
ESI – Electricity Supply Industry - the collective sector involved in generation, transmission, and distribution of electricity.
EUR – Euro - the official currency of the Eurozone.

F
FDI – Foreign Direct Investment - investment made by a foreign entity into domestic business operations or assets.
Feed-in Tariff (FIT) – A policy mechanism guaranteeing renewable energy producers a fixed price for electricity supplied to the grid.
FibreCom

G
GBP – British Pound Sterling - the official currency of the United Kingdom.
GDP – Gross Domestic Product - the total monetary value of goods and services produced within a country.
GRZ – Government of the Republic of Zambia - the central government authority of Zambia.
Grid Code – A set of technical and operational standards governing how electricity networks and market participants operate.
GWh – Gigawatt Hour - a unit of energy equal to one billion watt-hours, commonly used to measure large-scale electricity consumption or production.

I
IDC – Industrial Development Corporation - Zambia's state holding company overseeing government-owned enterprises.
IMF – International Monetary Fund - a global financial institution that promotes monetary cooperation and economic stability.
IPP – Independent Power Producer - a private entity that generates electricity for sale to utilities or the market.
IRP – Integrated Resource Plan - a long-term planning framework for electricity generation and investment.
ITPC – Itezhi-Tezhi Power Corporation Limited - a 50% ZESCO subsidiary jointly operating the Itezhi-Tezhi hydropower station.
ITT – Itezhi-Tezhi.

K
KGL – Kafue Gorge Lower - a major hydroelectric power project on the Kafue River.
KGLPS – Kafue Gorge Lower Power Station - the generating facility under the KGL project.
KGRTC – Kafue Gorge Regional Training Centre - a regional institution providing specialised power and energy sector training.
KNBE/KNBEPC – Kariba North Bank Extension / Kariba North Bank Extension Power Corporation.

KNBPS – Kariba North Bank Power Station.
kV – Kilovolt - a unit of electric potential equal to one thousand volts.
kWh – Kilowatt Hour - a unit of energy representing one kilowatt of power used for one hour.

L
LIBOR – London Interbank Offered Rate - a global benchmark interest rate at which major banks lend to one another.
Load Shedding – The deliberate reduction of electricity supply to maintain grid stability when demand exceeds generation capacity.

M
Market Operator – The entity responsible for administering the electricity market, including settlement and scheduling.
MoE – Ministry of Energy.
MoFNP – Ministry of Finance and National Plannin.
MW – Megawatt - a unit of power equal to one million watts, commonly used to measure the capacity of power stations.
MWac – Megawatt alternating current.

N
NAPSA – National Pension Scheme Authority - Zambia's statutory body managing the national social security fund.

O
OHL – Overhead Line - transmission lines that transport electricity via conductors suspended above the ground.
OPPPI – Office for Promoting Private Power Investment - a government unit promoting private sector participation in the power sector.

P
Peak Demand – The highest level of electrical power demand within a specific time.
PPA – Power Purchase Agreement - a long-term contract between a power producer and buyer defining electricity supply terms and pricing.
PSA – Power Supply Agreement.

R
REA – Rural Electrification Authority - a Zambian government agency responsible for extending electricity access to rural areas.
Renewable Energy – Energy derived from naturally replenishing sources such as sunlight, wind, and water.

S
SAIDI – System Average Interruption Duration Index - measures the total duration of outages experienced by the average customer over a period.
SAIFI – System Average Interruption Frequency Index - measures how often the average customer experiences service interruptions.
SAPP – Southern African Power Pool.
SAPP-DAM – SAPP Day-Ahead Market.

SDG – Sustainable Development Goal - global objectives set by the United Nations to achieve sustainable growth and equity.
SDF – Skills Development Fund - a national fund supporting vocational and technical skills enhancement.
SHEQ – Safety, Health, Environment, and Quality - an integrated management system ensuring operational excellence and compliance.
SHPS – Small Hydro Power Stations.
Substation – A facility that transforms voltage levels and routes electricity through the transmission and distribution network.

T
TEVETA – Technical Education, Vocational and Entrepreneurship Training Authority - Zambia's body regulating technical and vocational education.
Transmission Line – High-voltage power lines used to transport electricity over long distances from generating plants to substations.

U
USD – United States Dollar - the official currency of the United States and an international trade benchmark currency.

V
VFPS – Victoria Falls Power Station.

W
WB - World Bank

Z
ZAM – Zambia Association of Manufacturers - an industry body representing Zambia's manufacturing sector.
ZANACO – Zambia National Commercial Bank - one of Zambia's leading commercial banks.
ZAR – South African Rand - the official currency of South Africa.
ZESCO – ZESCO - Zambia's state-owned power utility responsible for electricity generation, transmission, distribution, and supply countrywide.
ZRA – Zambezi River Authority.
ZRA – Zambia Revenue Authority.
ZTC – ZESCO Training Centre.



Group Highlights

2024 Group Highlights

Group Revenue 9% ▲ K30.8 bn 2023K28.3 bn	Net Profit Margin -64% ▼ -50% 2023-140%
Operating Profit/ Loss -71% ▼ K8.7 bn 2023K30.3 bn	Return on Capital Employed -62% ▼ -7.1% 2023-18.8%
Net Assets -16% ▼ K82.9 bn 2023K98.3 bn	Interest Cover -34% ▼ -3.68x 2023-5.54x
Debt Level 12% ▲ K61.1 bn 2023K54.8 bn	Current Ratio 7% ▲ 0.21x 20230.20x
EBITDA -79% ▼ -20% 2023-100%	Gearing 19% ▲ 42% 202336%

Performance

Generation -62% ▼ 7,469Wh 202319,514 GWh
Customer Base 6% ▲ 1,357,021 20231,281,453
Customer/ Employee ratio 9% ▲ 202 2023186
Head count (annual average) -3% ▼ 6,707 20236,885
Connections Backlog 98% ▼ 500 202322,258



CHAIRMAN’S REPORT



Mr Vickson Ncube
Chairman

Dear Stakeholder,

It is a great honour and privilege to render the Chairman's Statement, covering ZESCO's performance for the year ended 31 December 2024.

During the year, the ZESCO Board and Management navigated the difficulty of balancing debt servicing, meeting current obligations as they fell due, enhancing and maintaining infrastructure as well as meeting the day-to-day operational requirements against a backdrop of reduced liquidity levels driven by the hydrological challenges that reduced the water levels in the reservoirs in both the Kafue and Zambezi rivers basins far below the ideal levels. This entailed that load shedding measures and power imports had to be implemented—both of which created a heavy strain on the Corporation's liquidity.

The less-than-expected rainfall and its consequences on hydrology inevitably led to accelerating the strategic thrust of improving the energy mix.

Initiatives for Operational and Strategic

In dealing with the power crisis, we have set the stage for future resilience through a combination of operational, financial, commercial and organisational decisions and undertakings as follows:

1. Increased power import contracts to support local load, as well as curtailing exports.

2. Reprioritised the construction of regional interconnections with Tanzania and Kenya, which once completed, will provide ease of power movement for export and import between the Southern and the East African power pools.
3. Implemented cost containment measures, including operational austerity and deferment of non-critical expenditure.
4. Advanced key infrastructure projects such as the Chisamba 100MW solar plant, to be completed in 2025.
5. Finalised the 400MW power purchase agreement with Tanzania's Tanesco.
6. Finalised the 300MW thermal plant power purchase agreement with Maamba Energy Limited. The project is expected to reach commercial operation in 2026.
7. Signed PPAs with several potential IPPs.

Policy And Regulatory Support

In 2024, the Zambian Government operationalized the Electricity (Open Access) and Net Metering Regulations to liberalize the energy sector. The Open Access Regulations allow independent power producers to generate and sell electricity directly to consumers, by passing ZESCO, thereby promoting competition and attracting private investment. The Net Metering Regulations enable consumers to produce renewable energy for personal use and feed surplus power into the grid, fostering prosumer participation and supporting solar energy growth. Together, these reforms are creating a more inclusive, efficient, and investment-friendly electricity market.

The energy sector received a pivotal boost when the ERB approved ZESCO's application for retail emergency tariffs, a critical measure that supplemented power importation to bridge the supply gap. Alongside the tariff adjustments to the non-retail customers, including the mines, in which 35% of the power supplied to them was charged at an emergency tariff, these measures provided ZESCO with the flexibility to secure additional power supplies essential for maintaining stability.

Looking Ahead

For ZESCO to continue playing its role as an economic enabler, numerous strategic and operational initiatives will have to be adopted, among them:

1. Accelerating the move towards cost reflective tariffs.
2. Diversifying sources of energy, using a multipronged approach comprising own investments, partnerships with the private sector and facilitating private sector participation.
3. Investing in appropriate technology that will result in a more efficient optimization of assets across the value chains of generation, transmission and distribution.
4. Investing in appropriate technology that will result in the elimination of revenue leakages.
5. Operational cost efficiency.

The Board and Management remain alive and alert to potential developments in the sector; ready to take advantage of any opportunities to arise from such developments.

ZESCO is a key national asset, steadily focused on ensuring energy sufficiency and reliability, operational excellence, and financial sustainability. We are committed to regional cooperation and leveraging sustainable practices to navigate the effects of the crisis and unlock new avenues for growth. The Board is confident that with the support of all the Corporation's stakeholders, focused management and dedicated staff, ZESCO will emerge stronger, more adaptive and better positioned to meet Zambia's electricity needs; extending to the region.

Change in leadership

In December 2024, Eng. Victor B. Mapani left the position of Managing Director. Engineer Justin C Loongo took up the mantle in caretaker capacity. May I, on behalf of the ZESCO Board, Management and Staff, thank Eng. Mapani for his dedicated service and leadership during his tenure.

In the same vein, I take the opportunity to welcome Engineer Loongo to this position. I appeal to the Board, Management and Staff to give him the necessary support for him to discharge his responsibilities in these challenging times.

In November 2024, Board member Dr. Jolly Kamwanga resigned from Board. We are grateful for his service and contribution during his tenure.

Gesture of Gratitude

I extend my sincere gratitude to all stakeholders – the shareholders, our parent Ministry of Energy, directors of our Board, executive leadership, employees, partners and customers – for their unwavering support and trust throughout this challenging year. Together, we will continue to advance ZESCO's goal of delivering reliable, affordable, and sustainable electricity to Zambia.



Mr Vickson Ncube
Chairman

MANAGING DIRECTOR’S REPORT



Eng. Justin C. Loongo
Acting Managing Director

Dear Valued Stakeholder,

I am pleased to present the Corporation’s performance in this 2024 Annual Integrated Report, a year distinguished by both formidable challenges and great successes.

2024 proved to be a watershed period in ZESCO’s journey, where tangible progress in the Corporation’s operational and financial space was interrupted and left standing on the cusp of regression by natural causes. The drought, due to the El Niño and exacerbated by climate variability, led to a historic water shortage, limiting the energy available in our hydroelectric generating plants, and creating a power deficit of over 1,000MW that rippled through the country’s economic ecosystem. This crisis tested our operational resilience, financial stability, and strategic agility. Despite these limits, the Corporation took decisive action, ensuring electricity supply through regional imports, expediting renewable energy initiatives, and upgrading our infrastructure.

Notwithstanding the problems that have hampered our revenues, our persistent dedication to operational resilience, infrastructure development, and stakeholder engagement has allowed us to maintain electricity delivery to the key social and economic sectors including health facilities, water pumping stations, agriculture, and mining while maintaining a strategic focus on our long-term objectives. The swings in our performance over the quarters evidence both enormous obstacles and determined efforts to adapt and survive. 2024 will be remembered as the year of survival.

Strategic and Operational Overview

Power Sector Challenges

The power sector was severely tested in 2024, arising from a drought that limited reservoir inflows into all our hydropower stations. Given ZESCO’s sector dominance, the impact of the drought exposed and affected the entire market. As water levels dropped, ZESCO and other sector players became more reliant on costly regional power imports, with expenses averaging USD 0.15 per kWh—significantly more than the previous year’s rates of roughly USD 0.07 per kWh.

The ERB approved the retail emergency tariff which came into effect on 1st November 2024. With this regulatory support, we were able to stabilise our revenue streams but not to the level of completely bridging the cashflow gap.

Operational Response & Progress

Our operations adapted with a focus on resilience;

Generation & Renewables

Arising from the constrained power generation capacity, the Unit Capacity Factor dropped to 73.42%, below the target of 88.38%. Nevertheless, solar projects, including the 100MW Chisamba Phase One, 50MW Mansa in Luapula and others maintained steady progress. By year-end, Chisamba was on schedule, with civil works approaching 50% completion while the Mansa site was still at development stage. Resources had been mobilised, geotechnical investigations completed and site preparations ongoing.

Despite the drought-induced challenges, our renewable energy portfolio has progressed steadily, with several key projects advancing toward operational readiness:

- **Chisamba Phase One (100MW):** Civil works were approximately 40% complete, with construction targeted for completion within the first two quarters of the coming year.
- **Mansa Solar (50MW):** Site mobilization was completed, geotechnical investigations finalized, and site preparations were underway. Securing full financing remains a priority as we seek additional support for the project.
- **Southern Province Solar (50MW):** Diligence activities for joint venture partner selection were in progress.
- **Shango’mbo (2MW):** The EPC contract was awarded, and the designs were finalized.

Transmission and Distribution

The **Pensulo-Mansa** line tender was concluded, with contractor selection underway. On the other side, the Kabwe-Pensulo line was successfully reconfigured and commissioned, improving regional grid stability.

New Substations and Lines

The Kafue Gorge Lower transmission lines, completed in 2023, entered their defect liability period, while the **Kafubu Water and Livingstone Power Reinforcement** projects progressed, with installations and civil works near completion. Another success was the Lusaka West-Kabwe line construction, whose works commenced. The project is fully funded.

Regional Interconnectors

Projects connecting Zambia to Tanzania, Mozambique, and Malawi progressed well, with ongoing environmental assessments, procurement processes, and funding arrangements. The Zambia-Tanzania interconnector made great strides towards operationalization by the first quarter of 2028. The line is expected to significantly improve energy security and regional trade.

System Reliability and Power Quality

Despite operational stresses, system reliability indicators such as SAIDI and SAIFI continued to improve amid slight variations. Power quality (PQ) compliance increased to 86.9%, surpassing the 75% target under a financially stressed environment, thanks to continued system upgrades

and new PQ monitor installations.

Transmission system losses rose slightly to 7.88% from 7.03%in the previous year, reflecting increased import volumes and system overloads. On the preventive Maintenance front, we intensified the installation of additional remote monitoring systems and routine maintenance activities to improve fault response times and reduce outages.

Human Capital and Organizational Development

Our human capital strategy remains central to our resilience, through optimal staffing, capacitating staff and restructuring teams and the organisation as needed.

- **Staffing and Recruitment:** During the year, we recruited over 1,200 employees across the technical and operational departments. The maintenance department was prioritized to address critical skills gaps. At the end of the year, the total staff headcount exceeded 7,000. Efforts to consolidate and optimize staff deployment continued.
- **Capacity Building:** Over 300 employees participated in long-term training and capacity development programs, focusing on electrical engineering, project management, and safety. The Performance Management System (PMS) continued to enjoy high compliance, with over 83% of management staff signing off their annual appraisals.
- **Organizational Restructuring:** The ongoing alignment of our organizational structure aims to improve operational efficiency, with key measures, including the decentralization of responsibilities and the creation of specialized technical teams. These changes are expected to enhance maintenance and project execution.

Financial and Strategic Outlook

ZESCO’s financial position remained strained throughout the period due to high operating costs, and a depressed revenue base caused by load shedding. This was despite the significant operational efforts made to curb expenditure and support financial prudence. As of the end of 2024, total borrowings stood at USD 1.295 billion over the previous year, reflecting a marginal increase driven by disbursements for ongoing infrastructure projects. Debt servicing remained a challenge, with USD 46.1 million paid out in the year under review. The repayments were predominantly made towards commercial loans and syndications. Our liquidity position continues to be under pressure, mainly due to the elevated power import costs and reduced revenue collections.

Key Strategic Focus Areas for 2025

Projections indicate that 2025 will be an equally challenging year. Our planning has taken that view in solidifying the elements of focus in the coming period.

- Stronger debt management and restructuring efforts to reduce the financial burden.
- Accelerating regional interconnection projects, which will diversify our power sources.
- Enhancing revenue collection by expanding the use of smart metering, digital payment platforms, and better billing practices.
- Optimizing operational efficiencies through infrastructure upgrades, system automation, and targeted maintenance.
- Continuing workforce capacity building and organizational restructuring to improve productivity and service delivery.

We recognize that winning through these challenges requires unwavering commitment, stakeholder collaboration, and innovative financial solutions. We are actively engaging with the government, development partners, and the private sector to mobilize additional funding, de-risk our investments, and build a resilient energy system that can withstand climate variability.

Executive Leadership Changes

As the tail end of the year, Engineer Victor B. Mapani, who led the Corporation since November 2021 and was, therefore, responsible for the bulk of the performance being reported, stepped away following the end of his tenure.

I would like to focus on Engineer Mapani's visionary leadership and tireless dedication, which built a solid basis for the progress and the positive achievements this company continues to attain demonstrated endurance, strategic acumen, and unwavering commitment to Zambia's energy sector. His departure leaves a legacy of professionalism and dedication that motivates us all to face the difficult challenges present and ahead without losing sight of the solutions needed, not only to get us over the bend but to rebuild the company into a prosperous future. We are deeply grateful and appreciative of his exceptional service. Other executive directors also left their positions during the year. To each of them, we are grateful for their knowledge, expertise and leadership rendered to the Corporation in their time.

Conclusion

2024 was tough yet revolutionary for ZESCO. Our operational resilience, strategic infrastructure development, and proactive stakeholder engagement demonstrated our commitment to mitigating the drought's effects and preparing Zambia's energy sector for long-term sustainability. While we confront ongoing pressures, particularly from water scarcity and financial limits, our ability to adapt and deliver major projects remains unwavering. Looking ahead to 2025, we will step up our efforts to optimise revenue streams, streamline processes, and accelerate the completion of strategic projects, particularly renewable energy programs. These initiatives aim to strengthen our energy security, increase service dependability, and promote national long-term economic growth. We are grateful to our devoted team, partners, the regulator, and consumers for their unflinching support throughout this important year. With resilience, creativity, and a collaborative spirit, ZESCO will continue to drive Zambia's transformation into a more sustainable and reliable energy future. Together, we will use the challenges of 2024 as a stepping stone to a brighter



Eng. Justin C. Loongo
Acting Managing Director



DIRECTOR INVESTMENT & FINANCE’S REPORT



Ms. Rachael Inonge Zekko
 Director Investment & Finance

Key Highlights

We are confident that the enhancements to the electricity market regulatory framework, such as the Open Access regime, and initiatives implemented by the CLT will yield improved operational and financial performance of the ZESCO Group and lead to sustained profitability in the coming years.

- Continued Reduction of connectionsbacklog to below 500
- Connection of Lundazi and Chama to the national grid
- Pursuit of renewable energy initiatives – Chisamba 100MW Solar PV
- Migration of customers with consumption above 5000Kva to Power Supply Agreement contracts
- Five-Year Multi-Year Tariff Framework approved
- Emergency tariff approved to mitigate the energy crisis
- Reduction of IPP debt from USD 1.8 billion to USD 377 million

Performance Overview

The Group recorded a 9% increase in turnover from K28.3 billion to K30.8 billion mainly on account of increased revenues from mining customers, due to emergency tariff sales to some mining customers

who were exempt from load shedding. Mining customer revenue increased by 33% despite volume sales dropping by 10%.

Cost of Sales increased by 21% from prior year’s K21.8 billion to K26.4 billion, primarily due to notable increases in power imports from K41.2 million to K9.7 billion in 2024, necessitated by the drought. Depreciation of the Kwacha was another factor as power import purchases as well as power from IPPs are mostly foreign currency denominated.

Operating Expenses recorded a significant decrease of 52% compared to the previous year due to the reduction in impairment provisions from K15.9 billion to K2.2 billion and exchange losses of K5 billion compared to K13.8 billion the previous year. Finance Costs also reduced on account of a 58% reduction in interest on borrowings to K2.3 billion. However, Administrative Expenses increased by 76% to K9 billion, driven mainly by the increased depreciation expense arising from the revaluation of PPE the previous year.

Operating Expenses and Finance Costs

Operating expenses recorded a significant decrease of 52% compared to the previous year due to the reduction from K15.9 billion to K2.2 billion in impairment provisions and exchange losses of K5 billion compared to K13.8 billion the previous year. Further, finance costs also reduced due to a 58% reduction in interest on borrowings to K2.3 billion.

However, administrative expenses increased by 76% to K9 billion driven mainly by the increased depreciation expense arising from the revaluation of Property, Plant Equipment the previous year.

Summary of Profit

For the Year Ended 31 December 2024

	2024	2023	2022	2021	
	K’ million	K’ million	K’ million	K’ million	%
REVENUE	30,844	28,308	20,549	22,002	9%
Cost of Sales	(26,439)	(21,817)	(8,890)	(9,138)	21%
GROSS PROFIT	4,405	6,492	11,659	12,864	-32%
Other Operating Income	3,618	5,908	459	811	-39%
Other Losses	(4,998)	(13,810)	(5,959)	8,746	-64%
Marketing Expenses	(18)	(20)	(13)	(9)	-11%
Administration Expenses	(11,296)	(5,089)	(3,427)	(4,971)	122%
Other Expenses	(4,571)	(19,023)	(2,265)	(5,729)	-76%
Finance Costs	(2,352)	(5,470)	(1,825)	(964)	-57%
Impairment of equipment	-	(4,763)	-	-	-100%
Share of profit Associates	31	(39)	7	(26)	-181%
Share of Profit of a Joint Venture	742	18	6	(26)	3961%
(LOSS) PROFIT BEFORE TAX	(14,439)	(35,797)	(1,358)	10,698	-60%
Income Tax Charge	(990)	(3,720)	(26)	(254)	-73%
LOSS FOR THE YEAR	(15,492)	(39,517)	(1,384)	10,444	-61%

Revenues

Revenues recorded a 9% increase to K31 billion (2024) from K28 billion (2023), mainly attributed to the 33% increase in sales to mining customers. The performance was driven by a 9% depreciation in the Kwacha, which favorably impacted all foreign denominated sales.

The was a 10% reduction in volume sales to mining customers compared to the previous year, arising from reduced uptake by CEC, Kalumbila, KCM and Kansanshi Mines.

	2024	2023	2022	+/-	
Revenue by Category	K’ million	K’ million	K’ million	K’ million	%
Mining	22,621	16,991	9,242	5,629	33
Residential	1,901	2,806	4,746	(905)	-32
Industrial and Agricultural	3,356	3,538	2,898	(183)	-5
Exports	7,238	8,284	2,812	(1,046)	-13
Commercial	(4,271)	(3,311)	852	(960)	29
Total	30,844	28,308	20,549	2,536	9

Cost of Sales

There was a K6.7 billion, or 31% increase in the Cost of Sales over 2024 mainly due to an increase in power imports and the local wheeling charges. Government provided support of USD 39 million towards emergency power compared to K31.9 million the previous year. The Government support supplemented internal power generation which recorded a significant reduction due to low water levels. The Cost of Sales was further contained by the marginal depreciation of the Kwacha of 8% compared to the previous year when the local currency depreciated by 42%, which adversely affected purchases and imports as they are foreign currency denominated.

K' million	2024	2023	+/-	%
Local Purchases	11,585	17,312	(5,727)	-33%
Direct labour Costs	1,630	1,270	360	28%
Maintenance Costs	706	1,105	(398)	-36%
Power Imports	9,701	689	9,012	1309%
Generation Water Usage Costs	252	41	211	510%
Local Wheeling Charges	1,315	283	1,032	364%
Export Wheeling Charges	1,249	1,117	133	0%
Total	26,439	21,817	4,623	21.2%

Gross Profit Margin

The K2.5 billion increase in revenue was less than the increase in Cost of Sales (K6.7 billion), therefore, eroding the Gross Profit Margin to 8% compared to 23% the prior year.

Operating Expenses and Profitability

Total Expenses were 52% lower than the previous year, mainly due to the reduced Provisions for Bad Debts, Exchange Losses and Finance Costs. However, the Administrative Expenses rose due to the increased depreciation expense arising from the revaluation of assets the previous year. The Operating Loss is a K16 billion reduction over the previous year's operating loss. The loss was reduced by the marginal share of profits in related parties.

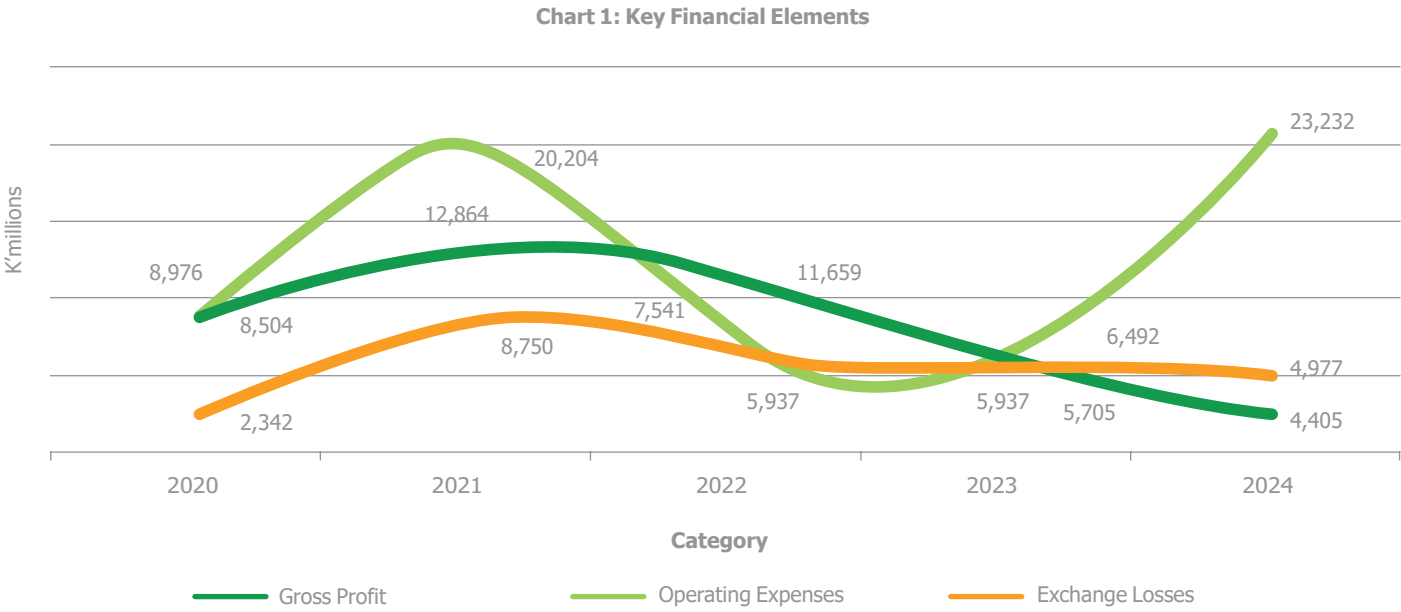
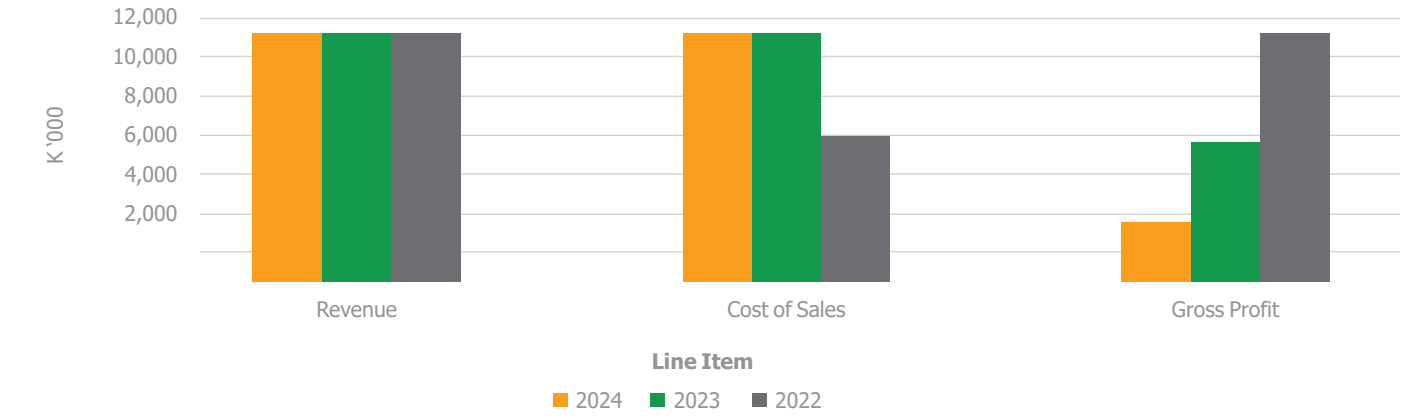


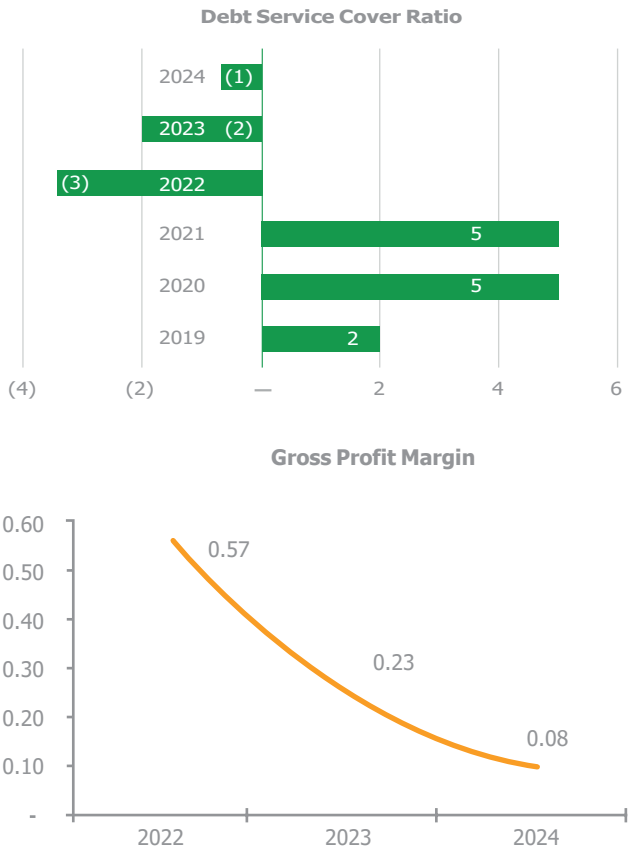
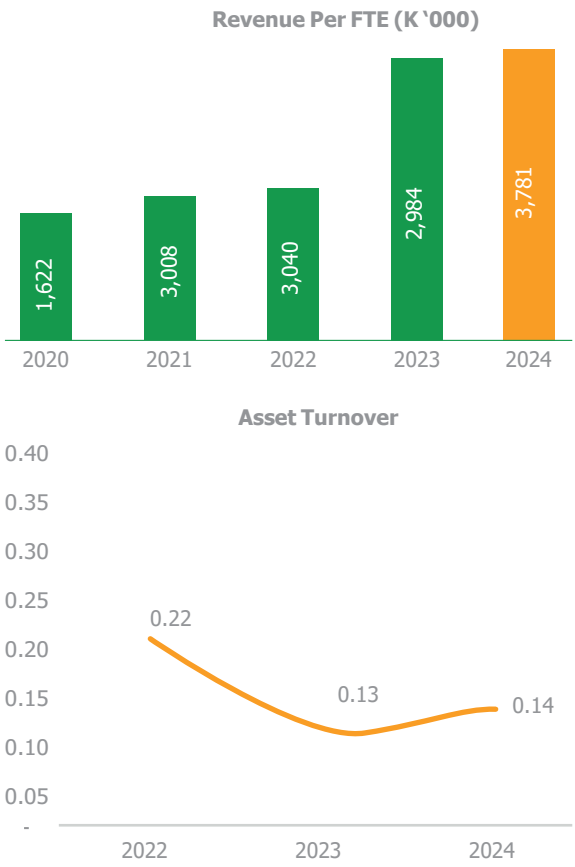
Chart 2: Gross Profit



EBITDA improved by 84% while the EBITDA Margin also improved to -7%, mainly on account of the gains arising from savings in the Finance Costs and the impairment provisions. This was further compounded by the provisions expense and exchange loss of K5 billion compared to exchange losses of K13.8 billion posted the prior year.

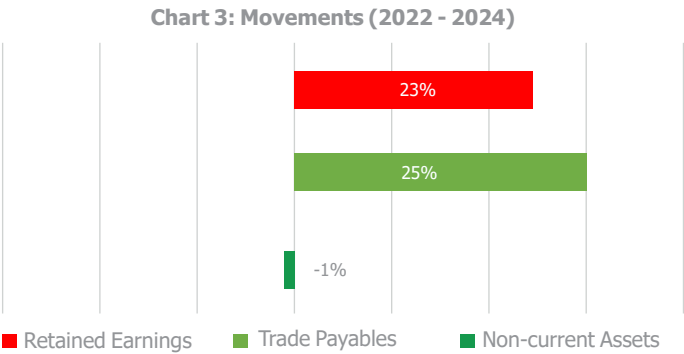
	K' billion	K' billion	K' billion	K' billion
EBITDA Margin	2024	2023	2022	2021
Loss/Profit Before Tax	(14)	(36)	(1)	11
Add Back: Finance Costs	2	5	2	1
Depreciation and Amortisation Expense	6	2	3	2
Amortisation of Capital Grants and Contributions	(0)	(0)	(0)	(0)
Exchange Gains/ (Losses)	5	14	6	(9)
EBITDA	(6.3)	(28.2)	9	5
Revenue	31	28	21	22
EBITDA Margin	-20%	-100%	43%	21%

Group Financial Overview



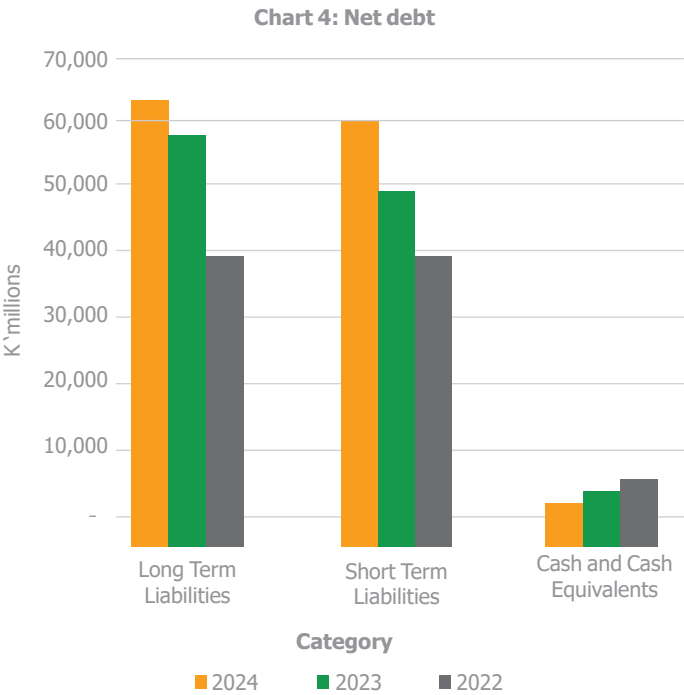
Cash flow, Net Debt and Balance Sheet

The Group recorded a 61% increase in the net cash and cash equivalents largely due to higher trade and other payables and the adjustment for the impairment loss recognized on trade receivables, while the net cash generated from operating activities increased by over 39% over the two years to negative K3,781 million on account of movements in trade receivables, trade payables, deferred liabilities and amounts due to related parties.

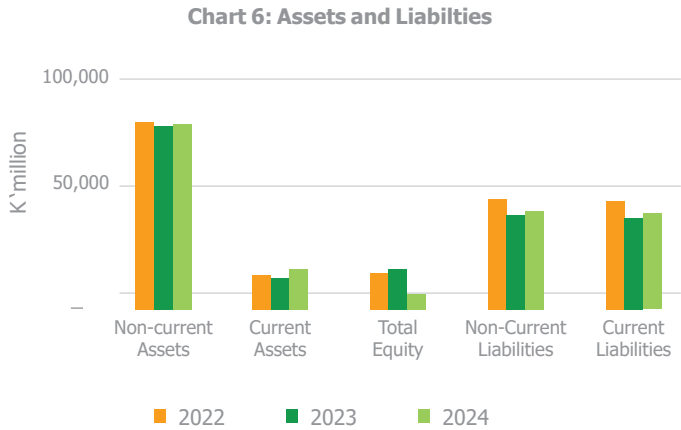
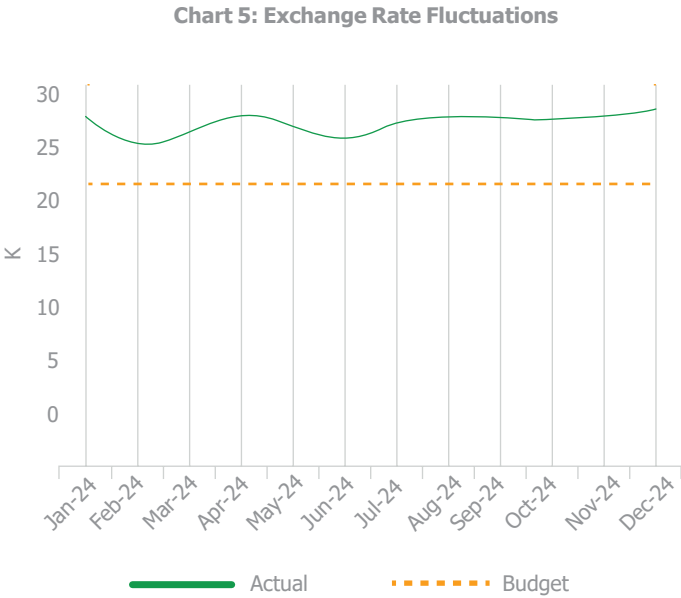


The Group's Net Debt increased by 17% due to foreign denominated obligations and the continued depreciation of the Kwacha over the period. This is a positive achievement against the 35% increase recorded the previous year. Debt continued to accrue to support network expansions and reinforcements, the acquisition of materials for the dismantling of new connections backlog and the development of renewable energy projects like the Chisamba 100MWac PV Solar Plant.

The cash and cash equivalents, on the other hand, declined by 29% compared to 10% and 25% increments in long- and short-term liabilities, respectively. The Group's Retained Earnings remained in the negative range albeit the 23% decline was a significant improvement compared to the 333% decline in 2022. Trade Payables were 25% higher over the comparable period, while the Non-Current Assets decreased by 1% or K2 billion. The major attributing factor on this performance being the depreciation of PPE.



Current Liabilities increased by 13% from K50 billion (2023) to K63 billion (2024). The increase is still driven by the accumulation of trade payables 6ets reduced by 17% to K82 billion mainly on account of higher Non-Current Assets arising from the revaluation of assets during the year.

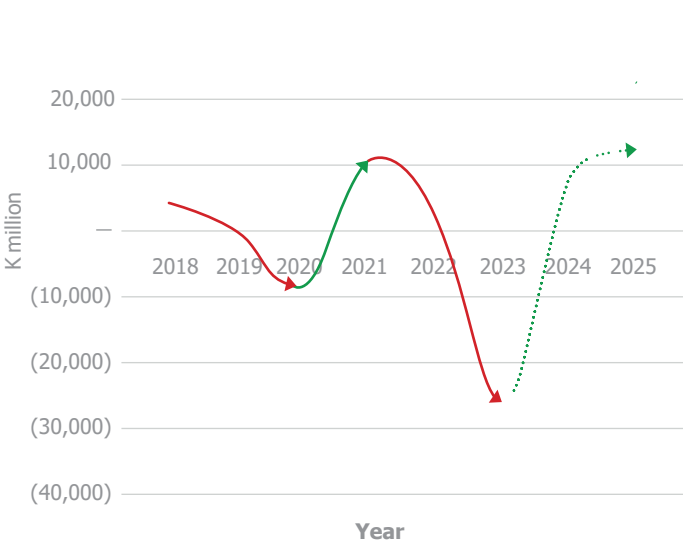


Factors affecting Overall Performance

The Group's financial performance was impacted by the following key issues:

- Approval of the Five-Year Multi-Year Tariff Framework by the ERB effective 1 May 2024
- The 9% depreciation of the Kwacha against major trading currencies.
- Constrained power generation in the key hydro power plants on the Zambezi and Kafue River basins owing to reduced rainfall due to the drought. To mitigate the resulting deficit, power was purchased from Mozambique and local IPPs.
- The reduction of the backlog of standard and non-standard connections to below 500 at the end of the year.
- Migration of some MD Customers to PPAs.
- The successful connection and commissioning of Lundazi and Chama districts of Eastern Province to the national electricity grid.
- The successful reduction of total IPP debt to USD 337 million from USD 1.8 billion.

Chart 7: Loss Projections



Outlook

Despite the adverse climatic changes in the year having presented one of the most turbulent periods in the Corporation's history and the nation, we made significant strides to mitigate the conditions. We believe the enhancements to the electricity market regulatory framework, such as the Open Access regime, and initiatives implemented by the CLT will yield improved operational and financial performance of the ZESCO Group and lead to sustained profitability in the coming years. These initiatives and support from the Government have assisted in ensuring a resilient performance in the wake of sustained economic and competitive pressures, and the CLT and the staff are committed to seeing these initiatives to their rightful conclusion as enshrined in the 10-year rolling Strategy for the period to 2032. The major outcomes, some of which are already being realized, include reduced debt levels to IPPs, improved average domestic sales tariffs leading to improved revenues, increased dollar-denominated revenue streams to assist mitigate exchange losses on various dollar-denominated outflows including loan obligations, power purchases and payments to contractors and suppliers. Further, cost savings continue to be realized from austerity measures on training, for


Ms. Rachael Inonge Zekko
Director Investment & Finance



Tax Compliance and Accountability

ZESCO remains steadfast in its commitment to fulfilling tax obligations as part of its role as a responsible and law-abiding corporate citizen. By adhering to post-registration tax requirements, we reaffirm our dedication to contributing meaningfully to the well-being of both the communities we serve and the nation at large.

The Corporation continues to pursue excellence in all aspects of tax compliance including the accurate submission of returns, timely payment of taxes, and active participation in stakeholder engagements with Government to support informed policy development.

The Board of Directors bears the overarching responsibility for ensuring that sound tax management practices and robust policies are established. In alignment with this directive, Management has successfully developed and operationalized comprehensive tax policies that support compliance, mitigate risk, and reinforce corporate accountability.

Our Approach

Effective tax compliance at ZESCO encompasses the accurate preparation and submission of tax returns, prompt payment of taxes, and the consistent application of tax principles to all business transactions. This disciplined approach reflects the Corporation’s commitment to upholding its statutory obligations and maintaining fiscal transparency.

Strategic tax planning and savings initiatives have remained central to ZESCO’s financial management efforts, aimed at improving cash flow and enhancing shareholder value. These activities support long-term sustainability while aligning with sound corporate governance practices.

Internalisation of Tax Services

ZESCO has internalized most of its tax services to strengthen oversight and ensure a comprehensive understanding of the Group’s tax position. This strategic move enhances the Corporation’s ability to proactively identify and mitigate tax risks that could negatively impact its operations, financial performance, or compliance standing.

Stakeholder Engagements

The Corporation actively collaborates with key stakeholders including the Zambia Revenue Authority (ZRA), the Ministry of Finance (MoF), and the Ministry of Energy in a manner that promotes transparency, compliance, and shared understanding. These engagements include consultations on the interpretation of tax legislation to ensure alignment with statutory provisions and to prevent regulatory discrepancies. The Corporation also works closely with the MoF on a range of strategic matters, including submission of policy proposals, requests for tax exemptions, and facilitation of debt swap arrangements aimed at resolving outstanding liabilities in a structured and mutually beneficial manner.

Tax Agency

ZESCO continues to fulfill its mandate as a Tax Collecting Agent for the Zambia Revenue Authority (ZRA), facilitating the collection of taxes from suppliers and contractors engaged by the Corporation. This function reinforces ZESCO’s role in supporting national revenue mobilization and promoting regulatory adherence across its supply chain.

Additionally, ZESCO enforces robust compliance measures by requiring valid tax clearance certificates for all payments made to local suppliers. This practice ensures that transactions are conducted in line with statutory obligations, while promoting accountability and transparency among its business partners.

Tax Updates and CPD

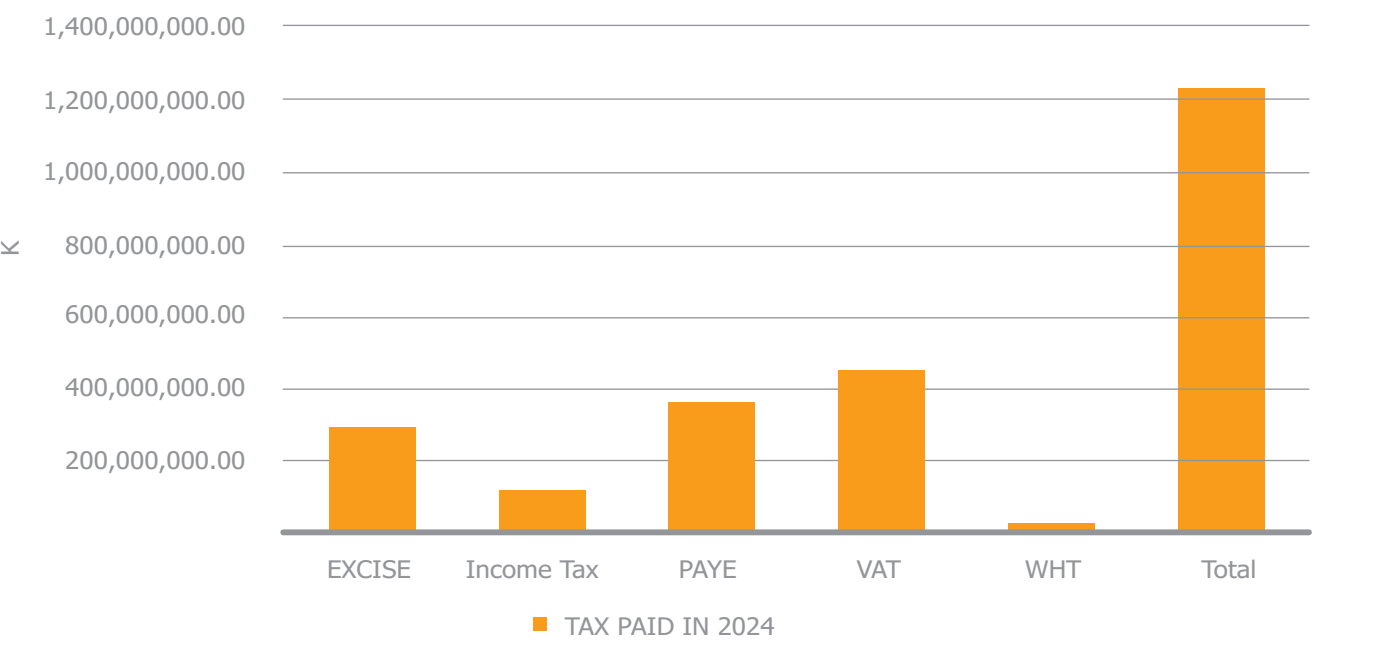
To remain aligned with evolving tax regulations and uphold high standards of compliance and reporting accuracy, ZESCO provides ongoing tax training and regulatory updates to key personnel. This proactive approach strengthens organizational capacity, ensures informed decision-making, and reinforces a culture of accountability within the Corporation.

In 2024, ZESCO faced notable operational and financial challenges, including elevated input costs arising from power importation, fluctuations in foreign exchange rates, and reduced revenue driven by load management necessitated by lower rainfall in the 2023/2024 rain season. Despite these pressures, the Corporation consistently upheld its commitment to tax compliance, ensuring all tax returns were submitted on time.



Taxes Paid in the Year

A total of K1.239 billion was paid in taxes during the year; a decrease of 8% from the previous year when K1.348 billion was paid. Taxes paid are spread as per table below.



CORPORATE GOVERNANCE

- Corporate Governance Report
- Board Composition and Evaluation
- Corporate Leadership Team
- Change in Sub-Committee of the Board
- Board Profiles;

Corporate Governance Report

Corporate Governance Report

The Board ensures strong governance by monitoring operational and financial performance, evaluating senior management, and upholding corporate standards aligned with the IDC Group’s Articles of Association. To maintain oversight independence, the Managing Director does not serve on the Audit & Risk Committee, though Executive Directors report quarterly to Board Sub-Committees as invitees. However, the Managing Director retains seats on key committees - Technical, Corporate Support & Legal Services, Procurement, Investment & Finance, and Human Capital and Development - ensuring strategic alignment while preserving governance integrity.

This structure balances accountability and operational efficiency, separating oversight (Board and Audit & Risk) from execution (Management) while allowing the Managing Director to contribute expertise where most impactful. The result is a cohesive framework that safeguards stakeholder interests and promotes sustainable growth.

Board Composition and Evaluation

The Board of Directors is composed of seven (7) members, strategically structured to ensure robust governance and informed decision-making. It includes the Managing Director, one Executive Director (ED) responsible for operational execution, and six independent Non-Executive Directors (NEDs) with diverse expertise spanning finance, legal, risk, and industry-specific disciplines. This balanced composition fosters rigorous oversight, objective challenge, and strategic guidance, leveraging both executive insight and independent perspectives to drive sustainable organizational success.

The following are the Board Members:

- Mr. Vickson Ncube – **Board Chairman**
- Ms. Edna Mwala Mudenda – **NED**;
- Ms. Chikonjiwe Mumba – **NED**
- Dr. Jolly Kamwanga – **NED**; Resigned 6 November 2024
- Mr. Charles Kaisala – **NED**;
- Mr. Emmanuel Gardner – **NED**; and
- Mr. Victor B. Mapani – **ED**. Retired 2 December 2024

Board Evaluation

According to the Company’s Board Charter, the Board’s performance is assessed annually and the performance of each of its committees, against the terms of Performance Agreement signed with Stakeholders as well as against its Board Charter or terms of reference of the Committees. The purpose of the evaluation is to determine whether the Board or Committee has adequately discharged its responsibilities, the adequacy of Board or Committee operations and decision-making processes and the overall effectiveness of the Board and its Committees.

The method of evaluation to be used shall be decided upon by the Board and shall include self-assessment, peer evaluation or an evaluation by an independent qualified consultant. The 2023 and 2024 Board evaluation was conducted by Price Waterhouse Coopers with its results presented to the Directors during board sessions.

Board Committees

To enhance governance effectiveness, the Board delegates specialized oversight functions to five dedicated committees, each chaired by a Non-Executive Director and composed of members with relevant expertise. These committees operate under clear terms of reference to provide focused scrutiny and informed guidance on key areas:

- Audit and Risk;
- Procurement, Investment and Finance;
- Technical
- Human Capital and Development; and
- Corporate Support and Legal Services.

This structure ensures rigorous, topic-specific oversight while maintaining alignment with the Board's overall strategic objectives.



Board Profiles



Mr. Vickson Ncube

Professional Chartered Accountant with a strong business acumen and service ethic, thriving in highly dynamic and changing environments having served as CEO in various organizations in both public and private sector.



Mr. Charles Kaisala

Registered engineer with vast experience in power systems having worked in the industry for over 30 years.



Ms. Edinah Mwaala Mudenda

Banking and Finance specialist having held various senior management positions at the Central Bank of Zambia.



Mr. Emmanuel Gardner

Held senior management roles in Barlow world and Bell equipment with extensive Board membership experience



Ms. Chikonjiwe Mumba

Seasoned business Entrepreneur with experience in managing various businesses and has extensive work experience at managerial level.



Eng. Victor B. Mapani

Seasoned Registered Engineer with vast experience in the power sector having served in various senior management positions both in Zambia and abroad.



Dr. Jolly K. Kamwanga

Senior research consultant with vast experience ranging from Monitoring and Evaluation, Public finance and human capital development amongst other skills. He has extensive work experience with development organizations like **UNAIDS, UNDP, INESOR and GiZ.**

Corporate Leadership Team

Eng. Wesley Lwiindi

Director Power Generation



Mr. Maxwell Saya

Director Human Capital Development



Eng. Justin C Loongo

Director Transmission, Operations and Trade (TOT)



Ms. Matembo Lisimba

Director Corporate Support Services



Eng. Gyavira M Bwalya

Director Planning and Projects



Ms. Rachael Inonge Zekko

Director Investments & Finance



Eng. Peter Chamfya

Director Distribution and Customer Services



Ms. Wabei Mangwambwa

Director Audit & Risk



Building Blocks to Financial Sustainability

Corporate Performance Against Strategic Plan

The 2024 Strategic Implementation and Performance section presents ZESCO Limited’s progress against the Ten-Year Rolling Strategic Plan (2022–2031), incorporating developments and performance indicators drawn from Strategy Implementation 2024 Report. The section provides a consolidated account of progress across key strategic focus areas, financial stability, infrastructure expansion, operational maintenance, and human capital optimisation.

1. Improved Customer Satisfaction

In 2024, ZESCO continued implementing initiatives aimed at enhancing customer experience, connectivity, and service delivery. Performance in this area is measured through connection times, digitalisation efforts, communication strategies, and customer support.

ZESCO’s average connection time for standard connections stood at 41 days in Q4 2024, compared to 34 days in Q3. Non-standard connections improved marginally to 369 days from 404 days. These figures indicate gradual progress toward the Strategic Plan targets of 50 and 200 days respectively, down from the 2022 baseline of 106 and 385 days. The introduction of cost-reflective connection charges and performance realignment among contractors contributed to this improvement.

Digital transformation also advanced through deployment of customer interface applications, including the ZESCO mobile app, website integration, and omni-channel platforms such as WhatsApp, Facebook, and call centres. These tools strengthened customer engagement, data collection, and response mechanisms.

Stakeholder engagement remained robust, with structured outreach to policymakers, civic leaders, manufacturers, and business associations. Nine key national-level engagements in Q3 and four in Q4 2024 targeted information dissemination on power supply, vandalism prevention, and energy efficiency. The ongoing rollout of the Customer Service Charter and plans for a comprehensive Enterprise Asset Management System reflect continued efforts to enhance accountability and responsiveness.

2. Achieve Financial Stability

Financial stability remained a key strategic pillar in 2024. Despite economic headwinds and the ongoing power deficit, ZESCO implemented measures to manage debt, improve liquidity, and maintain cost efficiency. Total borrowings increased slightly to USD 1.294 billion as of December 2024, primarily due to disbursements on commercial loans. The Corporation continued servicing its obligations under challenging cash flow conditions, with total quarterly debt service amounting to USD 25.8 million.

Progress in debt restructuring was notable, with Independent Power Producers (IPP) debt reducing from USD 380 million to USD 337 million during Q4 2024. Major achievements included a USD 70 million debt swap with Maamba Collieries and substantial debt write-offs at Itzhi-Tezhi Hydro Power Corporation, resulting in improved financial resilience.

ZESCO’s tariff and cash flow strategy under the Multi-Year Tariff Framework (2023–2027) continued to yield results. The 2024 tariff revision approved in May enhanced cash inflows, complemented by emergency tariff measures that boosted monthly revenue by 44.1% between October and December. The corporation also increased Power Supply Agreements (PSAs) with industrial clients, supporting revenue stability.

However, operational challenges persisted. Cost of Sales rose sharply to K13,115 million due to emergency power imports, leading to an operating loss of K10,013 million for the quarter. Equity and reserves fell to negative K6,975 million, emphasising the need for sustained financial reforms and cost efficiency programs.

3. Expanded Generation, Transmission & Distribution Systems

ZESCO made significant progress in expanding national energy infrastructure to meet increasing demand and diversify its generation mix. In 2024, a total of 1,589 MW of hydropower and 2,342 MW of renewable projects were under development, reflecting a firm commitment to energy diversification and security.

Notable renewable projects include the 200 MW Chisamba Solar PV under construction, the 50 MW Luapula Solar, and the 2 MW Shang’ombo plant. ZESCO’s partnership with Masdar on a 2,000 MW solar pipeline further underscores its commitment to scaling renewable energy. In hydropower development, progress continued at Luapula (1,200 MW), Lusiwasi Lower (86 MW), and West Lunga (44 MW), with feasibility and preparatory works advancing despite financing delays.

Transmission reinforcement remained a high priority. Key projects such as the Pensulo–Mansa 330 kV line, Kabwe–Pensulo 330 kV line 2, and the FQM Lusaka West–Kabwe corridor advanced, enhancing grid stability and regional integration. Cross-border interconnector projects with Tanzania, Mozambique, Malawi, and Zimbabwe (ZIZABONA) progressed through studies and funding arrangements, positioning Zambia for stronger regional power trade participation.

4. Effective Maintenance Regime

ZESCO strengthened its maintenance programs in 2024 to improve reliability and reduce outages. The corporation implemented Reliability-Centered Maintenance (RCM) frameworks across generation and transmission assets, alongside enhanced monitoring tools. Wide-Area Monitoring and Automation Systems (WAMPAC) were deployed to stabilise operations and improve real-time fault management.

However, performance under the ERB’s Quality of Service KPI declined from 13.75% in Q3 to 9.58% in Q4 2024, largely due to drought-induced supply constraints and load management. Continued investment in system automation, telemetry, and predictive maintenance remains essential to achieving performance recovery in 2025.

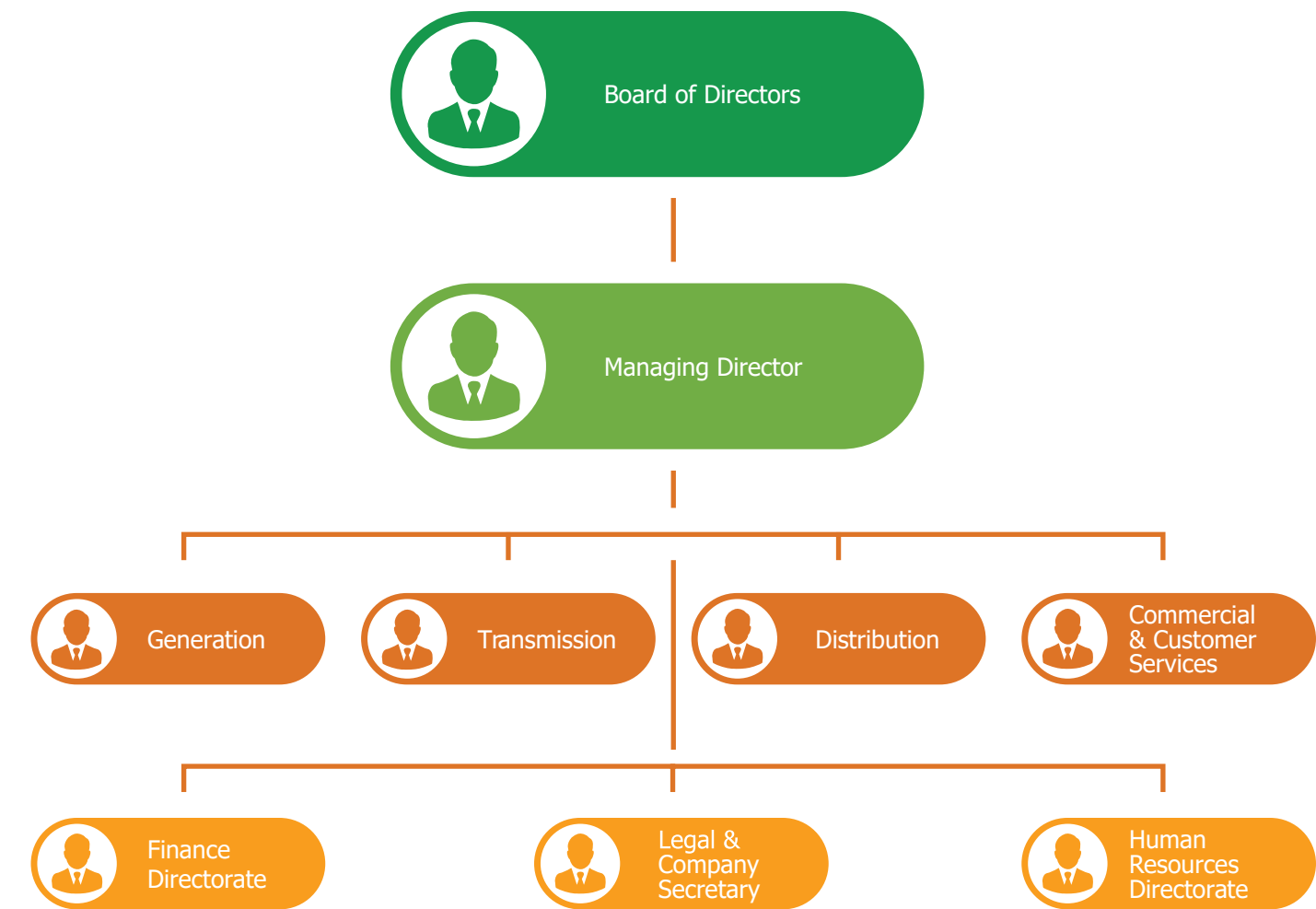
5. Optimised Human Capital

Human resource optimisation was a notable achievement in 2024. The Corporation successfully concluded the 2024/2025 Conditions of Service and realigned organisational structures to business needs. A total of 112 employees were recruited, mainly to strengthen maintenance operations.

Implementation of the Performance Management System (PMS) continued with high compliance rates, and capacity building programs were initiated across technical and support functions. Employee engagement initiatives and alignment of roles with strategic priorities contributed to improved productivity despite resource limitations.

6. Conclusion and Outlook (2025)

In summary, ZESCO’s 2024 performance reflected resilience amid operational and climatic challenges. While financial pressures and load management constraints persisted, significant progress was made in infrastructure expansion, renewable energy integration, and organisational alignment. The 2025 outlook focuses on reinforcing liquidity, accelerating project completion, restoring ERB compliance, and enhancing service delivery through continued digital transformation and maintenance efficiency.



OPERATIONAL SUSTAINABILITY

As a business, we employ numerous methods of evaluating whether we can maintain existing practices without risking potential resources. We understand Sustainable Operations to mean meeting present needs through our operations without compromising on the ability to meet future needs. We place great value on resources such as water, marine and the general ecology around our operating stations. Operating with minimal or no harm to the environment where we operate remains one of our major objectives.

Power Generation

ZESCO manages the 990MW KGPS, 720MW KNBPS, 108MW VFPS, the combined 58.8MW Small Hydropower Stations (SHPS) and also provides operations and maintenance (O&M) services to the 360MW KNBEPS under a 15-year O&M agreement with its subsidiary, KNBEPC. In line with the Corporation’s strategic objective under the Expansion of Infrastructure pillar, initiatives are on course to increase generation capacity and firm energy output in the Kafue Basin. These are being pursued through projects aimed at enhancing water reservoir storage within the basin and addressing generation constraints at the KGPS.

Hydrology Performance

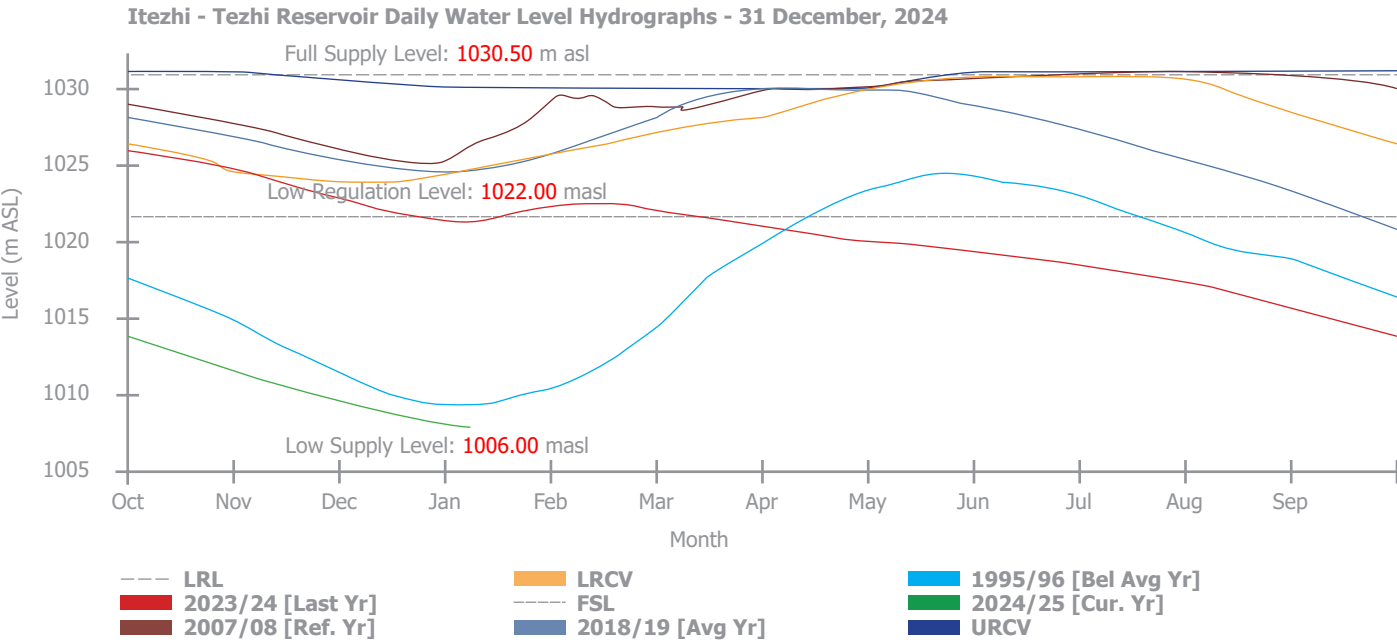
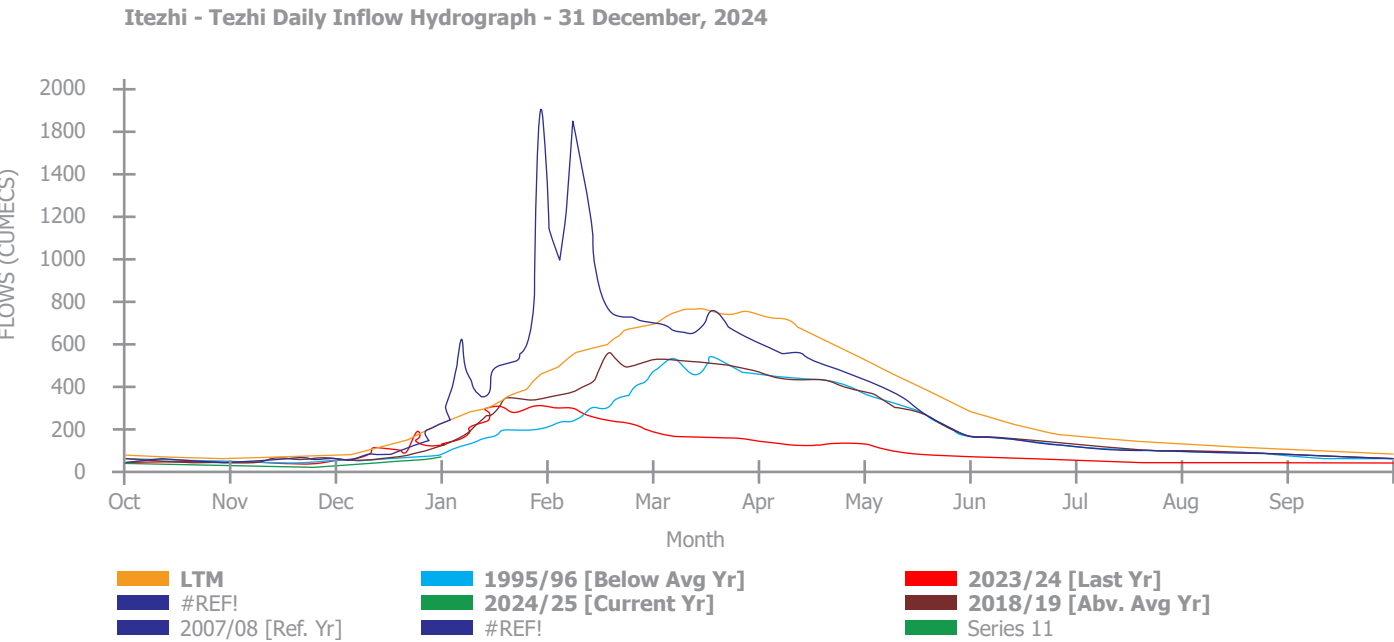
ZESCO’s power generation is 99.9% water based, making it highly dependent on the availability and variability of water resources. Accordingly, climate outlooks and rainfall forecasts are critical inputs to operations, enabling proactive planning and risk management prior to the onset of each financial year.

In the 2023/24 season, the country experienced a drought arising from the El Nino phenomenon, which was predicted by both the Southern African Regional Climate Outlook Forum (SARCOF) and the Zambia Meteorological Department (ZMD).

The seasonal rainfall performance for most parts on the Kafue and Zambezi basins was extremely below normal whilst most areas in the northern parts of the country received normal rainfall as monitored by ZMD.

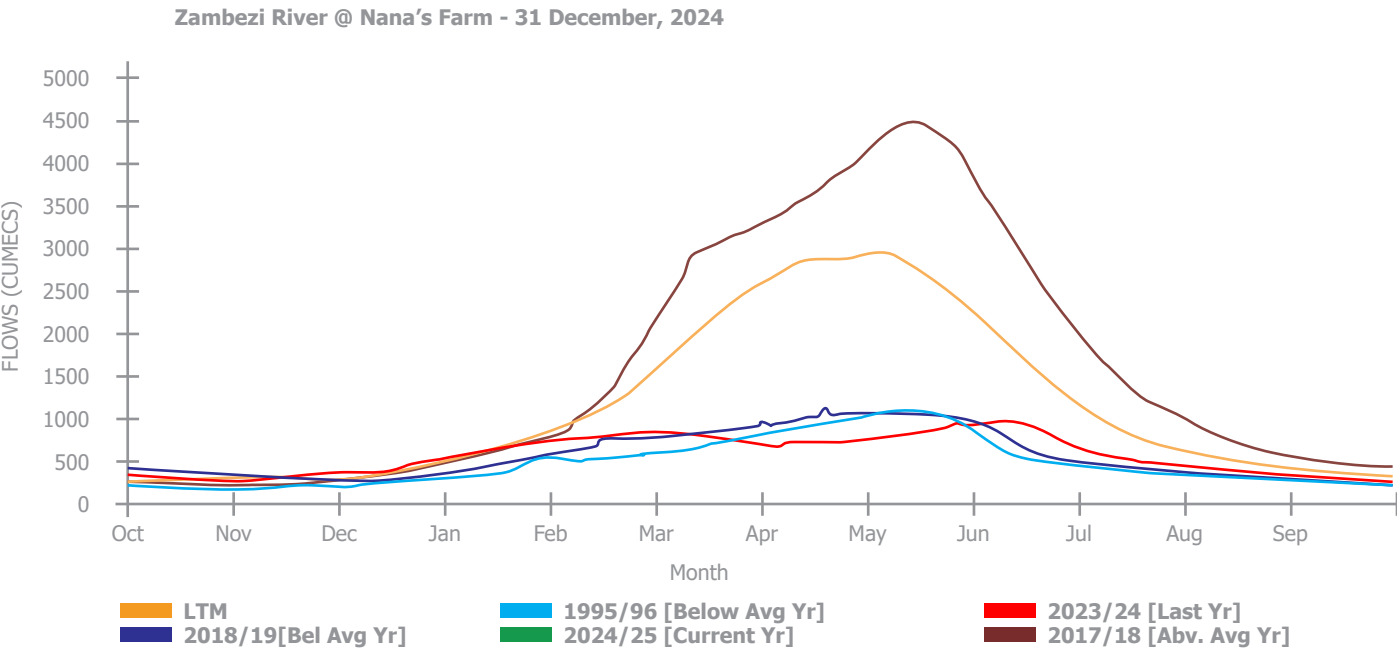
The Kafue River basin hosts three key hydropower reservoirs—ITT, KGPS, and KGL—which hold water to support a total generation capacity of 1,860MW. The ITT dam, which is the main upstream storage reservoir, recorded an average inflow of 96m³/s from 1 October 2023 to 30 September 2024. This was significantly below the long term mean of 300m³/s for the same period.

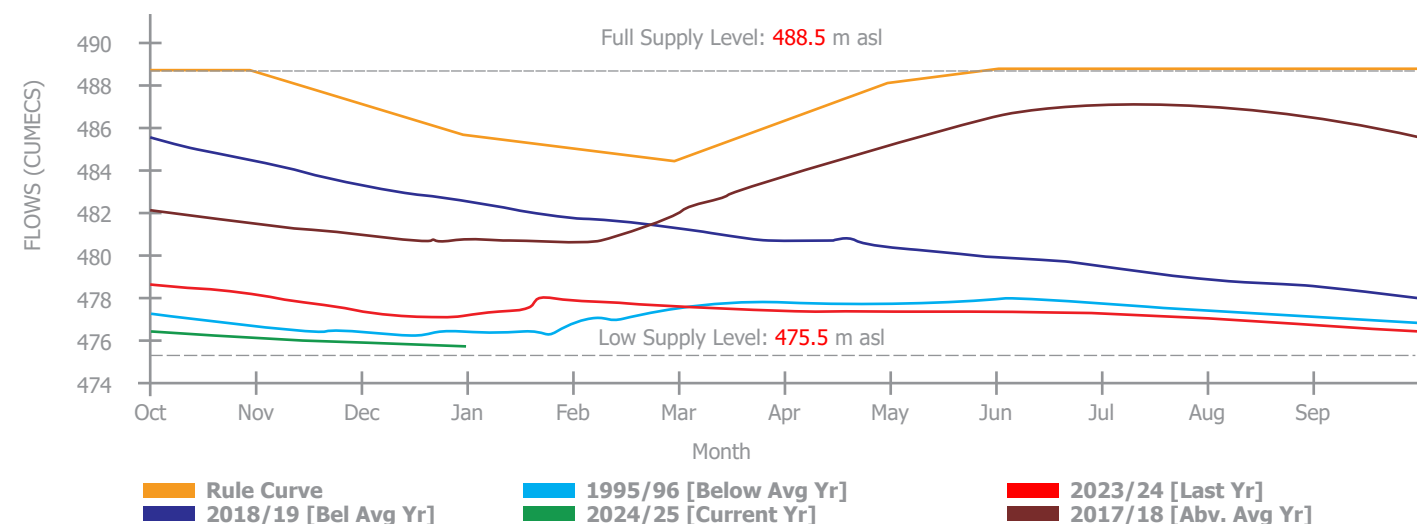
At the end of the year, storage for ITT, KGPS and KGL reservoirs stood at at 5.3%, 10.3% and 50.4% respectively, representing a total energy equivalent of 469.2GWh, excluding energy from flows yet to reach the reservoirs for the Kafue basin.



At the beginning of the year, ZRA allocated 8,000Mm3 or 8 billion cubic meters (8BCM) [CN1] to each Zimbabwe Power Corporation and ZESCO for electricity generation at Kariba South Bank and KNBPS respectively. This was equivalent to average generation of 214MW for each utility throughout the year.

For the period under review, 9,304.85Mm3 of water was used for generation.





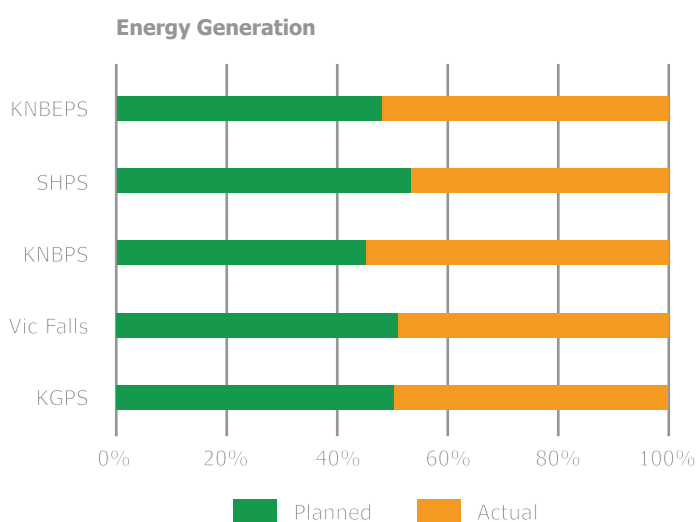
Generation System Performance

The total generation from the power stations in 2024 was 7,524.53GWh, which was higher than the 5,593.20GWh recorded in 2023. The average plant availability for generating equipment reduced to 78.83%, from 90.64% the previous year, and the average Capacity Factor at 51.91% was lower than the 78.35% recorded in 2023.

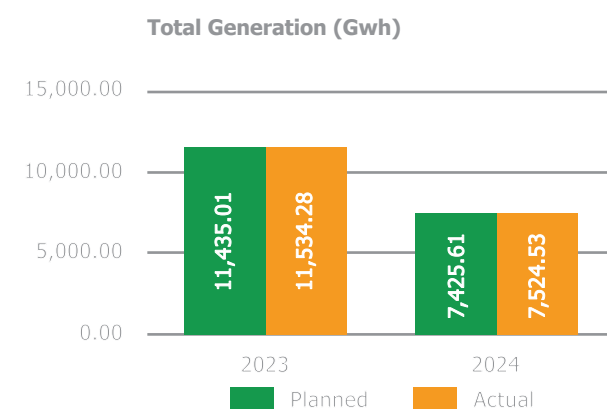
The annual water utilization at the KNBPS was 9,304.85Mm3, which was not compliant with the 8,000Mm3 annual allocation from the ZRA.

Maintenance Activities

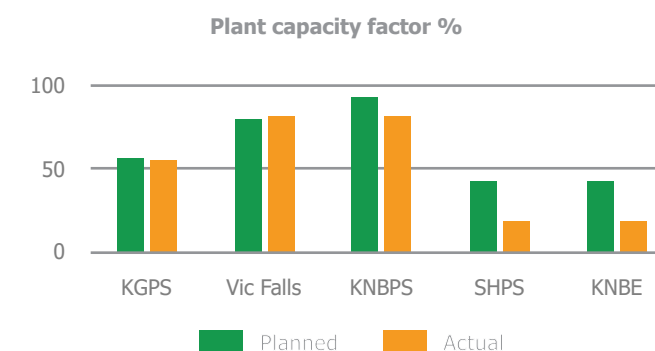
During the year, all the power stations experienced periodic shutdowns to facilitate maintenance. The work conducted include routine annual and quarterly maintenance of auxiliary plant.



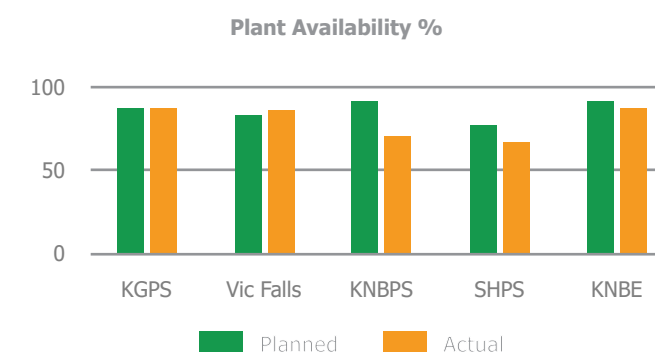
The figure illustrates generation performance of the individual power stations. During the year, KNBPS generated 1.3% more than its target value.



In 2024, the total actual generation from the power stations declined compared to 2023. This decrease was primarily because of climate change, which led to reduced inflows into reservoirs and rivers, as illustrated



All power stations recorded lower-than-planned plant capacity factors in 2024, except for VFPS. This decline was primarily due to reduced water inflows caused by climate change, which limited the energy generation potential of hydro plants.

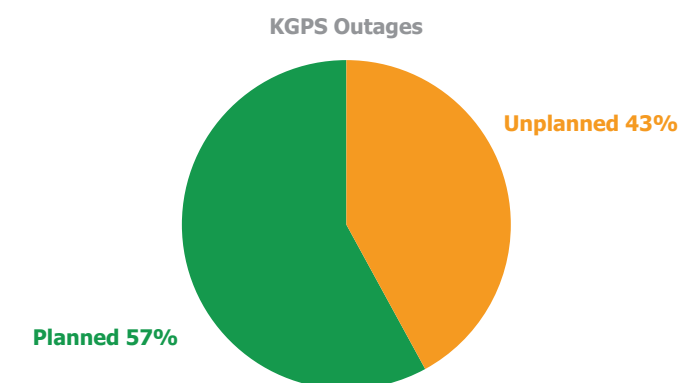


On plant availability performance, VFPS exceeded its targeted plant availability as shown in the figure. This was mainly because of improved equipment reliability, fewer unplanned outages and good water management.

Planned Outages by Power Station

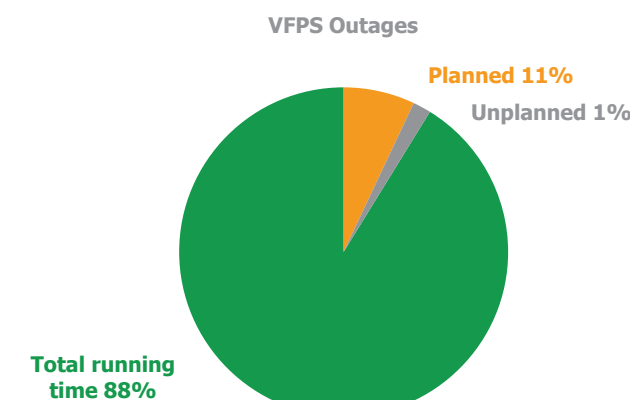
Planned outages are mainly effected to carry out scheduled maintenance, replacement and installation of parts, control system upgrades, facilitating desilting of water ways and allowing tests such as commissioning, reliability, inspection and guarantee tests. The graphical representations below show the planned outage hours in the major stations as a percentage of the total planned outage by machine hours.

During operations at KGPS, the plant experienced equipment outages resulting from both planned and unplanned maintenance activities. Of the total outage time, 48% was attributed to planned maintenance, while the remaining 62% resulted from unplanned maintenance interventions.



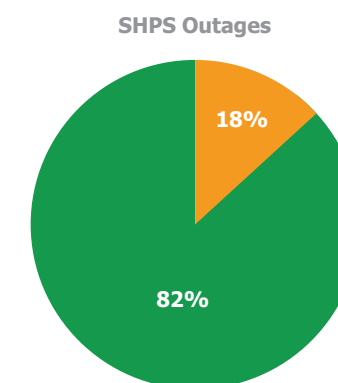
At the Kariba North Bank complex, both annual and quarterly maintenance activities were successfully carried out, resulting in a total outage duration of 2,337.63 hours.

At VFPS, a total outage time equivalent to 12% of operational hours was recorded, with 11% attributed to planned maintenance and 1% to unplanned outages.



Total running time 88%

For the small hydro power stations, 82% of the total equipment outage duration was attributed to unplanned maintenance activities, while the remaining 18% resulted from planned maintenance, as illustrated in the figure below.



Generation Projects

ZESCO's total installed electricity generation capacity is 3,106.8MW, dominated by hydro. However, many of the power plants classified under the small hydropower category are unable to generate at full capacity even when water inflows are favorable due to a lack of spare parts on the market required for effective equipment maintenance. In response, the Corporation has initiated rehabilitation projects aimed at replacing worn-out equipment in selected power stations. Additionally, studies are being undertaken to investigate optimal operational rules for hydropower generation, as well as the feasibility of developing new hydropower plants across the country. Below are some of the key projects currently being implemented.

o Lusiwasi 12MW Rehabilitation

The Lusiwasi Hydropower Station, with an installed capacity of 12MW, is located along the Lusiwasi River in Serenje District. However, due to the unavailability of spare parts for the aging equipment, only one generating unit remains operational.

To restore the station's full generation capacity, a project was initiated to replace the outdated machinery. By the end of 2024, the procurement process was completed, and the notification of contract award was underway.

o 15MW Chishimba Falls Rehabilitation and Uprating Project

The Chishimba Falls Hydropower Station, with an installed capacity of 6MW, is situated along the Luombe River in northern Zambia. However, the plant is currently unable to operate at full capacity due to the deteriorated generating units. The existing equipment is based on obsolete technology that is no longer supported in the market, making the procurement of spare parts increasingly difficult.

Hydrological studies conducted along the Luombe River have identified a total exploitable energy potential of approximately 15MW at the same site. In response, a project was initiated to rehabilitate and upgrade the existing hydropower scheme to a capacity of 15MW. As of 2024, the procurement process for an EPC contractor was in progress.

o Kalungwishi River Hydropower Scheme

The objective of the project scope is to develop 244MW of hydro power facilities including dam, waterways, power evacuation transmission lines and associated infrastructure at two sites, i.e., Kundabwika and Kabwelume. Initiated by ZESCO, the process to hand over the development to the MoE had begun by the end of the 2024.

o Investigation of additional storage upstream of Itezhi Tezhi Dam

In recent years, it has been observed that during periods of favorable rainfall, excess water was spilled at the Itezhi Tezhi Dam due to the reservoir's limited storage capacity. Conversely, during preceding dry seasons, power generation fell below demand levels, necessitating load management measures.

In response to these challenges, a consultant was engaged to assess the feasibility of developing additional water storage infrastructure and to review the operational rules governing power generation along the Kafue River Basin.

By the end of the reporting period, the consultancy contract had expired, and a request for contract renewal had been submitted for approval.

o Consultancy services for water optimization for power generation in the Kafue River Basin

The reliability of hydropower generation within the Kafue River Basin has come under increasing pressure due to climate variability, particularly the recurring El Niño and La Niña phenomena.

These climatic events have led to extreme hydrological conditions—that significantly affect water availability and flow regimes within the basin.

In response, ZESCO commissioned a study aimed at optimizing hydropower generation across the Kafue River Basin. The scope of the study includes an assessment of potential upstream storage development, evaluation of options for increasing the storage capacity of the Itezhi Tezhi Dam, enhancement of hydraulic conveyance through the Kafue Flats, expansion of KGPS, and optimization of reservoir operation rules. As of the end of 2024, the project was 30% complete.

o 44 MW West Lunga Hydropower Project

This hydropower scheme, located on the West Lunga River in North-Western Zambia, is designed to address regional power supply challenges by integrating with the national grid through an 87 kilometre transmission line. The project is expected to enhance supply reliability and support projected mining sector expansions within the region. At the end of 2024, the consultant completed data collection for the feasibility study.



Environmental Sustainability

In 2024, ZESCO reaffirmed its commitment to environmental sustainability as an integral pillar of its strategic direction and national development agenda. As Zambia’s leading electricity utility, ZESCO recognizes its responsibility to manage the environmental and social impacts associated with power generation, transmission, and distribution. Our operations are intrinsically linked to natural ecosystems, particularly water resources and land, which are central to our predominantly hydro-based energy mix.

We continued to align our environmental practices with national regulations, regional and global sustainability frameworks, including the SDGs and principles of the Paris Agreement. We remained focused on reducing our ecological footprint through improved environmental risk management, increased integration of renewable energy sources, and enhanced conservation efforts.

Our environmental initiatives in 2024 emphasized sustainable resource use, biodiversity protection, climate resilience and Corporate Social Responsibility. We also strengthened partnerships with stakeholders, including government agencies, communities, and international development partners, to drive collective environmental action and foster a transition toward a greener and more resilient energy future for Zambia.

ZESCO remains committed to balancing operational growth with environmental responsibility, ensuring that the energy we provide today does not compromise the environmental integrity of future generations – the ethos of sustainable development.

Environmental efforts

Generation Projects

Kalungwishi 244MW Hydropower Scheme

ZEMA conducted site inspections of the proposed Kabwelope 93MW and Kundabwika 151MW hydropower sites following the submission of the project Environmental Impact Statement (EIS). Subsequently, the Decision Letter of approval, granting the development, was issued in September 2024.

Batoka Gorge 1200MW Hydro Electric Scheme

The African Development Bank, ZRA, ZESCO and the Zimbabwe Power Company undertook an Environmental and Social mission of the project in April 2024. This was intended to verify the inclusion and adequacy of environmental and social safeguard strategies employed in addressing anticipated project impacts. Site verification visits and engagements with various stakeholders, including the District Administration and development committees in Livingstone and Kazungula, as well as traditional leadership on both the North (Zambia) and South (Zimbabwe) banks were conducted. The Mission recommended enhancement environmental and social safeguard measures and strategies with a need for continued stakeholder engagement to ensure effectiveness.

Rehabilitation and Uprating of Chishimba Falls Small Hydropower Station in Kasama District (6MW to 15MW)

The Biomass Assessment conducted by the Forestry Department in November 2022 indicated that 9,000 trees will be cut down during project construction and, as such, ZESCO ought to undertake reforestation as a mitigation measure. In view of this, 2,000 seedlings were planted under Phase 1 in 2023, and 3,000 in the second phase in January 2024, bringing the total planted so far to 5,000. This will greatly contribute to mitigating climate change.

Chisamba 100MW Solar Photo Voltaic (PV) Project

ZEMA issued the Decision Letter approving the Project in May 2024, following the submission of project EIS. 30 Project Affected Persons (PAPs) were compensated for loss of land, structures and trees of economic value and relocated in January 2024 to pave way for project implementation.

Mansa 50MW Solar Project

The Mabumba Royal Establishment was engaged on the acquisition of the 100 hectares parcel of land required for the proposed solar plant. Consent was granted, contingent upon the execution of a CSI Memorandum of Understanding that would establish a benefit sharing mechanism throughout the operational life-span of the solar plant. Permission to access the site and begin preparatory works was also granted.

As part of the ESIA process, scoping (stakeholder consultation) meetings were held with the Provincial Development Coordinating Committee, the royal establishment and the community at the proposed project site under the Mabumba Chiefdom.

Further, cadastral and socio-economic surveys were undertaken on the acquired 100ha of land, where 117 PAPs were identified. Farmland to be affected and baseline data was collected for the preparation of the ESIA report. Valuation of fruit trees, structures and land was conducted and, subsequently, all the PAPs were compensated and relocated to pave the way for project implementation.

Itezhi-Tezhi 100MWac Solar PV Project

250 hectares of land was acquired within Chief Musungwa’s Chiefdom and the site plans were endorsed by His Royal Highness to facilitate land conversion from customary to leasehold tenure. The application was made to the Ministry of Lands to effect the conversion.

Muzuma 100MWac Solar PV Project

Consent was obtained from his Royal Highness Chief Cooma of Choma District for the acquisition of 150 hectares of land. Further, ZESCO acquired title deeds to the identified 150ha of land for the proposed project.

Transmission Projects



Zambia – Malawi 400kV Interconnector

Scoping meetings were held in Chipata and Vubwi districts in conjunction with the consultant engaged to conduct the ESIA study. This preceded the development of the Scoping Report and Terms of Reference for the ESIA study, which were submitted to ZEMA for approval.

Wayleave consents were obtained from their Royal Highnesses, Chief Chinyaku and Chief Kapatamoyo, of Chipata District. 94 PAPs were identified and engaged for wayleave consent for the 47km line route.

Zambia – Tanzania 330kV Interconnector

A consultant was procured to update the project’s EIS and Resettlement and Compensation Action Plan (RCAP) and align it with the World Bank’s Environmental and Social Framework.

In view of the above, a gap analysis was conducted on the RAP and EIS, forming the basis of the update. Stakeholder engagements were also conducted with District Commissioners, local authorities and Heads of Government departments in Kasama, Mungwi and Nakonde districts.

In addition, ZEMA issued the project approval in March 2024.

Zimbabwe – Zambia – Botswana – Namibia 330kV Interconnector

The consultant engaged by the SAPP undertook consultative meetings, as a prerequisite for the preparation of the Scoping Report and project Terms of Reference for consideration by ZEMA. The scoping meetings were held in Kazungula, Mwandi, Sesheke, and Livingstone districts.

Pensulo – Mansa 330kV Transmission Line Project

A socio-economic survey of PAPs along the proposed 330kV line route was conducted in Milenge, Samfya and Mansa districts. 73 PAPs were identified on a stretch between Pensulo Substation and the proposed New Mansa 330/132/66kV Substation to form the basis of valuation and subsequent determination of compensation entitlements.

Sesheke – Shango’mbo – Mongu 330kV Transmission Line

ZEMA approved the Scoping Report and ToRs for the ESIA study. ZESCO engaged the Department of National Parks and Wildlife to conduct a Suitability Assessment of the proposed power line route through the Lower Zambezi Game Management Area. The assessment covered two stretches: Sesheke–Sioma (110km) and Sioma–Shang’ombo (171km).

Reinforcement of Central Transmission Corridor 330kV Project	ZEMA issued the project approval in March 2024 following the submission of the project EIS. 92 PAPs were compensated for loss of land, structures and trees of economic value. All were relocated to pave the way for project implementation.
Southern Province Network Expansion 132kV Project	The wayleave acquisition and socio-economic survey was finalized in Namwala, Pemba Monze, Choma, Itezhi-Tezhi, Kalomo Districts to facilitate compensation payments for loss of assets and livelihoods. Consent was acquired from 28 headmen. Furthermore, ZEMA issued a “No Objection” to submission of the final EIS. The Decision Letter for the Siavonga – Gwembe 132kV Line and its associated distribution component was also renewed following its expiry in October 2020.
Muzuma – Kafue West 330kV Transmission Line	Wayleave consents were acquired from their Royal Highnesses Chiefs Naluama, Hanjalika, Mwanza, Chona, Ufwenuka, Hamaundu, Moyo and Cooma. Subsequently, wayleave and land acquisition, socio-economic survey and verification of demolished structures (previously compensated under the Southern Area Transmission System Improvement Project in 2020) was conducted in Kafue and Chikankata districts.
Lumwana – Kalumbila 330kV Line II Transmission Line Project	Wayleave consents were obtained from their Royal Highnesses Senior Chief Mukumbi and Chief Musele of Kalumbila District. Further, baseline data collection and stakeholder engagement with key government departments were conducted as part of the consultant’s ESIA study.



Distribution Projects

Sustainable Electricity Supply Southern Division (SESSD) Project

Eastern Component: Valuation and disclosure of compensation entitlements to 61 PAPs for affected fruit trees and structures in Nyimba, Petauke, and Sinda districts was conducted. Subsequently, the PAPs were compensated and relocated to pave the way for project implementation.

Livingstone Component: Line route verification inspection was conducted with the ERB, following submission of the EIS to ZEMA, who subsequently issued a a “No Objection” in June 2024. The project paid compensation to 24 PAPs for their affected structures and fruit trees.

Mazabuka Component: ZEMA conducted line route verification inspection and issued the project approvalDecision Letter on 28 May 2024.

Western Component: Stakeholder engagement meetings were held with community focal persons and ZESCO local officers in Mongu to enhance understanding of the Grievance Redress Mechanism (GRM) and inspection of proposed line routes to prevent encroachments.

Planning of the 400V distribution powerlines and identification of beneficiaries in Mutwiwamwambwa and Kashambe villages within Mongu District was conducted. 13 backbone lines with T-offs were finalised while 151 beneficiaries in were identified in the two villages.

Monze – Bweengwa 33kV Line

Disclosure of compensation entitlements to 17 PAPs for their fruit trees and structures was conducted. Subsequently,compensation payments were made to all PAPs.

L85 – Mungule 33kV Distribution Line Project

ZEMA issued the project approval Decision Letter in November 2024. In view of this, compensation entitlement for the PAPs was settled and the site was handed over to the contractor for construction of the powerline.

33kV powerline to Green 2000 Farm under the Ministry of Agriculture in Luena Farm Block

A valuation of structures belonging to 13 PAPs was conducted. Further, the District Agricultural Coordinator's Office and the Kawambwa District Forestry Office conducted a valuation of fruit trees and exotic trees belonging to 15 PAPs, respectively, to enable payment of compensation entitlements.

Choma – Pemba 33kV Line Project

Line route planning was conducted and wayleave consents were obtained from their Royal Highnesses Chief Hamaunduand Chief Cooma in Pemba and Choma districts, respectively.

During the detailed survey, it was established that the project will affect structures and trees of economic value belonging to 38 PAPs. Subsequently, the valuation of the affected structures and trees of economic value was conducted. Further, noticeswere issued for 'Cut-Off Dates', prohibiting construction of new structures, any improvements to existing structures, and planting of trees in the wayleave earmarked for the proposed project.

Chalabesa – Kopa 33kV Line Project

Compensation payment was made to 56 PAPs for the affected structures and trees of economic value in Chalabesa, Kanchibiya District

Kimiteto – Tundula 33kV Line Project

Disclosure of compensation entitlements to 83 PAPs for structures and fruit trees was conducted. Further, a land acquisition and PAP engagement exercise with respect to extending the 33/11kV Tundula Substation in Kalumbila District was conducted. Two PAPs were identified and have agreed to relocate once compensated.

Kapiri Mposhi Main - Kakula 33kV Line Project

Wayleave acquisition and detailed survey of the proposed line route was conducted. Additionally, a socio-economic survey was conducted, and 12 PAPs were identified but not yet compensated.

Social efforts

In 2024, ZESCO strengthened its community-centered approach to environmental sustainability by integrating social development initiatives into its environmental programs. Recognizing that the success of sustainability efforts depends not only on technical and regulatory measures but also on inclusive community participation, the Corporation actively engaged local populations in environmental awareness and resilience-building efforts in its projects and operations.

Through targeted education campaigns, ZESCO worked with schools and community groups to promote awareness on topics such as responsible energy use, climate change, and ecosystem protection. These initiatives helped foster a culture of environmental stewardship, especially among the youth in areas impacted by energy infrastructure development.

In collaboration with traditional leaders and the Department of Forestry, ZESCO implemented a tree planting campaign at Chishimba Power Station in Kasama District, supported climate-smart agriculture, and facilitated training programs on sustainable land and resource management. These efforts not only contributed to ecosystem restoration but also enhanced food security and community resilience to climate-related risks.

In areas where infrastructure development may affect local populations, ZESCO prioritized transparent stakeholder engagement and inclusive consultation processes. ESIAs were conducted in line with national and international standards, ensuring that affected communities are meaningfully involved in decision-making and adequately compensated and/or supported where necessary.

ZESCO remains committed to ensuring that environmental sustainability translates into tangible social benefits empowering communities, protecting natural resources, and building a sustainable future for all Zambians.

Livelihood Restoration

Projects were monitored to ensure that all previously paid PAPs had no grievances. The livelihoods of PAPs were inspected was and any of those identified to be vulnerable and in need of special compensation were assisted.

Public consultation, participation and development planning processes are an opportunity to engage, manage expectations, challenge misconceptions, disseminate accurate project information, and gather stakeholder opinions, which are fed back to the project development.

Community Engagements

SESSD Project: GRM roll-out was conducted in the Mongu and Livingstone sub-components. Social Welfare Officers, from the Ministry of Community Development and Social Welfare, were engaged to conduct the financial literacy training for the affected households.

Mansa 50MW Solar Project: As part of the ESIA process, scoping meetings were held with the Provincial Development Coordinating Committee, the Mabumbal Roya Establishment and the community at the proposed project site.

Muzuma 100MWac Solar PV Project: Stakeholder engagement meetings were conducted with Royal Highness Chief Cooma of Choma District and the local communities.

Lumwana – Kalumbila 330kV Line II Transmission Line Project: Courtesy calls were paid on their Royal Highnesses Senior Chief Mukumbi and Chief Musele of Kalumbila District and wayleave consents were obtained for project development.

Monitoring

ZESCO is committed to delivering transparent, data-driven environmental performance through systematic monitoring and continuous improvement. Our monitoring framework focused on the following key components:

- 1. Emissions Tracking
 - Quarterly measurement of GHG emissions across our power stations, using internationally recognized methodologies such as IPCC guidelines. Outcomes were submitted to ZEMA, contributing to the Country Nationally Determined Contributions.
 - Year-on-year comparison to validate emissions reduction initiatives and ensure targets are met.
- 2. Water Quality Monitoring
 - Periodic assessment and analysis of the physical, chemical, and biological characteristics of water to ensure its safety and compliance with the Zambia Bureau of Standards guidelines and WHO standards.
 - Quarterly sampling of effluent streams from power stations, assessing compliance with National discharge standards and identifying opportunities for treatment optimisation.
- 3. Resource Usage and Efficiency
 - Monitoring of water withdrawal, usage, and return flow at hydroelectric sites, including turbine cooling, domestic use, and ecological flow obligations.
- 4. Waste Management Metrics
 - Tracking quantities of hazardous and non-hazardous waste generated, including ash, sludge, and industrial by-products.
 - Monitoring disposal costs to improve circular economy practices across facilities.
- 5. Biodiversity and Environmental Impact
 - Regular site inspections in ecologically sensitive areas to assess habitat integrity and ensure compliance with environmental impact assessments.
 - Periodic biological surveys to monitor flora and fauna health in reservoirs and surrounding ecosystems.

- 6. Data Management and Digital Reporting
 - Deployment of an integrated environmental data management system, lab results, and field observations for real-time analysis.
 - Monthly dashboards and quarterly reports prepared for senior management.
- 7. Assurance Verification
 - Annual audits of sustainability processes to validate data accuracy and identify gaps.
 - Alignment with ISO 14001 Environmental Management System, maintaining external certification at all ZESCO facilities this reporting year.
- 8. Continuous Improvement and Stakeholder Engagement
 - Feedback loops in place: monitoring outcomes feed into action plans addressing inefficiencies and environmental risks.
 - Quarterly stakeholder updates (internal teams, regulatory bodies, local communities) ensure transparency and external accountability.





Highlights From The Year's Activities

ESD participated in the 2024 World Environment Day, which fell on 5th June under the theme **"Land restoration, desertification and drought resilience"** on the invitation of the Ministry of Green Economy and Environment.

The World Environment Day is the biggest international day for the environment. Led by the United Nations Environment Programme, and held annually since 1973, it has grown to be the largest global platform for environmental outreach. It is celebrated by millions of people across the world.

The focus in 2024 was on land restoration, desertification and drought resilience; which proved especially appropriate for ZESCO in view of the drought and its effects on electricity generation and the Corporation's ability to satisfy its customers.



ESD-N Staff preparing for the march past



ESD-S Staff preparing for the march past

Highlights From ZESCO's Contributions Towards SDG Attainment



ZESCO is breaking down barriers in the traditionally male-dominated energy sector by championing gender diversity and empowerment. With a strong commitment to inclusivity, the organization boasts a significant female workforce and celebrates women in key leadership roles, driving innovation and positive change.

Continuing Commitment to Gender Diversity

The appointment of trailblazing women to leadership positions is a key aspect of ZESCO's inclusivity and diversity agenda. By transcending traditional norms, these women are redefining the energy sector and paving the way for gender parity and empowerment. Their involvement in decision-making processes ensures that women's perspectives are fully represented within the organization.



Managing Director's Student Engagement - University of Zambia

To harness the potential of young engineers, particularly women, our Managing Director engaged with the University of Zambia to employ 10 qualifying female graduate engineers into the Corporation's graduate development program. This initiative is part of ZESCO's broader mission to create a gender-balanced workforce in the sector by employing as many qualified women as possible.



Net Metering to Boost Renewable Energy Adoption

ZESCO introduced the Net Metering initiative, designed to promote the adoption of renewable energy sources among customers. Customers generating their own electricity from renewable energy sources such as solar can feed any excess power into the ZESCO grid. This system supports a reduction in greenhouse gas emissions, and promotes a cleaner environment.

Solar Pv Initiatives

The Group also commenced the construction of the Chisamba 100MW solar PV plant through its subsidiary Kariba North Bank Extension Power Corporation KNBEPC.



Energy Efficiency Customer Sensitization

In 2024, Zambia faced the effects of climate change that led to poor rainfall and significantly reduced water levels in the electricity generation reservoirs. ZESCO's generation capacity was directly impacted, resulting in a national energy deficit and subsequent load management. In response, ZESCO ramped up countrywide stakeholder engagement meetings to address the challenges posed by the energy shortfall and to promote energy efficiency. The Corporation recognised that promoting energy efficiency would help reduce energy consumption, lower greenhouse gas emissions, and mitigate the strain on the national grid.

• Eastern Province

ZESCO engaged customers in Eastern Province during the Nc'wala traditional ceremony to sensitize them on energy efficiency. We also distributed energy saving bulbs.

• Likumbi Lya Mize Traditional Ceremony

At the Likumbi Lya Mize traditional ceremony, ZESCO highlighted energy-efficient solutions that can boost farmers' productivity and help them adapt to climate change.

• Northern and Southern Provinces Customer Engagements

We conducted customer sensitization campaigns on energy efficiency and distributed energy saving bulbs to customers to encourage energy saving practices.

The areas targeted under this campaign were Mporokoso, Luwingu, Mungwi, Mpulungu, Kasama, Mbala, Monze, Choma and Livingstone.

• 2024 Agri-Tech Expo

ZESCO showcased innovative initiatives to educate farmers and the public on power-saving solutions, including smart metering, energy efficiency, and the power balance.



Kabwe-Pensulo Second 330kV Transmission Line Commissioning

ZESCO has implemented an effective maintenance regime for its generation, transmission, and distribution systems. A key milestone achieved during the period was the commissioning of the Kabwe-Pensulo Transmission Line, which has enhanced power transmission capacity to five provinces. This transmission line is a crucial component of the Zambia-Tanzania-Kenya interconnector project, aimed at linking the SAPP to the EAPP. This connection is expected to increase power trading opportunities between the two regions. The line will also ensure guaranteed supply during periods of maintenance to the five provinces linked to the line.

Stakeholder Engagement

Stakeholder engagement is a key pillar of good corporate governance and our strategic management. It allows ZESCO to build trust, identify and manage risks, enhance decision-making, and foster long-term sustainability by aligning our business goals with societal and environmental expectations. Effective engagement promotes accountability, transparency and mutual respect, which are core elements of success in today’s interconnected world.



Stakeholder engagement is critical to ZESCO due to the essential role electricity plays in national development and people’s daily life. Key areas of importance include:

- 1. Public Service Mandate**
As a state-owned enterprise, ZESCO must maintain transparent and inclusive communication with government bodies, regulators and the public to ensure alignment with national priorities.
- 2. Community Impact**
Electricity infrastructure projects can affect communities through land use, resettlement or environmental impact. Proactive engagement ensures concerns are addressed and social license to operate is maintained.
- 3. Customer Relations**
Engaging with residential, commercial, and industrial customers helps ZESCO understand needs, improve service delivery, and build satisfaction.
- 4. Regulatory Compliance**
Regular interaction with regulatory authorities supports compliance and enables smoother approvals for projects and tariff changes.
- 5. Infrastructure and Investment**
Large-scale projects require collaboration with financiers, contractors, and stakeholders to manage expectations and reduce risks.
- 6. Sustainability and Innovation**
As the energy sector evolves, stakeholder engagement helps ZESCO transition to cleaner technologies and align with Zambia’s sustainability goals. These engagements are guided by our core values and Code of Ethics, ensuring ethical conduct and sustainable operations. To structure our interactions effectively, we categorize stakeholder relationships into:
 - Collaborate – Partnering for shared goals
 - Involve – Actively engaging to shape outcomes
 - Consult – Seeking input to inform decisions



Overview of Stakeholder Engagement and Impact Assessment

Stakeholder groups were analyzed on the significance of their impact on the Corporation’s ability to create and sustain value. The analysis highlights the importance of engaging closely with these stakeholders, the intended outcomes of such engagement, the frequency of interaction and the methods used. In addition, we have conducted an internal assessment to evaluate the effectiveness and quality of our current stakeholder engagement practices with each group.



Our Stakeholders are as follows:

Government and Shareholders



Frequency and Engagement

Frequency

Engagement with government stakeholders is both regular and ad hoc, depending on emerging issues, organizational developments, and industry-related happenings. Opportunities for dialogue also arise through structured platforms such as industry conferences, government-organized events, and consultative forums.

Engagement Methods

- Email, telephone and formal meetings
- Annual reports and interim/annual financial results presentations
- Media interviews and press briefings
- Company website and digital platforms
- Participation in expos, trade shows and investor conferences
- Infrastructure site visits and project commissioning events
- Public consultations
- Participation in public fora and town hall meetings
- Engagement through industry consultative bodies
- Collaboration on social and development programmes
- Involvement in parliamentary and legislative processes

Capital(s) contributed or Impacted



Expected Output and Outcome	What are their interests?
Why We Engage Closely: The government is crucial as it shapes the legislative, regulatory, and business environment, and provides capital, policy support, and other critical resources. Expected outputs: • Alignment and support for ZESCO's strategic objectives • Provision of government financial guarantees, where necessary	• corporate strategy aligned with national objectives • Strong organizational performance, as reflected in the set KPIs • Return on investment and consistent dividends • Sound institutional governance and accountability • Expanded access to electricity for all citizens.

Our response

- Signed an MoU with GreenCo Power Storage Limited in February 2024 to develop Battery Energy Storage Systems in Zambia
- Entered into an Electricity Supply Agreement with Zambia Sugar PLC in March 2024 to provide reliable and cost-effective supply (30MW)
- In March 2024, ZESCO, in coordination with the government, initiated negotiations with Mozambique to secure 120MW
- Collaborated with Lusaka Councillors in May 2024 to address the electricity deficit and explore electricity-saving solutions
- Engaged in discussions with the government in September 2024 regarding financial support for alternative electricity solutions, such as the installation of diesel generators at critical institutions.

Capital(s) contributed or Impacted

- Natural Capital: Use or conservation of environmental resources
- Financial Capital: Funding and investment flows
- Manufactured Capital: Infrastructure and physical assets developed or utilized
- Social and Relationship Capital: Partnerships, stakeholder trust, and community engagement
- Human Capital: Skills, knowledge, and well-being of people involved
- Intellectual Capital: Innovation, systems, and proprietary knowledge

Value to stakeholder

- Return on Investment: Delivering measurable financial returns to investors through sustainable and profitable initiatives
- Risk Mitigation: Ensuring responsible investment through sound governance and transparency
- Long-Term Value Creation: Building enduring value beyond short-term gains



Capital(s) contributed or Impacted



Frequency and Engagement Methods	Expected Output and Outcome	What are their interests?
Frequency - Monthly and quarterly Engagement Methods - Personal meetings - Conferences and industry forums - Annual and quarterly reports - Dedicated "Projects and Investment" page on our website	Why should we work closely with them? To secure access to financial capital essential for project execution and business growth. Expected outputs - Project Financing. - Corporate financing. - Financial support and Partnerships.	- Strong institutional governance and oversight - Robust financial performance and profitability - Adequate liquidity and risk management - Clear strategy for sustained financial growth - Responsible and transparent utilisation of funds
	 Our response - Ongoing direct engagement with lenders to build trust and alignment - Regular and transparent reporting on company performance and financial health - A dedicated relationship management team to ensure responsive and strategic communication - Maintained an up-to-date portal with current investment opportunities, project milestones, and financial disclosures - Participated in regional and international investment forums to showcase funding opportunities	
	 Capital(s) contributed or Impacted Financial Capital – Provision of funding and credit facilities to support project development, operational expansion, and corporate sustainability	
	Value to stakeholder Return on Investment: Generating financial returns through effective utilization of funds, ensuring profitability and long-term value creation	

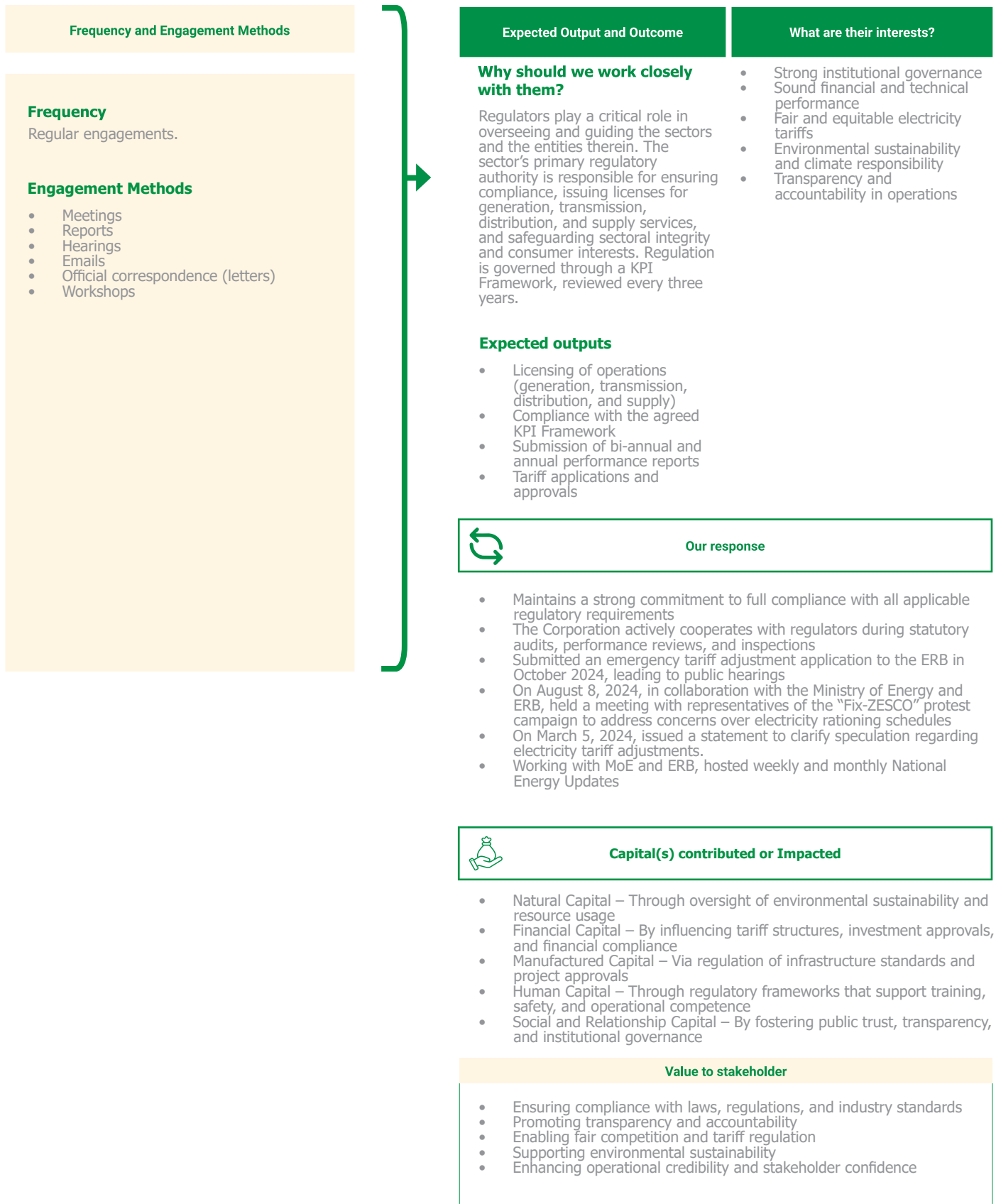
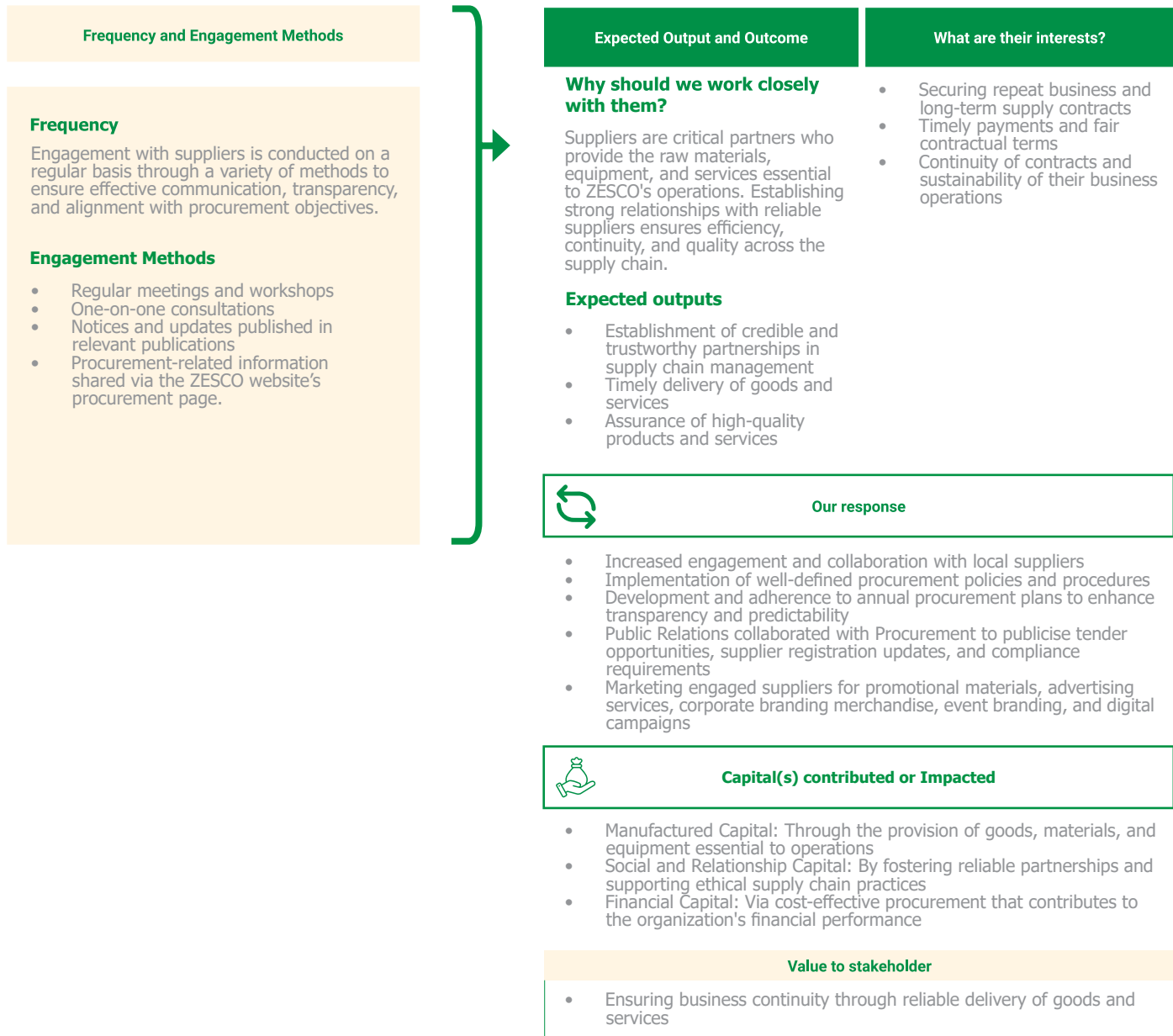


Capital(s) contributed or Impacted



Frequency and Engagement Methods	Expected Output and Outcome	What are their interests?
Frequency - Regular and ongoing Engagement Methods - Electronic communication (emails updates) - Internal bulletins and newsletters - Safety meetings and briefings - Staff broadcasts and announcements - Training sessions and professional development workshops - Team meetings and interactive workshops - Integrity and ethics awareness programs	Why should we work closely with them? Employees represent our most valuable human capital, providing the manpower, knowledge, skills, experience, and expertise essential to achieving our mission and strategic goals. Constructive engagement with employees fosters stable labor relations, boosts productivity, and ensures alignment with our organizational objectives. Expected outputs - Cordial and constructive industrial relations - Increased productivity with a strong focus on strategic objectives - Strict adherence to the Corporation's Code of Ethics and related integrity policies - Improved staff retention and employee satisfaction	- Personal development and career growth opportunities - Re-skilling and continuous training programs - Fairness, equity, and transparent treatment in the workplace. - Improved conditions of service and comprehensive employee welfare programs
	 Our response - Regular management and employee meetings to foster open communication - Employee sensitization programs to raise awareness on key issues - Workshops and training sessions aimed at identifying vulnerabilities in processes and systems - Occupational health initiatives to ensure employee well-being - Maintenance of safe and healthy working conditions	
	 Capital(s) contributed or Impacted - Financial Capital – Through their productivity and efficiency, employees contribute to the company's financial performance - Social and Relationship Capital – Employees help build and maintain strong internal and external relationships, fostering collaboration and stakeholder trust. - Human and Intellectual Capital – Employees contribute their skills, knowledge, experience and innovation, which are critical to organizational growth and continuous improvement.	
	Value to stakeholder - Job Security: Ensures stability and confidence in their roles - Reward and Recognition: Motivates performance through fair compensation and acknowledgment of achievements - Education and Training: Enhances skills and knowledge for personal and professional development - Talent Management and Career Planning: Supports long-term career growth and align individual goals with organizational needs	





Capital(s) contributed or Impacted



Frequency and Engagement Methods	Expected Output and Outcome	What are their interests?
Frequency - Media Releases: As needed (event-driven, project milestones, crisis communication) - Radio/TV Interviews and Programs: As required based on current circumstances and issues - Media Briefings/Press Conferences: Quarterly or for major announcements - Product Launches & Publicity: As scheduled with project rollouts	Why should we work closely with them? The media plays a critical role by disseminating information about ZESCO's operations, projects, products, and services. Their involvement is essential for promoting and protecting the corporate image. Expected outputs - Enabling accurate understanding from factually reporting on the Corporation's initiatives. - The media are instrumental in building and maintaining constructive relationships with other stakeholders - Effective media engagement supports transparency, public trust, and positive stakeholder perceptions	- Access to timely and accurate information on ZESCO's projects and key activities - Transparency and openness regarding the Corporation's performance - Newsworthy stories that attract audience interest and engagement - Content with public relevance and significance
Our response - The Managing Director addressed the media regarding the company's operational challenges and the need for load shedding (February 2, 2024). - Announced the commencement of 8-hour daily load shedding starting March 11, 2024, attributed to declining water levels. - Held media briefings in October 2024 to discuss the nation's electricity situation following the resumption of full operations at Maamba Energy. - Launched a strategic initiative to strengthen ties with the media by engaging over fifty media houses in Lusaka, Central, Copperbelt, Southern and Northern provinces - Participated in a media-arranged (News Diggers. Diamond TV, Prime TV) public discussion forum with the MD as the speaker		
Capital(s) contributed or Impacted Social and Relationship		
Value to stakeholder - Dissemination of impactful and newsworthy stories and information about ZESCO - Coverage of issues and developments of public interest related to the Corporation		

Capital(s) contributed or Impacted



Frequency and Engagement Methods	Expected Output and Outcome	What are their interests?
Frequency ZESCO engages its customers regularly and consistently, using a mix of proactive and responsive strategies. Daily to Weekly: Customer service interactions via call centers, service centers, WhatsApp, Facebook, other digital and social media platforms As needed: Outage and maintenance notices Monthly: Customer feedback surveys or satisfaction polls, Email or SMS updates on new services, tariffs, or service improvements	Why should we work closely with these? Customers and clients are the primary consumers of ZESCO's products and services, forming the foundation for its revenue growth. Maintaining strong relationships with this stakeholder group is essential for ensuring customer satisfaction, building loyalty and enhancing the Corporation's public image. Expected output and outcome - Provision of reliable support - Fostering a positive corporate image and public perception - Building and maintaining mutual trust and confidence - Real-time updates on faults, electricity restoration, and billing information	- Access to safe, reliable, and affordable electricity - Transparency in decisions and activities that impact them - Timely and accurate information - Efficient and responsive service delivery - Promotion of integrity and accountability in service provision
Our response - Regular campaigns were conducted to educate customers on ethical practices and responsible electricity usage - Continued service delivery enhancement through digital platforms such as the ZESCO Mobile App, WhatsApp Chatbot, and USSD services - National Electricity Outlook and future plans presentation to mitigate the electricity deficit at the Annual Customer Experience Conference (October 2024). - Crafted and disseminated targeted messages through the ZICTA to inform customers during the electricity crisis - Participated in the 2024 Agricultural and Commercial Show, engaging with customers on sustainable electricity Solutions and Net Metering		
Capital(s) contributed or Impacted - Financial Capital – Customers provide the primary source of revenue through the purchase of electricity and related services - Social and Relationship Capital – The trust, feedback, and continued engagement of customers help strengthen ZESCO's public image, customer relations, and community goodwill		
Value to stakehol - Improved Customer Experience: Enhances satisfaction, loyalty, and trust in ZESCO's services, contributing to long-term stakeholder confidence and support - Revenue Generation: Customers are the Corporation's primary source of income through the purchase of electricity and related services - Brand Reputation: Customer satisfaction and positive perceptions enhance ZESCO's public image and credibility - Feedback and Engagement: Customer input supports service improvement, innovation, and better alignment with stakeholder expectations		





Capital(s) contributed or Impacted



Frequency and Engagement Methods	Expected Output and Outcome	What are their interests?
Frequency ZESCO engages local communities regularly and consistently, with the frequency guided by the nature and scale of its operations in a given area. However, recommended engagement frequency includes: Ongoing - Community liaison during project implementation phases - Regular updates via social media, radio, and public notices Monthly or Quarterly - Town hall meetings or community dialogue sessions - Feedback and grievance resolution sessions Annually or Bi-annually - Comprehensive community stakeholder forums - Engagements linked to major project milestones or infrastructure commissioning As Needed - In response to specific incidents, emerging concerns, or planned developments in the area	Why should we work closely with local communities? Why should we work closely with local communities? Local communities are directly impacted by ZESCO's activities, and their goodwill is essential to the Corporation's continued presence and success. ZESCO has a responsibility to be a respectful and accountable corporate citizen and is committed to making these communities better. Proactive engagement aims to manage community expectations, promote human rights, ensure infrastructure security, and foster mutual respect. Expected outcomes and outputs - Community buy-in and support for ZESCO's projects and operations - Reduction in vandalism through community cooperation. - Improved public understanding and appreciation of safety rules and operational practices - Facilitation of land rights and access to wayleaves, servitudes, and infrastructure development - Reinforcement of ZESCO's positive image as a development partner	- Access to affordable and reliable electricity - Empowerment through operations and activities that benefit the community - Improved local economic conditions and overall social well-being - Fair and timely compensation for displaced settlers - Contribution to the delivery of national development goals - Responsible and inclusive investment in local infrastructure - Transparency and accountability in ZESCO's performance and community impact
	Our response - Awarded bush-clearing contracts to local community members to promote local economic participation - Provided access to a low-cost lifeline tariff to support vulnerable households - Participated in provincial expositions to showcase major projects and introduce newly launched online platforms - Conducted sensitization and stakeholder engagement campaigns in Muchinga, Northern, Eastern, and Southern provinces focusing on power balance, electricity efficiency, safety, vandalism, and illegal connections - The Corporation conducted awareness campaigns on the impact of vandalism in communities in Lusaka, Chongwe, and Kafue	
	Capital(s) contributed or Impacted Social and Relationship Capital: Strengthened through active engagement, collaboration, and mutual support between the company and local communities	
	Value to stakeholder - Investment in community socio-economic development initiatives - Creation of local employment opportunities - Stimulation of local economic growth - Promotion of community health and safety	

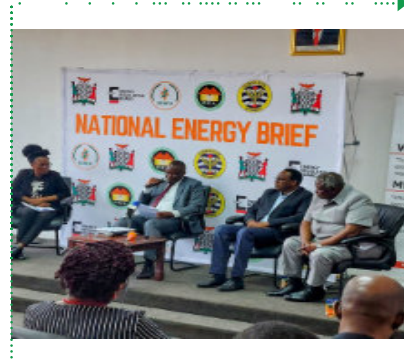
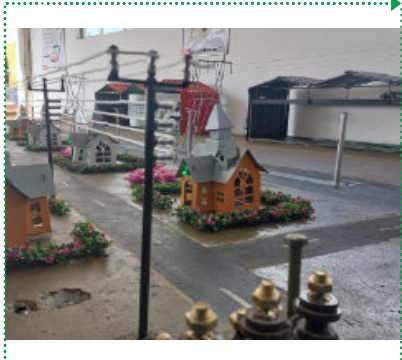
Conclusion

The reporting period was significantly shaped by the severe drought, which adversely affected electricity generation and supply in the country. As water levels in key reservoirs dropped, the country experienced prolonged load shedding, posing major operational and social challenges. In response, we remained agile and proactive, continuously adapting to the shifting energy landscape and prioritising clear, consistent communication with all stakeholders.

It was a year marked by sustained stakeholder engagement across communities, government, industry partners and customers as we worked collaboratively to manage the impact of the power deficit. The drought underscored the urgent realities of climate change and its direct implications for the electricity supply industry. Going forward, we are more committed than ever to building a resilient energy future that considers environmental sustainability and the evolving needs of our stakeholders.



Stakeholder Engagements in Pictures



Augmenting Our Human Capital Asset

The strategic role of a competent and professional team is vital to the achievement of the corporation’s strategic objectives.

Highlights	Improvements
- Conversion of general and casual workers to contract employees. - Upgrading of unionized employees with Diplomas in Electrical Engineering according to their authorization status. - Implementation and continuous improvement of the in-house Payroll and Human Capital Management System (PHCMS) and the Performance Management System (PMS). - Settlement of NAPSA penalty of K14.7 million.	- Introduction of the multi-skilling program at ZESCO Training Centre. - Utilization of funds from TEVET, APUA, BADEA and the World Bank for training. - Strengthening strategic partnerships with key stakeholders and improved industrial harmony.

Lowlights	Challenges
- Decreased turnover per employee of K3.3 million (2023: K4.1 million). - Higher average death rate of 8 deaths per quarter (2023: 7). - Decrease in the ratio of female to male employees by 3%.	- The national drought resulted in decreased revenue, which in turn constrained training and promotions. - In response to financial constraints, Management suspended the processing of employee separation requests as a cost-containment measure. - Unreconciled NAPSA contributions between 2000 and 2004 negatively affected employees, claiming the NAPSA partial withdrawal.

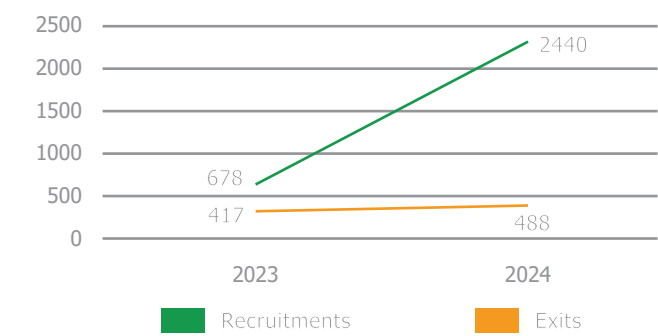
ZESCO’s strategic objectives are underpinned by the critical role of its workforce in achieving organizational goals. As articulated in the 10-Year Rolling Strategy, the company places strong emphasis on effective human capital management by ensuring the deployment of qualified, skilled, and experienced personnel in appropriate roles. This strategic alignment enhances workforce productivity and supports the realization of ZESCO’s long-term vision.

Human Capital Profile

Year	2023	2024
Staff headcount		
As at 1 January	6,616	6,877
Add: New Permanent Employees	136	13
New Contract Employees	268	887
Contract Renewals	238	87
Reinstatements/Re-Engagements	36	1,550
Less: Resignations	-15	-20
Deaths	-25	-34
Dismissals	-72	-45
Early Retirements	-22	-8
Normal Retirements	-72	-96
Medical Discharges	-8	-6
Disciplinary Discharge	-3	0
Redundancies	-97	-4
Expired Contracts	-12	-116
Mutual Separation	-85	-84
Voluntary Separation	0	-12
Termination	-6	-63
As of 31 December	6,877	8,926

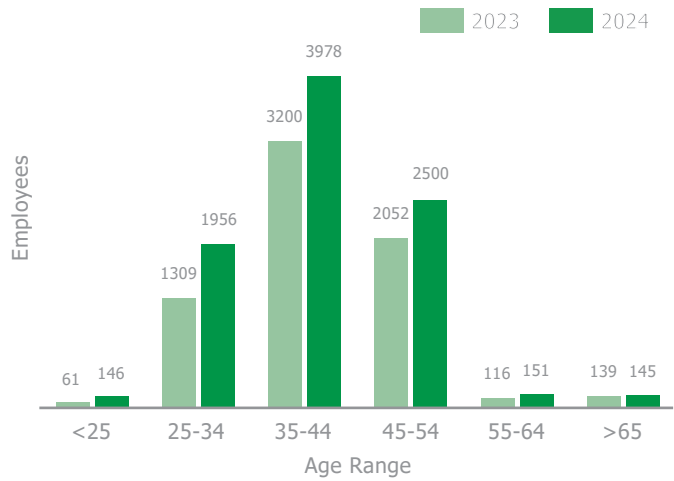
The Corporation's staff strength increased by 30% from 6,877 to 8,926 employees. The rise was mainly attributable to the recruitment of Work Assistants.

Recruitment and Exits 2023 to 2024



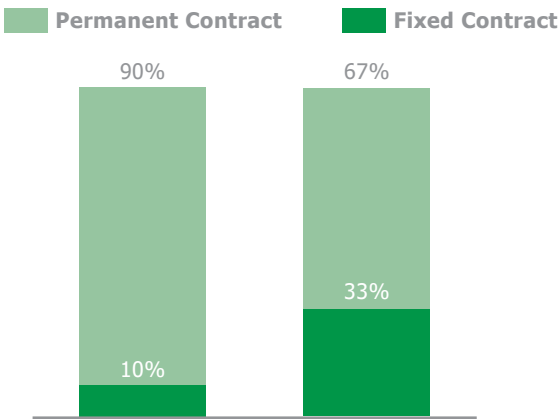
Recruitments increased sharply by 260%, rising from 678 in 2023 to 2,440 in 2024, indicating significant organizational growth. This was largely driven by the conversion of casual workers to contract employees. On the other hand, exits rose by 17%, from 417 to 488.

Workforce Age Distribution

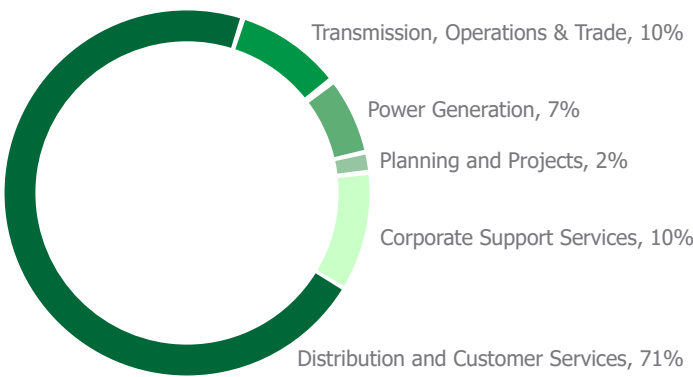


The chart shows an overall increase in employee numbers across all age ranges from 2023 to 2024. The 35–44 age group remains the largest, growing from about 3,200 to 3,978 employees. Notable growth also occurred in the 25–34 and 45–54 age groups. Minor increases were observed in the <25, 55–64, and >65 age categories. This suggests a growing workforce with a strong presence in mid-career professionals.

Percentage of Permanent Contract vs Fixed Contract Employees



Staff Headcount by Directorate/Cluster

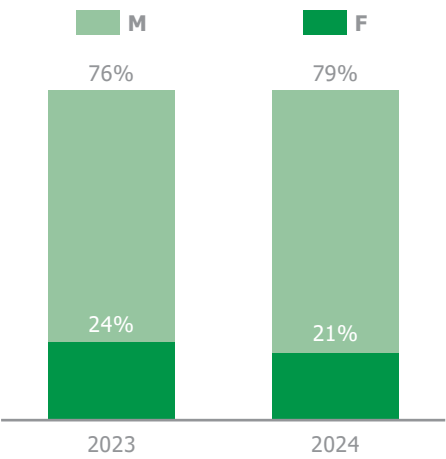


Staff Headcount by Category

Staff Category	M	F	Total	M	F
Executive Management	5	3	8	63%	37%
Senior Management	336	103	439	77%	23%
Middle Management	1,388	804	2,192	63%	37%
Represented	5,360	927	6,287	85%	15%
Total	7,089	1,837	8,926	79%	21%

The percentage of female employees in Senior Management and Executive decision-making positions was 24%, which is 26% lower than the recommended 50% of the SADC protocol target for females.

Gender Distribution of Staff Headcount



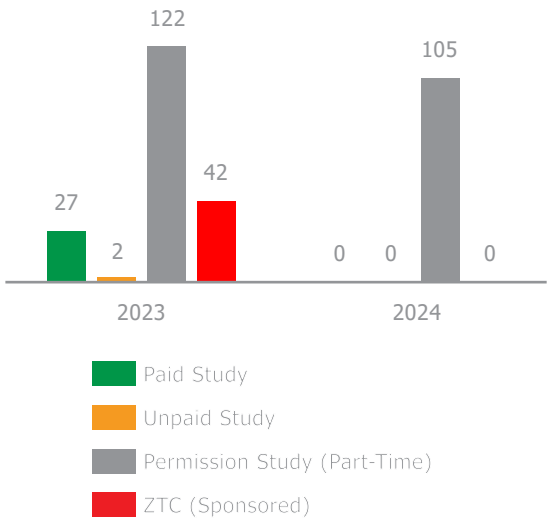
In 2023, female representation was 24% but dropped to 21% in 2024, largely due to the mass recruitment of predominantly male Work Assistants.

The Corporation facilitates long and short-term training of employees in various programs to build capacities.

Staff Development

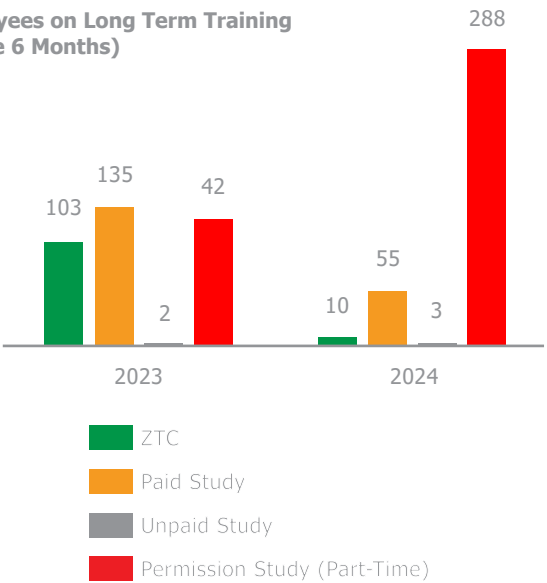
The Corporation facilitates long and short-term training of employees in various programs to build capacities.

Number of Approved Long-Term Training Programs (Above 6 Months)

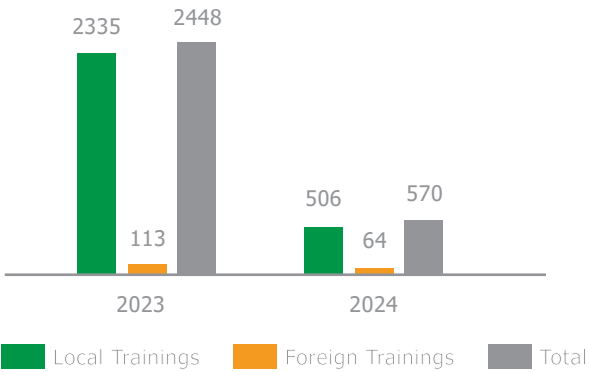


No employees received 100% sponsorship for further studies (non-ZTC). The reduction in paid study leave and sponsorship approvals aligned with management's decision to enhance financial sustainability and optimize human capital. However, employees were still encouraged to pursue further studies under the Part-Time (Permission to Study) option.

Employees on Long Term Training (Above 6 Months)

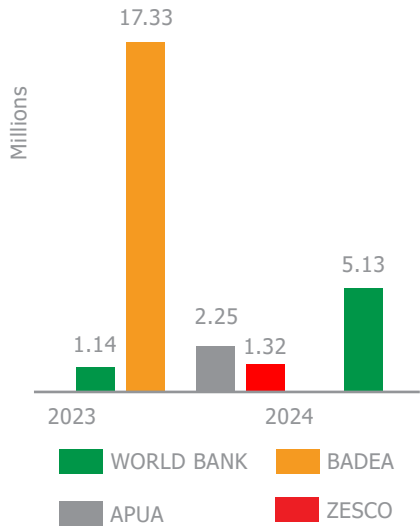


Short-term Training (6 Months and Below)



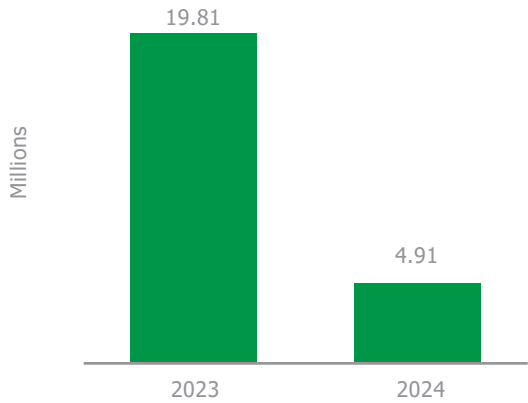
The large decrease in short-term training, which comprise conferences, summits and workshops and other such programs, was in line with the austerity measures.

Funding of Training



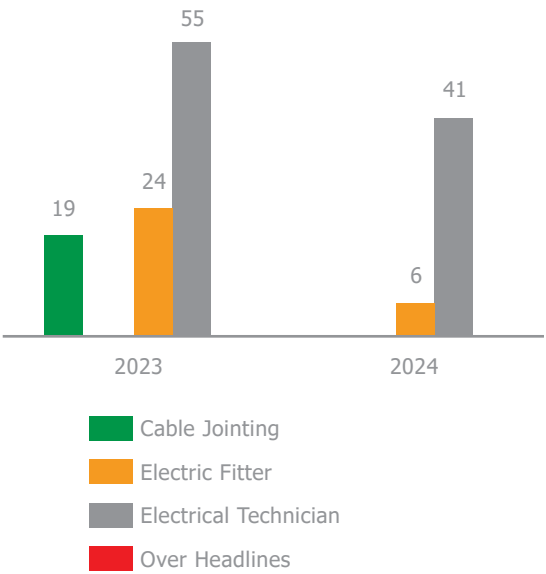
In 2024, about K2.3 million (USD 85,000) was received in grants from the World Bank. Additionally, the Corporation secured K1.31 million (USD 50,000) for capacity-building initiatives, which included Electricity Appreciation for Non-Technical People, Supervisory Leadership and Investigation and Loss Control. Due to the austerity measures, ZESCO's budget for training and capacity-building was reduced from K17.33 million in 2023 to K5.13 million in 2024. Non-availability of ZESCO counterpart funding resulted in the transfer of the 2024 APUA and BADEA allocations to the 2025 financial year.

Skills Development Fund



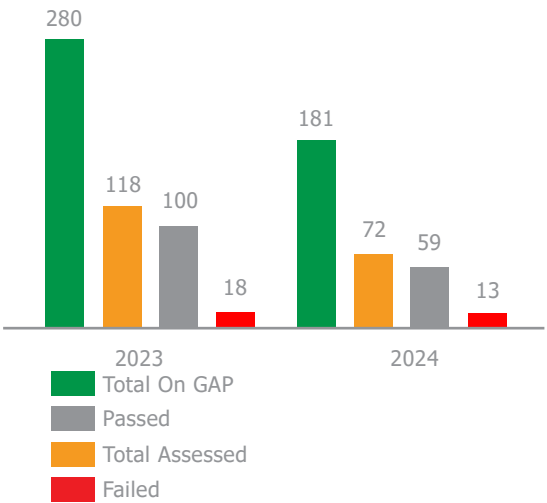
The Skills Development Fund (SDF), under the Technical Education, Vocational, and Entrepreneurship Training (TEVET), provides matching funding in collaboration with ZESCO. However, in 2024, the SDF's contribution was reduced due to ZESCO's budgetary constraints.

Number of Students Enrolled at ZTC



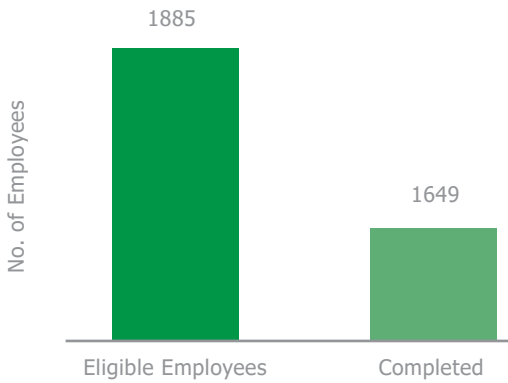
In 2023, ZESCO-sponsored students constituted 43% of the total student population at ZTC. By 2024, all students were external, with ZESCO sponsoring only 23 students under the newly introduced multi-skilling program. This six-month program, launched in 2024, equips technical staff with skills across three key specialties: Cable Jointing, Overhead Lines, and Electrical Fitting.

Number of Employees Assessed under the Graduate Assessment Program



The number of employees on the Graduate Assessment Program (GAP) declined from 280 in 2023 to 181 in 2024. 72 employees were assessed during the year (2023: 118), out of which 59 passes were recorded, representing 82% of those assessed. This compares with 100 assessed in 2023, yielding a pass rate of 85%.

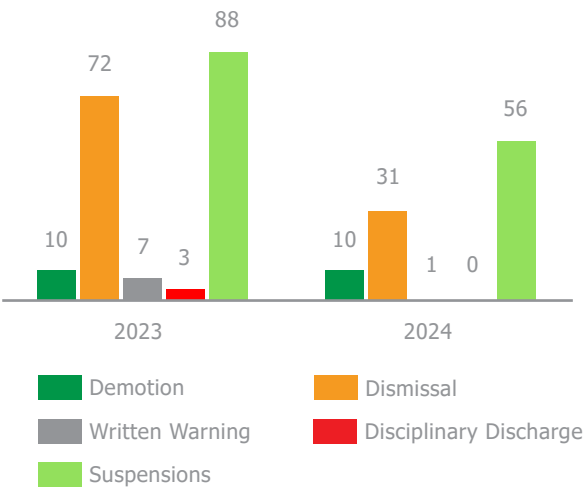
Performance Management Statistics



As at 31 December 2024, 1,649 of the eligible 1,885 employees had completed their mid-year appraisals, a completion rate of 87%. The system assigns grades A+ to D as the highest and lowest scores respectively.

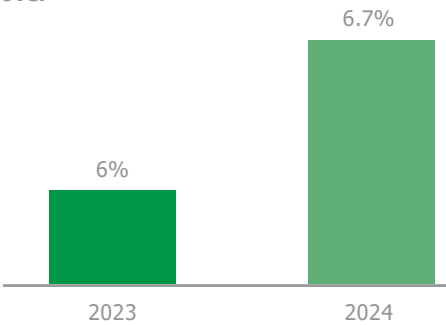
Industrial Harmony

Corporate-wide Disciplinary Cases



The observed decrease in disciplinary issues was attributed to sensitization programs undertaken by Human Capital and Development in collaboration with the Unions, good strategic partnerships and overall industrial harmony.

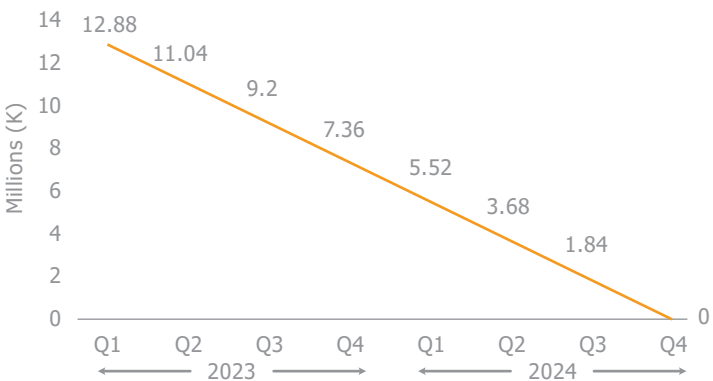
Staff Turnover



The 0.7% increase in staff turnover in 2024 was mainly attributed to expired contracts.

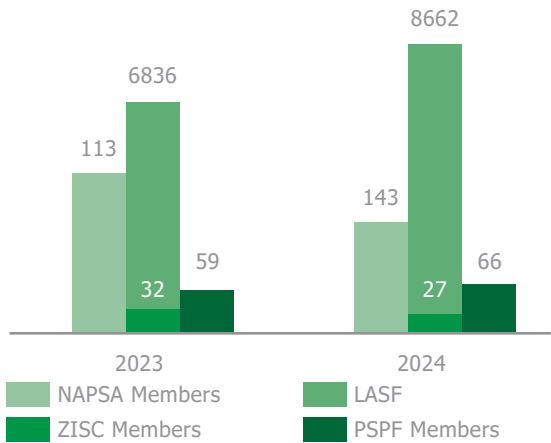
Pensions Management

NAPSA Penalties



By November 2024, ZESCO had paid the penalties owed to NAPSA totaling K14.72 million. The penalties arose from an inspection conducted by NAPSA, which revealed that some employee contributions deducted between 2005 and 2022 had not been remitted to the pension scheme.

Employee Pension Scheme Membership



In 2024, pension scheme membership shifted notably, with NAPSA recording a substantial increase from 6,836 to 8,662 members, mainly attributed to employment of work assistants. PSPF also experienced a slight rise from 59 to 66 members. Conversely, LASF and ZSIC saw declines, with LASF dropping from 213 to 134 and ZSIC from 32 to 27 members.

Occupational and Health Statistics

Year	2023	2024	Diff (+/-)
Average Daily Attendance	70	35	35
Man Hours Lost	90,568	73,367	17,201
Days	(11,321)	(9,171)	2,150
ART Membership	428	341	(87)
No of Deaths	26	35	9
Medical Financial Assistance (Abroad)	0	3	3
Medical Financial Assistance (In-Country)	0	1	1

Man-hours lost due to sick leave reduced from 90,568 in 2023 to 73,367 in 2024. Lost man-hours negatively impact operational productivity.



Expanded Infrastructure

	Project	Description
POWER GENERATION	Kafue Gorge Lower 750 MW Hydropower Project	The project is located in the southern part of the country on the Kafue River basin, downstream of Kafue Gorge Power Station. The objective of the project is to increase installed capacity and optimise the water usage on the Kafue River basin by cascading the power plants. When the plant reaches commercial operation the installed capacity on this waterbody will be 1,860 MW. During the period under review, this project was commissioned with only 30% of works remaining on the the Kafue Gorge Lower – Lusaka West and Kafue West – Lusaka West lines
	Chishimba Falls Power Station (CFPS) Rehabilitation and Uprating to project	This is a 14.8 MW project located in the northern part of the country on the Luombe river basin. The project will rehabilitate and uprate the existing plant from 10MW to 14.8MW. The objective of the project is to increase installed capacity and improve the quality of supply in the Northern circuit. The project is also aimed at achieving geographical diversification as most of ZESCO Plants are in the Southern part of the Country. During the period under review, only the Biomass assessment was conducted as part of the environmental studies.
	Kafue Gorge Lower 750 MW Hydropower Project	The project is located in the southern part of the country on the Kafue River basin, downstream of Kafue Gorge Power Station. The objective of the project is to increase installed capacity and optimise the water usage on the Kafue River basin by cascading the power plants. When the plant reaches commercial operation the installed capacity on this waterbody will be 1,860 MW.
G&T PLANNING AND PROJECTS	System-wide reactive Power compensation	The key objectives of the assignment was to establish solutions that minimise system losses, increase the transfer capacity and improve the dynamic performance of the ZESCO transmission network taking into consideration the future generation and transmission plan and the regional power trading context. Through the study, dynamic voltage support solutions were identified for Pensulo, Proposed Nakonde, Luano and Kalumbila Substations. The Luano and Kalumbila projects were ready for the market and were just awaiting funding. During the period under review, was yet to be funded.
	Kasama – Nakonde	This project was part of Zambia Tanzania Kenya (ZTK) and Kalungwishi power evacuation whose scope included the construction of a total of 387 km of 330 kV line from Kasama to Mporokoso and Kasama to Nakonde and associated substations to be constructed in Mporokoso and Nakonde. The project aims to secure power supplies to the Muchinga, Northern and Luapula Provinces. In the period under review, the contractor had carried out some preliminary works such as surveys of the transmission lines and geotechnical investigations.
	Evacuation of power From Ndola Energy Phase ii	This project is aimed at power evacuation from the extended Ndola Energy HFO power plant. The scope includes construction of 1.3km of 66kv transmission lines, rehabilitation and upgrading of Bwana Mkubwa 66/33kv substation. During the period under review, the project was completed with only works at Ndola Energy and Mushili 66/11kV substation expected to be completed in the first quarter of 2023.
	Second Kabwe-Pensulo 330kv transmission line	The project is part of the Zambia Tanzania Kenya whose scope includes the construction of a 300kM 330kV Transmission line from Kabwe Stepdown Substation to Pensulo Substation and associated Substation works. During the period under review, the project was at 86% completion.

Project	Description
Msoro and Kabwe step Down reactor	The objective of the project is to provide means of voltage control at Kabwe step down and Msoro substations on the 330Kv network. The project was ongoing during the period under review.
Kafubu and Kafulafuta Water supply system	The objective of this project is to provide power supply to the newly constructed Kafulafuta Water Supply System (KWSC). The project scopes include the construction of 15km of 66kv transmission line. During the period under review, Kafulafuta Dam 66/33KV Substation civil works were 80% complete at the substation whilst the Transmission line foundation works were at 50%.
Reinforcement of supply To Sanje (Mumbwa ZAF) 33/11kv substation	The objective is to increase the transmission line transfer capacity by operating the Nampundwe – Sanje Line at its design voltage of 88kV and subsequently increasing the overall access to electricity to Mumbwa and surrounding areas. The project scope involves uprating Sanje from 33/11kV to 132–88/33/11kV Substation and Establishing a 132 – 88kV bay at Nampundwe Substation. The scope will also include development of a 33kV distribution network to ensure continuity of supply to existing customers. The project was completed during the period under review.
Connection of Lundazi and Chama to the National electricity Grid	The objective is to connect Lundazi and Chama to the National Grid. Currently, Lundazi and Chama are supplied by ESCOM Malawi and also supplemented by Diesel Generating Plants. Frequent and prolonged interruptions have necessitated this project. The main scope of the project is to construct substations and 132kV (325kM) Transmission Line from Chipata West Substation to Lundazi and Chama. The scope also includes developing a distribution network comprising 185kM of distribution lines with various transformation points. During the period under review, the project was at 98% completion.
New Mumbwa 33/11kv Substation and 33kv Line from Nambala Substation to Kabalwa	The project's objective is to construct a new urban type 33/11kV substation whose scope of work involves includes construction of a control room, Installation of 1x 10/15MVA 33/11kV Transformer and Construction of 37.6km of a 33kV line from Nambala to Kabalwa via Chibuluma and Chipa. The project was completed during the period under review.
ZTK	The project scope of the outstanding works is as follows: Package 1- Design, Supply and Installation service for second 330 kV single circuit Pensulo-Mpika overhead transmission line, 186km length, and associated substation works at Pensulo and Mpika. Package 2- Design, Supply and Installation service for second 330 kV single circuit Mpika-Kasama overhead transmission line,200km length, and associated substation works at Mpika and Kasama. Package 3- Design, Supply and Installation service for 330 kV - Double circuit 330 kV Kasama-Nakonde overhead transmission line, 212km length, Double circuit 400 kV overhead transmission line from Nakonde to the Tanzanian border,15km length (charged at 330 kV), Double circuit 132 kV Isoka-Nakonde (loop in and out of 66 kV Isoka - Nakonde line) overhead transmission line, 12km length New Nakonde 330/132/66 kV substation Package 4- Design, Supply and Installation service for dynamic voltage support devices (±250MVA_r) and associated substation works at Pensulo and the new Nakonde Substation.

Project

Description

Lusaka Transmission and Distribution Rehabilitation Project (LTDRP)

The main objective of LTDRP has been to increase the capacity and improve the reliability of the electricity transmission and distribution system of Lusaka City. The key expected outcomes of the project were: (i) an increase of the capacity along the Lusaka transmission and distribution system; (ii) an improvement of the reliability of the electricity transmission and distribution system in the Lusaka area, and (iii) an expansion in the direct project beneficiaries, including the female population.

The project scope involves construction of substations and associated switching stations, installation of cables and uprating of transformers. and installation of

During the period under review, the project was at 86% completion.

Increased Access to Electricity Services Project (JICA Phase II)

The objective of the Phase II Project was to improve access to electricity in the rural areas by constructing distribution lines, and related facilities, thereby improving living standard of local residents including the poor and promoting economic and social development in the beneficiary areas.

The Project involved construction of distribution lines together with limited low voltage (400V) supply lines.

The project was completed in 2022.

Electricity Services Access Project (ESAP)

The project seeks to improve access to electricity in the rural areas by subsidizing the cost of connection. The approved subsidy connection fees for this action are K250.00 for households and K769.00 for Small and Medium Entrepreneurs (SMEs).

During the period under review, the project was at various stages of completion across the country.

LTDRP Last Mile: Rehabilitation, Extension and Strengthening of the Low Voltage Electrical Distribution Network in Lusaka

The project aims to integrate customer connections in low-income townships in Lusaka City to realize the full benefits of the network built under LTDRP Project.

The target is to connect 63,000 customers in three packages in the following townships: Chainda, Kamanga and Mtendere Townships Garden, Mandevu and Ngwerere Townships Chawama and John Howard Townships

During the period under review, the project was at 45% completion.

Sustainable Electricity Supply Southern Division (SESSD) project

The project aims at resolving the challenge of lack of capacity for existing and future demand for fast growing towns in Central, Eastern, Southern and Western provinces.

The implementation of the project will result in increased capacity, improved reliability, increased access, improved quality of supply and improved service delivery.

The project scope involves the:

- Construction of 1 x 132-66/33/11kV Substation and 2 x 33/11kV Substations as well as rehabilitation of 1 x 88/33/11kV and 1 x 33/11kV Substations in Kabwe
- Construction of 33/11kV Substations in Petauke, Nyimba, Sinda and Mazabuka (one in each town)
- Construction of 1 x 66/11kV Substation in Livingstone and Rehabilitation of 1 x 33/11kV Substation in Livingstone
- Construction of a 132-66/33/11kV Substation in Mongu
- Rehabilitation of a 66/33kV Substation in Katete (Azele Substation).

During the period under review, the project was at 16% completion.



Innovations and Developments

In line with its digital transformation strategy, ZESCO continued to enhance its digital services in 2024 to improve operational efficiency and customer experience. As part of the strategic objective to deliver Efficient, Effective, and Excellent services, ZESCO deployed innovative digital solutions aimed at increasing stakeholder engagement and optimizing service delivery.

We digitized key strategic processes to increase efficiency, transparency, and cost-effectiveness. In the year under review, the following in-house and partner-supported systems were developed and deployed:

1. ZESCO Mobile Application Upgrade

The ZESCO Mobile App was upgraded and replaced the previous version. The new release, showcased at the 2024 Zambia International Trade Fair, provides an enhanced user experience and improved performance across supported devices.

The App includes a secure KYC feature, which integrates across digital platforms to ensure accurate capture of customer addresses and improve alignment on the ZESCO network. This initiative enhances the accuracy of customer records, ensures that notifications and service alerts are delivered correctly, thereby improving overall communication and customer satisfaction.

2. Natural Language Processing (NLP) Chatbot

The NLP Chatbot was developed and deployed to production, offering customers an additional digital channel to report faults, check prepaid token balances, retrieve units, and track power applications without requiring support from customer service personnel.

3. Connection to the Government Wide Area Network (GWAN)

ZESCO was successfully connected to the GWAN through Smart Zambia. GWAN network integration improved collaboration with over 67 government agencies, reduced ICT infrastructure costs, and enhanced service efficiency.

4. Net Metering Online Application Portal for Prosumers

In line with the requirements of Statutory Instrument No. 38 of 2024, which mandates distribution entities such as ZESCO to provide accessible and streamlined processes for prosumers to apply for net metering, ZESCO developed and implemented an online application portal. The portal was rolled out on the corporate website to simplify application submissions, improve transparency, and ensure compliance with regulatory obligations.

5. Outage Scheduling System – National Control Centre

This initiative strengthens ZESCO’s ability to coordinate planned outages more effectively, enhancing operational efficiency and improving communication with stakeholders during maintenance activities.

6. Kafue Gorge Lower 12MW Mini Hydro Integration

To support our efforts to modernize the network and strengthen national power supply, the new 12MW mini hydro unit at KGL was successfully integrated to the National Control Centre for monitoring and control. This initiative enhances system capacity and contributes to improved energy availability and operational efficiency.

User Statistics

The following statistics from our various channels show a total of 8,155,928 user interactions during the year. The USSD was the most preferred platform by our customers with 70% of the total user interactions in the period under review.

Item no	Platform	2023 Totals	2024 Totals	Growth	% Growth
1	Corporate Website	172,528	185,255	12,727	7
2	WhatsApp	75,256	290,054	214,798	285
3	USSD	5,018,584	5,786,291	767,707	15
4	Mobile App	52,028	50,134	-1,894	-4
5	Self-Service-on-Call	1,314,010	1,844,194	530,184	40

In comparison to 2023, WhatsApp saw the most significant growth of 285%, indicating a strong shift toward conversational and mobile-first engagement. Additionally, the Self Service-on-Call feature, introduced during the previous year, contributed significantly with 1.84 million interactions, highlighting its impact and relevance. The overall upward trend demonstrates our customers' growing preference for accessible, self-service digital solutions.



Our Key Risks and Uncertainties

The year 2024 presented significant challenges for Zambia, particularly in critical sectors such as agriculture, water, and energy, which were heavily impacted by the effects of climate change. One of the most pressing issues has been the severe drought, which has affected ZESCO’s value chain:

- Generation**
- Substantially reduced water levels in both the Itezhi Tezhi and Kariba reservoirs, negatively affecting hydroelectric generation capacity. This led to the ZRA reducing ZESCO’s water allocation from 15BCM in 2023 to 8BCM in 2024.
 - Inability to meet national power demand, as available generation capacity stood at 1,412 MW against a national demand of 2,282 MW as of June 2024.

- Transmission**
- The limited capacity of the South-to-Zambia transmission Corridor, strained by high volumes resulting in frequent faults and further limiting power imports.
 - A depreciating exchange rate, which has contributed to higher costs of power import.**

- Distribution**
- The power supply deficit and increased import costs led to a reduction in both energy purchases and sales, impacting ZESCO’s commercial performance and its ability to meet customer demand effectively.
 - Limited supply affected not only households but also key economic sectors, such as mining, agriculture, and manufacturing, reducing productivity and output.

- Opportunities Amidst Challenges**
- Despite the adversity, 2024 ushered in opportunities for transformation within the energy sector, including:
- Open Access Regime – This initiative allows IPPs to access ZESCO’s transmission network, fostering competition and encouraging investment in the energy sector to enhance efficiency and broaden market participation.
 - Single Licensing System – Streamlining the licensing process for energy producers and reducing administrative bottlenecks.
 - Net Metering – Enabling consumers to generate their own electricity and sell any surplus to the grid.
 - Investments in alternative energy – Notable solar power projects include:
 - Chisamba (100 MW)
 - Choma (50 MW)
 - Mansa (50 MW)
 - Kariba (100 MW)
 - Acceleration of strategic projects** – ZESCO intends to increase its capacity of interconnections through projects such as the Zimbabwe–Zambia–Botswana–Namibia 330kV Interconnector and Zambia–Tanzania–Kenya lines, which will connect the SAPP to the EAPP with the aim of expanding transmission capacity and strengthening regional grid interconnection.
 - ZESCO actively participated in the SAPP market to secure additional power and support grid stability, thereby helping to sustain national economic activity during periods of domestic supply shortfalls.

Environmental, Social and Governance (ESG)

ZESCO recognizes the critical role that ESG principles play in ensuring sustainable utility operations. As Zambia’s primary electricity provider, ZESCO is committed to reducing its environmental footprint through investment in renewable energy and improving energy efficiency across the grid. Socially, the Corporation focuses on inclusive electrification, community engagement, and promoting employee welfare. On the governance front, ZESCO continues to strengthen transparency, ethical business practices, and stakeholder accountability through improved corporate governance structures and risk oversight mechanisms. These efforts are aligned with achieving ZESCO’s strategic objectives.

Governance

ZESCO adopted the Three Lines of Defense, with key components of the framework already being implemented across the Corporation. This includes clearly defining roles and responsibilities within each line of defense, enhancing coordination between management, risk management, and internal audit functions. The move is aimed at strengthening accountability, improving risk visibility, and fostering a more integrated approach to risk management throughout ZESCO’s operations.

ZESCO BOARD			
The board of directors are ultimately responsible for strategy direction and ensuring that the corporation has the necessary risk governance and control frameworks to effectively identify and manage risks			
Corporate Leadership Team (CLT)	Risk Management		Internal Audit
1st line of defense	2nd line of defense		3rd line of defense
Management are primarily responsible for strategy setting and driving it’s processes. Responsible for identifying and managing risks, through ensuring the organization has adequate and effective controls.	The Enterprise Risk Management function is responsible for setting Enterprise Management Frameworks. The Enterprise Risk Management Unit have the responsibility of reporting to Management an Board. Further, they act as advisors/ consultants to management (First line).		Internal Audit provides independent assurance on first and second line activities. Internal audit is independent of management with a direct reporting line to the Governing body/ Audit Committee. Advisory role to improve processes.

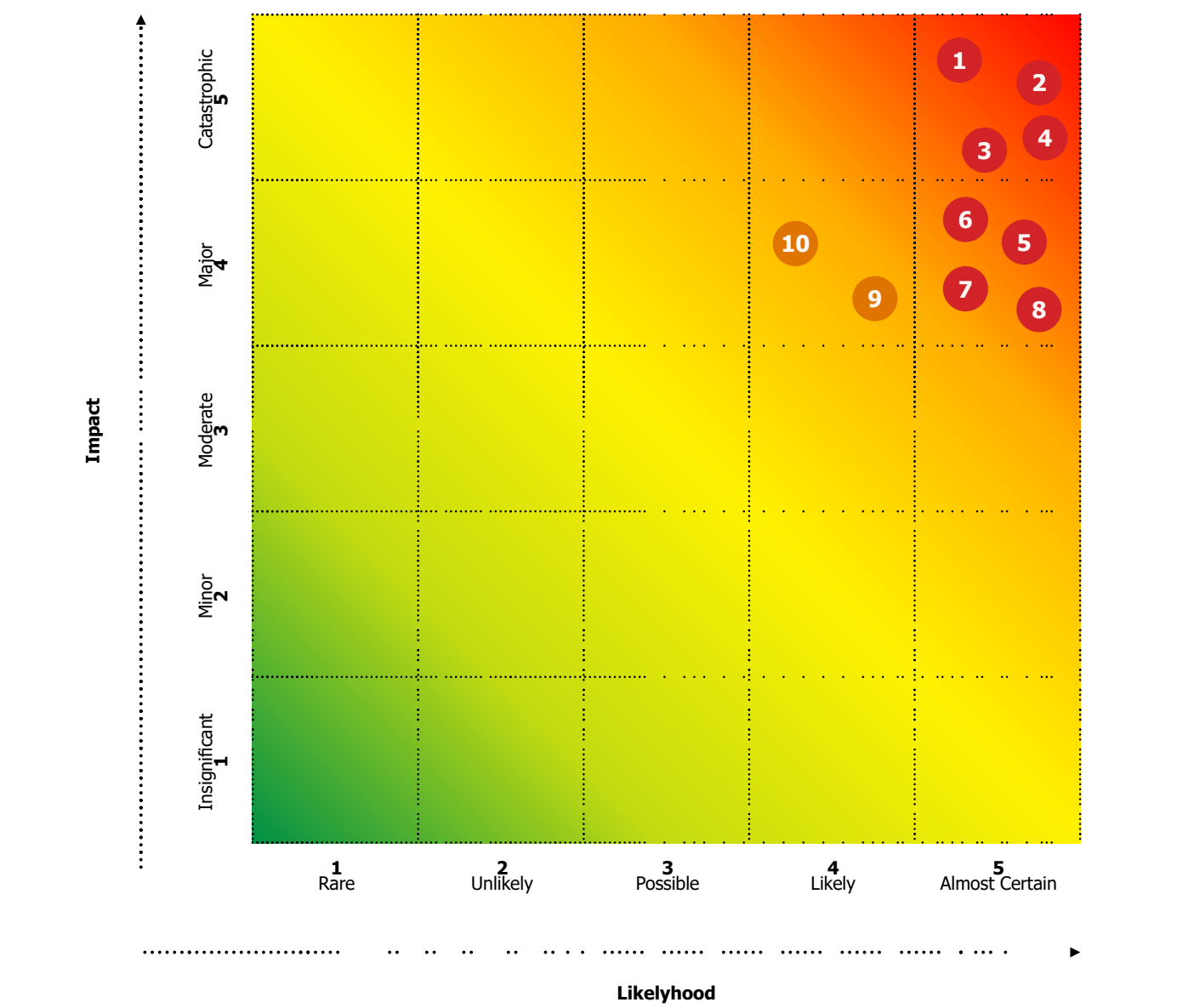
Corporate Risk Register

The Corporate Risk Register provides THE CLT, the board and key stakeholders with significant information on the main risks that could impede ZESCO from achieving its strategic plan. The risk register also gives ZESCO's risk management stakeholders a clear view of the current status of each risk, at any point in time.

Risks have been identified after careful consideration of both the internal and external business environment. Corporate Risks were assessed using ZESCO's 5 by 5 risk assessment matrix and identified in line with the five strategic pillars and the strategic objectives.

ZESCO’s Heat Map

The heat map below illustrates the top 10 key risks that ZESCO is actively mitigating to ensure the Corporation remains on track to achieving its strategic objectives.



2024 Top 10 Corporate Risks

To ensure that ZESCO achieves its strategic objectives, these key risks were managed and controlled. Below are key risks for the year 2024.

Risk description	Potential Risk Impact	Risk Mitigation
Climate Change Risks I5, L5: 25 Extreme weather conditions resulting in a reduction of water to operate hydroelectric power plants or other water-dependent generation facilities. This is mainly due to climate change (global warming) and other adverse climatic phenomenon (such as El Nino) - resulting in poor rainfall patterns and increased evaporation. The effects of climate change have resulted in reduced water levels in the ITT and Kariba dams; leading the ZRA to reduce water allocation to ZESCO from 15BCM in 2023 to 8BCM in 2024. Climate change is a major contributor to ZESCO's power deficit of over 1,086MW in 2024.	1. Non-availability of water for generation 2. Reduction in generation ability resulting in revenue losses. 3. Increased possibility of cavitation to turbines resulting from operating below the recommended efficient levels. 4. Increased load rationing.	1. Diversification of energy (wind, solar, diesel generators, geothermal). 2. Importation of power. 3. Net Metering. 4. Upgrading the interconnector capacity. 5. Construction of new interconnectors. 6. Study to harness water from the country's northern parts. 7. Procurement of power from external parties (SAPP & Traders).
Risk description	Potential Risk Impact	Risk Mitigation
Delayed government approval to convert on lent loans to equity I5, L5: 25 The potential challenges that may hinder or delay the successful conversion of ZESCO's debt to equity. Caused by: • Prolonged sovereign debt negotiations: ZESCO debt stood at approximately USD 366 million in principal amounts and USD 42 million in interest as of June 2024.	1. Worsening financial position (credit worthiness)	Continued government engagement
Risk description	Potential Risk Impact	Risk Mitigation
Non cost reflective tariffs (Retail and Customer connection charges) I5, L5: 25 This is the risk that the tariffs approved and applied to retail and customer connection charges are not reflective of the cost of generation, transmission and distribution. The non-cost reflective tariffs are as a result of failure to secure regulatory approval due to: • Lack of stakeholder buy-in • Failure to meet KPI's as set by the regulator • Other external factors such as general macro-economic conditions.	1. Delayed customer connections 2. Continued subsidizing of electricity connections 3. Failure to achieve KPI's on customer satisfaction 4. Liquidity challenges 5. Reputational damage	1. Implementation of staff performance Management. 2. Monitoring and evaluation of KPIs. 3. Strategy implementation. 4. Prudent financial management. 5. Continuous engagement with the regulator.

Risk description	Potential Risk Impact	Risk Mitigation
Reduced Power Supply I5, L5: 25 The risk that the local electricity demand exceeds ZESCO's generation capacity, potentially leading to reduced power supply as evidenced by the impact of the drought on the Corporation's operations. Other factors include: • Unscheduled maintenance of generation equipment. • Grid unavailability (downtime). • Transmission capacity Constraints. • Lack of interconnectors with some countries.	1. Liquidity challenges 2. Load management 3. Reputational damage 4. Default on obligations 5. Failure to meet regulatory KPI's	1. Investments in other sources of energy. 2. Expanded electricity infrastructure. 3. Adherence to maintenance regime. 4. Arbitrage power trading

Risk description	Potential Risk Impact	Risk Mitigation
Liquidity Risk I4, L5: 20 Inability to meet obligations as they fall due. This is due to reduced sales volumes as of June 2024 (7,749 GWh in 2024 vs. 8492 GWh in 2023) due to a power deficit of 1086 MW as of 30 August, 2024. Other factors include: • Legacy IPP debt and associated interest charges. • Non-cost reflective tariffs. • Failure to collect debt. • Overcommitment – expenditure versus revenue.	1. Operational disruptions. 2. Increased project costs. 3. Delays in project implementation. 4. Default on debt obligations resulting in increased interest charges on delayed payments. 5. Reputational damage (credit worthiness). 6. Going concern threat.	1. Implementation of cost saving activities in all business units. 2. Implemented cashflow Planning, such as creation of bonded warehouse to mitigate immediate cash outflow. 3. Installation of smart meters to capture timely revenue collection. 4. Debt swaps. 5. Renegotiated IPP tariff. 6. Engaging the government on conversion of long-term debt into equity. 7. Strengthening budgetary controls. 8. Implementing the Multi-Year Tariff Framework. 9. Adherence to payment terms on obligations. 10. Diversification of energy mix. 11. Development of in-house ICT solutions. 12. Commercialization of In-house ICT solutions. 13. Implemented innovative financing initiatives. 14. Investments in commercially viable projects.

Risk description	Potential Risk Impact	Risk Mitigation
Damage to physical assets I4, L5: 20 The intentional damage or destruction and theft of electrical infrastructure, such as power lines, substations, transformers, and other critical components of the power grid. Vandalism cases increased to 1,034 as of June 2024 compared to 767 in the same period 2023. The increase in vandalism is mainly due to: • Social-economic impact • Unsecured installations • Power outages	1. Financial loss (June 2024: K23 million v. June 2023: K12 million. 2. Operational disruptions. 3. Increased customer complaints. 4. Increased safety risks. 5. Failure to meet the Regulator's KPIs.	1. Sensitization of the public on vandalism (through initiatives such as Youth Action Against Vandalism). 2. Enhanced security patrols. 3. Target hardening, enhancing security around transformers and substations. 4. Changing of materials prone to theft (e.g., copper) 5. Regional collaborations.

Risk description	Potential Risk Impact	Risk Mitigation
Inability to conduct job evaluation I4, L5: 20	1. Demotivated workforce. 2. Increase in staff turnover. 3. Industrial unrest. 4. Failure to optimize the organizational structure.	1. Continuous engagement with Emoluments Commission. 2. Engagements with social partners and employees.
The inability to conduct jobs evaluations due to the lack of authorisation from the Emoluments Commission.		
Risk description	Potential Risk Impact	Risk Mitigation
Safety Risks I4, L5: 20	1. Loss of life (fatality) leading to compensation, low productivity due to LTIs. 2. Penalties. 3. Litigation costs. 4. Reputational damage. 5. Damage to property.	1. Risk assessments. 2. Training i.e., Fire Marshall and First Aid. 3. Inspections (VFL, MPTO, random inspections by SHEQ). 4. Incident investigation and reporting. 5. SHEQ compliance audits. 6. SHEQ circle / green area meetings. 7. System authorisation. 8. Provision of PPE.
Safety risks associated with exposure to workplace hazards (flush burns, electrocution, falls from height, fire, road traffic accidents).		
In Q2 ZESCO achieved a score of 1.67% out of 10%. The underperformance was due to 19 Lost Time injury (LTI) incidences and 2 fatalities attributed to electrical flash burns and fire incident.		
Risk description	Potential Risk Impact	Risk Mitigation
Delayed project implementation I4, L4: 16	1. Cost overruns. 2. Delayed addition of generation capacity. 3. Delayed expansion of transmission and distribution. 4. Failure to supply power to customers consistently. 5. Delayed deployment of power quality monitors. 6. Delayed SCADA Deployment. 7. Exposure to liability. 8. Delayed deployment of Asset Management System (Technical Assets).	1. Renegotiating payment terms with existing contractors. 2. Training project management staff. 3. Collaborating with external partners for financial support. 4. Implementation of the contract management system to aid effective project implementation. 5. Monitoring and Evaluation unit assists to monitor and track different project milestones. 6. Deploying SCADA in phases. Further, ZESCO has implemented a manual monitoring mechanism for remote substations where SCADA is yet to be deployed.
The inability or failure to deliver projects timely. Caused by: - Inadequate project funding coupled with unhealthy balance sheet, which is not attractive to potential project financiers. - Technological incompatibility as well as aged infrastructure. - Poor project management.		
Risk description	Potential Risk Impact	Risk Mitigation
Ineffective Performance management system I4, L4: 16	1. Flawed performance Results. 2. Demotivated staff. 3. Poor Performance.	1. Sensitisation workshops to create awareness on the performance management system. 2. Continuous evaluation of performance. 3. Management review of the performance system. 4. Implementation of the performance management outcome.
Lack of a robust performance management system due to: - The system still being in its infancy. - No consequence management (lack of accountability) - Liquidity challenges affecting the implementation of performance results.		



2024 ZESCO GROUP FINANCIAL STATEMENTS

ZESCO Limited
Consolidated Financial Statements
For the year ended
31 December 2024

ZESCO LIMITED**REPORT OF THE DIRECTORS****PRINCIPAL ACTIVITY**

The principal activities of the ZESCO Limited ("Company") and its subsidiaries, Kafue Gorge Lower Power Development Corporation Limited, Kalungwishi Hydropower Company Limited, Fibrecom Limited and Kaniba North Bank Extension Power Corporation Limited, together the "Group" continued to be the generation, transmission, distribution and supply of electricity, locally and in the region. The Group through its subsidiary, Fibrecom Limited also provides Fibre Optic Communication backbone. The Group through its joint venture Itezhi Itezhi Power Corporation Limited and associates Zambia Electrometer Limited and El Sewedy Electric Zambia Limited also manufactures electricity meters, compact fluorescent lights and distribution transformers ranging from 25KV to a maximum of 5,000KV (5mva).

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Stand 6949, Great East Road
Lusaka

RESULTS AND DIVIDENDS

The loss for the year amounted to K15.4 billion (2023: K39.5 billion). The Directors do not recommend payment of a dividend in respect of the year ended 31 December 2024.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Name	Position	Retired	Resigned	Appointed
Mr. Vickson Ncube	Board Chairperson	1 December 2024	-	23 January 2025
Mr. Victor B. Mapani	Managing Director	2 December 2024	-	
Mr. Justin Loongo	Managing Director	-	-	7 February 2025
Ms. Edna Mwaala Mudenda	Director	1 December 2024		23 January 2025
Dr. Jolly Kamwanga	Director	-	6 November 2024	-
Mr. Charles Kaisala	Director	1 December 2024	-	23 January 2025
Mrs. Chikonjiwe Mumba	Director	1 December 2024	-	-
Mr. Emmanuel Gardner	Director	1 December 2024	-	
Dr. Christopher Mubemba	Director	-	-	23 January 2025
Mr. Mwape B. Chipala	Director	-	-	23 January 2025
Mrs. Matembo Lisimba	Company Secretary	28 October 2024	-	
Mr. Evans Twaambo	Acting Company Secretary	-	-	28 October 2024

ZESCO LIMITED**REPORT OF THE DIRECTORS (CONTINUED)****CORPORATE GOVERNANCE**

The Board continues to be committed to high standards of corporate governance, which is fundamental to discharging their leadership responsibilities. The Board applies integrity, principles of good governance and accountability throughout its activities.

PROPERTY, PLANT AND EQUIPMENT

The Group invested a total of K7.6 billion (2023: K 4.5 billion) in property, plant and equipment during the year, as disclosed in note 14 to the financial statements. In the opinion of the directors of the Group, the fair values of property, plant and equipment are not less than the amounts at which they are included in the financial statements.

INTANGIBLE ASSETS

During the year the Group acquired software amounting to K0.36 million (2023: K26.5 million).

EXPORTS

The value of electricity exports by the Group were K7.2 billion (2023: K8.2 billion).

DONATIONS

The Group as part of Corporate Social Investment made donations during the year amounting to K3.7 million (2023: K1.8 million).

RESEARCH AND DEVELOPMENT

The Group's research and development activities during the year amounted to K4 million (2023: K1 million).

SHARE CAPITAL

The Group's authorised share capital remained unchanged during the year as disclosed in note 20 in the notes to the financial statements.

EMPLOYEES

The average number of employees during each month of the year was as follows:

	2024	2023
January	6,719	6,586
February	6,710	6,577
March	6,756	6,621
April	6,869	6,735
May	6,898	6,716
June	6,876	6,684
July	6,881	6,683
August	6,945	6,747
September	6,971	6,767
October	6,969	6,763
November	6,975	6,768
December	7,050	6,841

In addition to the staff establishment, the Group does employ seasonal workers depending on when the need arises.

The total remuneration paid to employees during the year was K3,152,432,222 (2023: K3,896,653,213).

ZESCO LIMITED**REPORT OF THE DIRECTORS (CONTINUED)****HEALTH AND SAFETY OF EMPLOYEES**

The Group operates an integrated Safety, Health, Environment and Quality system called SHEQ Management System based on, but not limited to, the requirements of ISO 9001, ISO 14001, ISO 45001 and ISO 27001 international standards.

The Groups' commitment to safety, health, environment and quality and information security is achieved through:

- Ensuring that operations are safe by minimising risk and eliminating harm to employees, contractors, visitors and customers;
- Establishing and reviewing of Safety, Healthy, Environment, Quality, Health and Information Security Objectives;
- Ensuring increased access to reliable and safe supply of electricity that sustains business continuity;
- Ensuring a secure and robust cyberspace through confidentiality, integrity and availability of all information;
- Ensuring environmental sustainability through infrastructure development and operations;
- Ensuring effective and efficient communication with all stakeholders on matters relating to service provision;
- Ensuring consistent provision of resources, training, equipment and other support systems to enable fulfilment of this policy;
- Ensure compliance to statutory and other requirements;
- Ensuring consultation and participation of workers and their representatives; and
- Ensuring continual improvement of SHEQ management systems.

It is the duty of each employee and contractor to comply with this policy to enable the Group achieve its strategic objectives and establish and entrench a SHEQ driven culture within the Group.

LOANS TO MANAGEMENT

The loans given or outstanding from Management as at 31 December 2024 was Knil (2023: K1.4 million).

KEY DEVELOPMENTS DURING THE YEAR

- The company's 10 Year Strategic Plan being Implemented fast tracked the execution of renewable energy projects as response to the drought induced energy crisis.
- The company commenced the development of the 100MWp Solar PV plant in Chisamba. The project is expected to be completed in quarter 2, 2025.
- The Company reduced the new connection backlog from over 60,000 at the beginning of 2022, to a backlog of 500 at the close of 2024 for both standard and non-standard jobs.
- The Energy Regulation Board (ERB) approved ZESCO's application for a 5-year Multi Year Tariff (2023-2027) effective 1 May 2024.

ZESCO LIMITED**REPORT OF THE DIRECTORS (CONTINUED)****KEY DEVELOPMENTS DURING THE YEAR (continued)**

- The company migrated customers with consumption above 5000kVA to Power Supply Agreement Contracts, thus resulting in increased revenue security.
- Following the declaration of drought as national disaster by the President in April 2024, The Energy Regulation Board approved ZESCO's application for an emergency retail tariff effective 1 November 2024. The emergency tariff is subject to review by ERB every 3 months. This was to raise US\$15 million monthly to partially cover the emergency Power import costs of US\$ 94 million (788MW) to mitigate the energy crisis. Further, a force Majeure was declared on all Bulk Purchase customers and were offered an option of emergency power that was imported at higher tariffs to support economic activities.
- Total IPP debt which stood at about USD1,800 million at the end of 2021 reduced to USD337 million as at 31 December 2024.
- The connection of Lundazi and Chama Districts of the Eastern Province to the national grid which was slated for January 2024 was successfully completed marking a significant milestone in Zambia's energy landscape as it is the first time since independence, 60 years ago, the two districts have gotten connected to electricity.

AUDITORS

Messrs Grant Thornton were appointed as Auditors for 2024 financial year. A resolution proposing their re- appointment as auditors and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

By order of the Board.



Mr. Evans Twaambo

ACTING COMPANY SECRETARY
Lusaka

Date: 18th Jul, 2025

ZESCO LIMITED

STATEMENT ON CORPORATE GOVERNANCE

- 1 The Company subscribes to tenets of good corporate governance. ZESCO Limited's mandate, structure and operations are primarily premised on the Electricity Act No. 11 of 2019 and its subsequent amendments thereof, and other applicable laws. ZESCO Limited has in place various policies, structures, and procedures to ensure that the decision-making process, governance and administration of the institution are in accordance with applicable laws and good corporate governance practices.
- 2 The Company is governed by a Board of Directors, comprising Seven (7) members, who are appointed by the Industrial Development Corporation (IDC). The Board of Directors are drawn from the industry and professional bodies.
- 3 The Board has seven (7) Directors, comprising of two (2) females and five (5) males. The Board provides oversight over the operations of the Entity in line with its statutory mandate and the Board Charter which is reviewed regularly. The Board also appoints the Managing Director in consultation with IDC. The Managing Director is responsible for the day-to-day management of the Company. The Office of the Company Secretary acts as a central point of advice to the Directors on governance issues and processes relating to the Entity's operations. All Directors and Committee Members have access to the Company Secretary.
- 4 The Board meets regularly to review the performance of the Company and provide guidance to Management. Every year, a Schedule of Board Meetings is agreed to assist members plan for attendance. However, Special meetings are arranged to cater for urgent and time bound business.
- 5 During the year under review a total of eighteen (18) meetings were held. Out of the eighteen (18) meetings held, four (04) were scheduled and the remainder of fourteen (14) were Special meetings.
- 6 The Board's key focus areas are summarised as follows:
 - a) Strategy
 - b) Corporate Governance
 - c) Financial Performance
 - d) Risk Management
- 7 The proceedings of the meetings were duly recorded, and minutes were signed after confirmation by the Directors.

ZESCO LIMITED

STATEMENT ON CORPORATE GOVERNANCE

Board Committees

- 8 The Board has powers to delegate its functions to its committees and management to assist it discharge its mandate. There are currently five (5) Board Committees, namely, the Audit and Risk Committee, Procurement, Investments and Finance Committee, Technical Committee, Corporate Support Services and Legal Committee, and the Human Capital and Development Committee. The Board has powers to appoint to the Committees external subject matter experts to ensure the right balance of skills and knowledge is brought to bear into its decision-making processes for the benefit of the institution. The Committees are chaired by a Board member meeting requisite skill and experience in line with the mandate of the Committee.

Audit and Risk Committee

- 9 The Audit, Risk and Compliance Committee, as recognised in Section 19 of the Public Finance Management Act, No. 1 of 2018, oversees financial reporting, risk management and compliance for the Company.
- 10 The Committee is comprised of the following Members:
 - a) Ms. Edinah Mudenda
 - b) Mr. Charles Kaisala
 - c) Ms. Milangu Kampata
 - d) Mr. Millen Siamuyoba
 - e) Mr. Emmanuel Mbambiko
 - f) Mr. Victor B. Mapani – Retired 2 December 2024
 - g) Mr. Justin Loongo – Appointed 7 February 2025
- 11 During the year, the Committee met four (4) times to consider audit, risk and compliance matters and make appropriate recommendations to the Board.

Procurement, Investments and Finance Committee

- 12 The Procurement, Investments and Finance Committee oversees investment performance and management to ensure prudent management of assets and maximisation of returns.
- 13 The Committee is comprised of the following Members:
 - a) Mr. Emmanuel Gardner
 - b) Dr. Stephen Mpembele
 - c) Mr. Stein Liyanda
 - d) Ms. Charlene Bangwe
 - e) Ms. Chikonjiwe D Mumba
 - f) Mr. Victor B. Mapani– Retired 2 December 2024
 - g) Mr. Justin Loongo -Appointed 7 February 2025
- 14 The Committee met five (5) times to review the Entity's financial performance, consider investment proposals, make investment decisions, and propose appropriate recommendations to the Entity.

Technical Committee

- 15 The Technical Committee's main mandate is to assist the Board of Directors discharge its statutory obligations in relation to Planning of Energy Projects, Generation, Transmission, and Distribution of Energy to Customers.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Technical Committee (continued)

16. The Committee is comprised of the following Members:
- Mr. Charles Kaisala
 - Mr. Chibulu A. Musonda
 - Mr. Crispin Munyati
 - Mr. Emmanuel Gardner
 - Mr. Victor B. Mapani – Retired 2 December 2024
 - Mr. Justin Loongo - Appointed 7 February 2025
17. The Committee met four (4) times in 2024 to consider matters relating to Technical operations and make appropriate recommendations to the Board

Human Capital and Development Committee

18. The Committee's key function is to oversee staff wellbeing and performance to ensure optimal overall organisation performance.
19. The Human Capital and Development Committee is comprised of the following Members:
- Ms. Chikonjiwe D Mumba
 - Dr. Jolly Kamwanga – Resigned 6 November 2024
 - Ms. Claire Limbwambwa
 - Ms. Beatrice H Malonda
 - Mr. Victor B. Mapani – Retired 2 December 2024
 - Mr. Justin Loongo – Appointed 7 February 2025
20. The Committee met five (5) times in 2024 to consider matters pertaining to staff and make appropriate recommendations to the Board.

Corporate Support Services and Legal Committee.

21. The Committee's key function is to oversee Governance and Support functions to ensure Compliance and overall organisation performance.
22. The Committee comprises the following members:
- Dr. Jolly Kamwanga – Resigned 6 November 2024
 - Ms. Edinah Mudenda
 - Ms. Monica Chisela
 - Ms. Gertrude Musyani
 - Mr. Justin Loongo – Appointed 7 February 2025
 - Mr. Victor B. Mapani – Retired 2 December 2024
23. The Committee met four (4) times in 2024 to consider matters pertaining to Corporate Governance and Support Services and make appropriate recommendations to the Board.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

24 Attendance of meetings

The attendance of meetings by Board Directors and Committee Members is shown in the table below:

	Board Meetings			Committee Meetings		
	Scheduled Meetings	Special Meetings	Meetings Attended	Scheduled Meetings	Special Meetings	Meetings Attended
Board						
Mr. Vickson Ncube - Chairman	4	14	18			
Mr. Victor B Mapani - MD	3	13	16			
Ms Edinah M Mudenda	4	14	18			
Dr Jolly Kamwanga	4	14	18			
Mr Charles Kaisala	4	14	18			
Ms Chikonjiwe D Mumba	4	9	13			
Mr Emmanuel Gardner	4	14	18			
Mr. Justin Loongo	1	5	6			
Finance and Investment Committee						
Mr. Emmanuel Gardner				4	1	5
Ms. Chikonjiwe D. Mumba				3	1	4
Dr. Stephen Mpembele				4	1	5
Ms. Charlene Bangwe				3	1	4
Mr. Stein Liyanda				4	1	5
Mr Victor B Mapani				3	1	4
Audit and Risk Committee						
Ms. Edinah Mudenda				4	-	4
Mr. Charles Kaisala				4	-	4
Mr. Millen Siamuyoba				4	-	4
Ms. Milangu Kampata				4	-	4
Mr. Emmanuel Mbambiko				4	-	4
Mr. Victor Mapani				1	-	1
Human Capital and Development Committee						
Ms. Chikonjiwe D. Mumba				4	1	5
Dr. Jolly Kamwanga				4	1	5
Ms. Claire Limbwambwa				4	1	5
Ms. Beatrice H. Malonda				4	1	5
Mr. Justin Loongo				1	-	1
Mr Victor B. Mapani				1	1	2

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

24 Attendance of meetings (continued)

	Board Meetings			Committee Meetings		
	Scheduled Meetings	Special Meetings	Meetings Attended	Scheduled Meetings	Special Meetings	Meetings Attended
Technical Committee						
Mr. Charles Kaisala				4	-	4
Mr. Emmanuel Gardner				4	-	4
Mr. Crispin Munyati				4	-	4
Mr. Chibulu A. Musonda				4	-	4
Mr. Victor B. Mapani				4	-	4
Mr. Justin Loongo				1	-	1
Corporate Support Services and Legal						
Dr. Jolly Kamwanga				4	-	4
Ms. Edinah Mudenda				4	-	4
Ms. Monica Chisela				4	-	4
Ms. Gertrude Musyani				4	-	4
Mr. Justin Loongo				1	-	1
Mr. Victor B. Mapani				3	-	3

25 Board Induction and Continued Development

25.1 The Entity has in place a comprehensive induction process for new Directors and Committee members as and when they join the Board. The induction process takes the form of presentations from executives and functional heads. The Entity also endeavours to expose Directors to specific tailored training in energy generation, transmission and distribution and good corporate governance during the tenure of their office in order to better equip them to discharge their functions. The new Board and Committee members were appropriately inducted and orientated upon their appointment.

25.2 Further, the Entity recognises the importance of Directors' continued understanding of the changing regulatory environment in the energy industry and their role as fiduciaries. Arrangements for training, exposure to new developments and benchmarking with peer institutions are regularly made for Directors' continued learning and development. These training and development activities usually focus on areas such as strategy, corporate governance, risk management and investments.

26 Board Performance Evaluation

26.1 The Entity also conducts performance evaluations of the Board, and its Committees in order to enhance Board effectiveness.

26.2 A board evaluation exercise was undertaken in 2024 by an independent consultant.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

27 Board Remuneration

27.1 Board of Directors and Committee Members are remunerated for services rendered to the Company through sitting allowances and quarterly retainer fees. The Board is empowered by law to set its remuneration, which is subject to approval by IDC. Before Directors' remuneration is reviewed upward, surveys are conducted with peer institutions within the Public Sector for comparison. If deemed appropriate, the Human Capital and Development Committee makes recommendations for review of Board remuneration.

27.2 Details of the total remuneration and board expenditure is provided in note 21 "Related Party Transactions" of the audited financial statements.

28 Senior Management

28.1 The Board of Directors has within the provisions of Articles of Association delegated the day-to-day administration of the Company to the Managing Director, who is the Chief Executive Officer of the Entity.

28.2 Senior Management is comprised of the Managing Director, supported by eight (8) Directors who each head a Directorate.

28.3 There is open communication between the Board of Directors and Senior Management. The Board and its Committees are supplied with full information prior to each meeting to enable them to discharge their responsibilities.

28.4 The Board understands the relationship between itself and the members of Management. It acknowledges that its role is to promote the interest of the public and the shareholders and recognises that it is accountable to the public and the shareholders for the performance.

ZESCO LIMITED

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Zambian Companies Act 2017. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that in their opinion

- the financial statements give a true and fair view of the financial position of ZESCO Limited and its subsidiaries as at 31 December 2024, and of its financial performance and its cash flows for the year then ended;
- at the date of this statement there are reasonable grounds to believe that the Group will be able to pay its debts as and when these fall due; and
- the financial statements are drawn up in accordance with the provisions of section 265 of the Companies Act and IFRS Accounting Standards.

This statement is made in accordance with a resolution of the Directors.

Signed at Lusaka on 18th July 2025



Mr Vickson Ncube
CHAIRMAN



Eng. Justin Loongo
MANAGING DIRECTOR



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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
ZESCO LIMITED

Report on the Audit of the Group and Company Annual Financial Statements

Opinion

We have audited the financial statements of ZESCO Limited (The Company) and its subsidiaries (The group), which comprise the consolidated and separate statement of financial position as at 31 December 2024, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying group and company financial statements give a true and fair view of the group and company financial position of ZESCO Limited as at 31 December 2024, and of its consolidated and company financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Standards Board (IASB) and the requirements of the Companies Act, 2017.

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 Auditors' responsibilities for the audit of the financial statements section of our report. 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) together with the ethical requirements that are relevant to our audit of the financial statements in Zambia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Partners

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

Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

ZESCO LIMITED

Material uncertainty related to going concern

We draw attention to note 29 in the financial statements which indicates that the Group recorded a loss after tax of K15.4 billion (2023: loss of K39.5 billion) and current liabilities exceeded its current assets by K48.7 billion (2023: K40.2 billion) and at the reporting date the Group had negative retained earnings of K60 billion (2023: K42.9 billion) At the reporting date, the total borrowings amounted to K61.1 billion (2023: K54.8 billion) on which some of the loan covenants were breached. Government of the Republic of Zambia has issued a formal letter of support to the Group. These conditions indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

ZESCO LIMITED

Key audit matters (continued)

Key audit matters	How the matter was addressed in our audit
Long service retirement benefit The Group operates an unfunded long-term service retirement benefit plan. Under the terms of employment, qualifying employees are entitled to post-employment benefits. The benefits are defined benefit in nature based on the members' length of service and their salary at the earlier of retirement or death or termination from employment (the Employer) meets benefit costs as they fall due. The assumptions that underpin the valuation of the defined benefit pension assets and liabilities are important, and also subjective, judgements as to the surplus/deficit balance is volatile and affects the Group's retained earnings. Uncertainty arises as a result of estimates made based on the Group's expectations about long-term trends and market conditions. As a result, the actual surplus or deficit realized by the Group may be significantly different to that recognized on the statement of financial position since small changes to the assumptions used in the calculation materially affect the valuation. Key assumptions that are involved in the calculation of the defined benefit obligation as per note 23 to the financial statements are: - Discount rate; and - Expected rate of salary increment.	In considering the actuarial valuation of pension obligations, we performed the following procedures: - Obtained the actuarial report based on 31 December 2024 numbers. - Reviewed the valuation in relation to IAS 19 requirements. - Reviewed key inputs used within the report as well as challenged key assumptions made. - Performed a retrospective review to assess obligation for reasonableness. - Compared the discount rates used to Government Bond yield rates available with the Bank of Zambia. - We reviewed the level of salary increment considered by the Group for 2025 and projections for the future.
Valuation of property, plant and equipment Property, plant and equipment mainly comprise of the generation, transmission, and distribution equipment operated by the Group. Any changes in technology, environmental or regulatory changes may impact the recoverable amount of these plants and consequently impact the Group's valuation of the amount capitalised as property, plant and equipment Where indicators of impairment are identified, management performs impairment assessment on the recoverable amount of property, plant and equipment The recoverable amounts were determined through the valuation of the Group's property plant and equipment which was performed by an external valuation expert and applied the Current Replacement Value (CRV) and Depreciated Current Replacement Value (DCRV). The models were based on the remaining economic useful life of an asset. We identified impairment of property, plant and equipment as a key audit matter as determining recoverable amount involves significant judgements	- Obtained an understanding of the management's process of identifying the impairment indicators and performing impairment assessment where impairment indicators exist. - Performed risk assessment procedures for the assets where the impairment indicators were identified. - We compared the assumptions used to the preceding period and considered the reasonableness. - In considering the appropriateness of the valuation model we compared the models used to that of the prior year. - We corroborated the inputs used against publicly available information. - Assessed adequacy of disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZESCO LIMITED

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report and Statement on Corporate Governance as required by the Companies Act, 2017, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZESCO LIMITED

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities of business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
ZESCO LIMITED

Report on other legal and regulatory requirements

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

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

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


Chartered Accountants


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

Lusaka

Date: 1 August 2025

ZESCO LIMITED

CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Group		Company	
		2024	2023	2024	2023
		K'000	K'000	K'000	K'000
Revenue	5	30,843,971	28,308,204	30,696,307	28,204,514
Cost of sales	6	(26,439,072)	(21,816,511)	(33,686,985)	(26,130,583)
Gross Profit/(Loss)		4,404,899	6,491,693	(2,990,678)	2,073,931
Other operating income	7	3,618,377	5,907,971	3,621,824	5,800,399
Other losses/(gains)	8	(4,997,730)	(13,810,087)	(4,403,699)	(10,623,457)
Selling and distribution expenses		(18,047)	(20,248)	(16,855)	(20,248)
Administration expenses		(11,296,483)	(5,089,250)	(10,283,988)	(4,332,101)
Other expenses	9	(4,570,961)	(19,023,059)	(4,524,513)	(18,702,434)
Finance costs	10	(2,352,151)	(5,469,848)	(2,080,864)	(3,013,575)
Impairment of equipment	14	-	(4,763,372)	-	(4,763,372)
Share of profit/(loss) of associates	17.2	31,487	(39,091)	-	-
Share of profit/(loss) of a joint venture	17.2	741,995	18,272	-	-
Loss before tax		(14,438,616)	(35,797,020)	(20,678,773)	(33,580,857)
Income tax charge	12	(990,334)	(3,719,589)	(39,082)	(33,097)
Loss for the year		(15,428,950)	(39,516,609)	(20,717,855)	(33,613,954)
Other Comprehensive Income					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Revaluation surplus		-	119,503,666	-	119,484,155
Reversal of impairment of subsidiaries		-	5,979,673	-	-
Other comprehensive income for the year, net of income tax		-	125,483,339	-	119,484,155
Total Comprehensive (Loss)/Profit for the year		(15,428,950)	85,966,731	(20,717,855)	85,870,201

ZESCO LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

GROUP

	Share capital K'000	Revaluation reserve K'000	Retained earnings/ (Accumulated losses) K'000	Total K'000
Balance at 1 January 2023	2,825,118	19,570,303	(10,080,667)	12,314,754
Revaluation of Assets	-	119,503,666	-	119,503,666
Other comprehensive income for the year	-	-	5,979,673	5,979,673
Loss for the year	-	-	(39,516,608)	(39,516,608)
Amortisation of revaluation reserve	-	(675,155)	675,155	-
Balance at 31 December 2023	2,825,118	138,398,814	(42,942,447)	98,281,485
Loss for the year	-	-	(15,428,950)	(15,428,950)
Amortisation of revaluation reserve	-	(675,155)	675,155	-
Balance at 31 December 2024	2,825,118	137,723,659	(57,696,242)	82,852,535

ZESCO LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

COMPANY

	Share Capital K'000	Revaluation Reserve K'000	Retained earnings/ (Accumulated losses) K'000	Total K'000
Balance at 1 January 2023	2,825,118	19,570,303	(9,839,657)	12,555,764
Loss for the year	-	-	(33,613,954)	(33,613,954)
Revaluation surplus	-	119,484,155	-	119,484,155
Amortisation of revaluation reserve	-	(673,936)	673,936	-
Balance at 31 December 2023	2,825,118	138,380,522	(42,779,675)	98,425,965
Loss for the year	-	-	(20,717,855)	(20,717,855)
Realignment	-	-	-	-
Amortisation of revaluation reserve	-	(673,936)	673,936	-
Balance at 31 December 2024	2,825,118	137,706,586	(62,823,594)	77,708,110

ZESCO LIMITED
STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2024

		Group		Company	
	Note	2024 K'000	2023 K'000	2024 K'000	2023 K'000
ASSETS					
<i>Non-current assets</i>					
Property, plant and equipment	14	201,763,950	199,987,496	166,758,546	167,059,991
Intangible assets	15	184,641	207,013	184,489	206,771
Right of use assets	16	110,182	49,639	4,116	2,975
Investments in subsidiaries and associates	17	48,968	17,481	13,986,934	12,437,740
Investments in a joint venture	17	736,321	(5,674)	-	-
Deferred tax asset		-	17,519	-	-
Total non-current assets		<u>202,844,062</u>	<u>200,273,474</u>	<u>180,934,085</u>	<u>179,707,477</u>
<i>Current assets</i>					
Inventories	18	1,510,039	1,476,447	1,250,580	1,289,405
Trade and other receivables	19	9,661,983	6,152,306	9,963,913	5,567,068
Amounts due from related parties	21	597,605	283,929	603,958	409,965
Cash and bank balances		<u>1,513,388</u>	<u>2,138,865</u>	<u>1,387,937</u>	<u>1,746,005</u>
Total current assets		<u>13,283,015</u>	<u>10,051,547</u>	<u>13,206,385</u>	<u>9,012,443</u>
Total Assets		<u>216,127,077</u>	<u>210,325,021</u>	<u>194,140,473</u>	<u>188,719,920</u>
Equity And Reserves					
<i>Capital and reserves</i>					
Issued capital	20	2,825,118	2,825,118	2,825,118	2,825,118
Revaluation reserve		137,723,659	138,398,814	137,706,586	138,380,522
Accumulated losses		<u>(57,696,242)</u>	<u>(42,942,447)</u>	<u>(62,823,594)</u>	<u>(42,779,675)</u>
Total equity		<u>82,852,535</u>	<u>98,281,485</u>	<u>77,708,110</u>	<u>98,425,965</u>
<i>Non-current liabilities</i>					
Borrowings	22	57,527,510	52,614,187	31,245,368	28,959,768
Retirement benefit obligations	23	4,599,690	2,047,388	4,592,544	2,039,561
Capital grants and contributions	24	4,672,118	3,520,748	4,672,118	3,520,748
Deferred tax liability	13	4,411,862	3,507,916	-	-
Lease liabilities	27	<u>112,939</u>	<u>49,084</u>	<u>3,896</u>	<u>640</u>
Total non-current liabilities		<u>71,324,119</u>	<u>61,739,323</u>	<u>40,513,926</u>	<u>34,520,717</u>

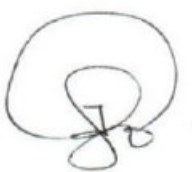
ZESCO LIMITED

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2024 (CONTINUED)

		Group		Company	
		2024	2023	2024	2023
<i>Current liabilities</i>	Notes	K'000	K'000	K'000	K'000
Trade and other payables	25	54,032,865	42,351,186	45,414,529	35,278,155
Amounts due to related parties	21	3,033,836	4,587,237	25,693,693	17,180,194
Borrowings	22	3,617,254	2,200,939	3,617,254	2,200,939
Retirement benefit obligations	23	160,492	84,298	151,431	83,713
Capital grants and contributions	24	208,838	157,373	208,838	157,373
Current tax liabilities	12	879,270	902,346	818,722	855,638
Lease liabilities	27	17,868	20,834	13,970	17,226
Total current liabilities		<u>61,950,423</u>	<u>50,304,213</u>	<u>75,918,437</u>	<u>55,773,238</u>
Total liabilities		<u>133,274,542</u>	<u>112,043,536</u>	<u>116,432,363</u>	<u>90,293,955</u>
Total Equity And Liabilities		<u>216,127,077</u>	<u>210,325,021</u>	<u>194,140,473</u>	<u>188,719,920</u>

The responsibilities of the Directors with regard to the preparation of the financial statements are set out on page 11. The financial statements on pages 18 to 101 were approved by the Board of Directors and authorised for issue on 18th July, 2025 and were signed on its behalf by:


Mr. Vickson Ncube
CHAIRMAN


Eng. Justin Loongo
MANAGING DIRECTOR

ZESCO LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Group		Company	
		2024 K'000	2023 K'000	2024 K'000	2023 K'000
Cash Flows From Operating Activities					
Loss before tax		(14,438,616)	(35,797,020)	(20,678,773)	(33,580,857)
Adjustments for:					
- Share of (loss)/profit of associates	17.2 (iii)	(31,487)	39,091	(22,354)	(15,375)
- Share of loss/(profit) of joint venture	17.2 (i)	(741,995)	(18,272)	-	-
- Interest income	7	68,638	(20,516)	-	-
- Impairment of equipment		-	4,763,372	-	-
- Finance costs recognised in profit and loss	7	2,352,151	5,469,848	2,080,864	3,013,575
- Net exchange (gains)/ losses recognised on borrowings	10	4,300,051	15,487,080	2,186,587	8,299,843
- Loss on transfer of assets Fibrecom	14	-	-	-	36,280
- Loss on disposal of property, plant and equipment		(974)	(4,097)	1,820	4,087
- Depreciation of non-current assets		5,773,759	2,138,362	5,326,163	1,834,222
- Adjustments on assets		(157)	314,176	30,753	31,162
- Right of use assets	14	-	(45377)	6,810	(3,228)
-Amortization of intangible assets		22,741	31,162	-	-
-Assets transfer to KGL	14	43,650	-	-	-
- Amortization of capital grants and contributions	14	(466,236)	(226,081)	(252,566)	(226,081)
Impairment of investments					
- Impairment loss recognised	14	-	169,929	437,876	
-Unrealised exchange gains/(losses)				(103,080)	(149,262)
- Impairment loss reversal recognised on amounts due from related parties	15	-	5,979,673	-	1,297,604
- Impairment loss recognised on trade receivables	16	-	-	-	-
- Dividend received	17	211,337	8,148,581	2,287,561	8,148,581
		-	-	6,475	(1,409,404)
Movements in working capital:		2,907,137	6,429,911	10,979,426	-
Increase in inventory		(33,592)	(241,509)	38,825	(215,115)
(Increase)/decrease in trade and other receivables	19	(3,721,014)	(11,464,447)	(4,834,720)	(10,935,371)
Decrease/(increase) in amounts due from related parties	19	(313,676)	3,340,457	(193,993)	2,028,087
Increase in trade and other payables		11,681,679	16,208,295	10,136,374	14,305,354
Decrease/(increase) in deferred liabilities		2,628,496	7,257,964	2,620,701	69,409
Increase /(Decrease) in amounts due to related parties		(1,553,399)	(1,593,152)	8,513,499	(256,450)
Decrease in right of use assets		-	-	-	-
Cash (utilised)/generated from operations		5,781,357	5,421,591	5,301,260	(2,959,570)
Interest paid		(2,352,151)	(5,469,848)	(2,080,864)	(139,767)
Income tax paid		(91,945)	(142,916)	(75,997)	(387,391)
Net cash (utilised)/generated by operating activities		<u>3,337,261</u>	<u>191,173</u>	<u>3,144,399</u>	<u>(6,112,912)</u>

ZESCO LIMITED

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Group		Company	
		2024 K'000	2023 K'000	2024 K'000	2023 K'000
Cash Flows From Investing Activities					
Payments for property, plant and equipment		(7,589,423)	(4,591,330)	(5,051,538)	(2,931,051)
Payments to acquire intangible assets	14	(369)	-	(369)	(26,573)
Proceeds from disclosed of /(payment to acquire) investments	15	-	-	(1,549,194)	2,737,481
Dividend received		-	-	(6,475)	1,409,404
Interest received		(68,638)	20,516	22,354	15,375
Net cash generated from /(used in) investing activities	7	<u>(7,658,430)</u>	<u>(4,570,814)</u>	<u>(6,585,222)</u>	<u>1,204,636</u>
Cash Flows From Financing Activities					
Repayment of borrowings		(1,186,171)	(3,774,734)	(1,186,171)	(3,774,734)
Proceeds from capital grants and contributions	22	1,669,071	38,033	1,571,408	671,825
Proceeds from borrowings	28	3,215,758	671,825	2,701,500	6,645,559
Repayment of lease liabilities	24	(2,966)	6,131,301	(3,981)	11,115
Write back on investments		-	-	-	-
Net cash received from /(used in) financing activities		<u>3,695,692</u>	<u>3,066,425</u>	<u>3,082,756</u>	<u>3,553,954</u>
Net cash generated from financing activities		<u>(625,477)</u>	<u>(1,695,562)</u>	<u>(358,067)</u>	<u>(1,354,322)</u>
Net increase (decrease) in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year		<u>2,138,865</u>	<u>3,834,427</u>	<u>1,746,005</u>	<u>1,746,005</u>
Cash and cash equivalents at the end of the year		<u>1,513,388</u>	<u>2,138,865</u>	<u>1,387,937</u>	<u>1,746,005</u>
Comprising of:					
Bank and cash balances*		1,513,388	2,138,865	1,387,937	1,746,005
Bank overdraft		-	-	-	-
		<u>1,513,388</u>	<u>2,138,865</u>	<u>1,387,937</u>	<u>1,746,005</u>

*Included in bank and cash balances are restricted funds amounting to **K805 million**. The cash is held as part of Debt Security Reserves.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

1. Principal activities

The principle activities of the Group continued to be the generation, transmission, distribution and supply of electricity and provision of IP connectivity.

2. IFRS Accounting Standards (IFRS)

a) Basis of consolidation

The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2024. All subsidiaries have a reporting date of 31 December. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. 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.

b) Basis of preparation

The financial statements are prepared in accordance with the provisions of the Companies Act and IFRS Accounting Standards (IFRS). The financial statements are presented in accordance with IAS 1 "Preparation of financial statements" (Revised 2007). The Group has elected to present the "Statement of Comprehensive income" in one statement namely the "Statement of Comprehensive Income". IAS 1 also requires the presentation of a comparative statement of financial position and related notes at the beginning of the first comparative period. The financial statements have been prepared under the historic cost convention, as modified by the revaluation of property, plant and equipment, available-for-sale financial assets, and financial assets and liabilities at fair value through profit or loss.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as realisable value in IAS 2 or value in use in IAS 36.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

2. IFRS Accounting Standards (IFRS) (continued)

b) Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in thousands of the Zambian Kwacha (K).

(c) New Standards and amendments that are effective at 1 January 2024 and are applicable to the Group

These amendments do not have a significant impact on these Financial Statements and therefore the disclosures have not been made.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Lease liability in a sale and leaseback (Amendments to IFRS 16);
- Supplier finance arrangements (Amendments to IAS 7 and IFRS 7);
- Non current liabilities with covenants (Amendments to IAS 1); and

(d) Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

- Lack of exchangeability (Amendments to IAS 21) ;
- Amendments to the classification and measurement of Financial Instruments (Amendments to IFRS 9 and 7) ;
- IFRS 18 'Presentation and disclosure in the financial statements'; and
- IFRS 19 (Subsidiaries with Public Accountability: Disclosures'.

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. **Material accounting policies**

a) **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards.

b) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for the sale/provision of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax (VAT), excise duties, discounts and rebates.

Revenue arises mainly from the distribution and supply of electricity to customers being Mines, exports, domestic and commercial customers and supply of internet and leased circuit.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group enters into transactions involving a range of the Group's products and services. These include wheeling of electricity and supply of electricity.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as customer financed long term payables in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

(c) **Sale of electricity**

Revenue from the sale of electricity for an agreed tariff is recognised when or as the Group transfers electricity to the customer. Invoices for goods or services transferred are due upon receipt by the customer. Prepaid sales are recognised at the point when the electricity tokens are issued to the customers.

For stand-alone sales of energy and capacity (Bulk supply of electricity) that are neither customised by the Group nor subject to significant integration services, control transfers at the point in time that the customer takes undisputed delivery of the goods. When such items are either customised or sold together with significant integration, they represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for the power delivered to date.

The sale of energy to customers in the foreign countries and Zambia bought from utilities in the Southern Africa Power Pool (SAPP) is known as power trading.

ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. **Material accounting policies (continued)**

d) **Interest income**

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

e) **Rental income**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

f) **Fibre income**

Fibre income is recognised on the accrual basis in accordance with the substance of the agreement. Connection fees are deferred over the useful life of the fibrecom assets through Income Statement. Access charges are recognised in the period to which it relates. This income was transferred from ZESCO Limited to the subsidiary, Fibrecom Limited in 2021.

g) **Inventories**

All Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and includes all expenditure incurred in bringing the inventories to their present location and condition. Net realisable value is the price at which inventory can be realised in the normal course of business and takes into account all directly related costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving and defective inventories.

h) **Foreign currencies**

In preparing the financial statements of the entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences:

- on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- arising on foreign currency transactions are posted to the profit and loss in the period they arise.

i) **Borrowing costs**

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the financial period in which they are incurred.

ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. **Material accounting policies (continued)**

j) **Capital grants and contributions**

Capital grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Capital grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Capital contributions represent money received from electricity consumers towards the capital cost of connections. Capital contributions are deferred and credited to profit or loss in equal annual instalments over the expected useful lives of the related assets.

k) **Taxation**

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

(i) **Current tax**

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

(ii) **Deferred tax**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. **Material accounting policies (continued)**

k) **Taxation (continued)**

(iii) **Current and deferred tax for the financial period**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in profit or loss or directly in equity respectively.

l) **Property, plant and equipment**

Property, plant and equipment are stated in the statement of financial position at their cost or revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses.

Depreciation is charged to write off the cost or revalued amounts of property, plant and equipment over their estimated useful lives, on a straight line basis, over the following number of years:

Generation, Transmission and Distribution Systems:

Dams, tunnels, power houses and other civil structures	60 years
Generators, Turbines, Transformers and Towers	40 years
Transmission and distribution systems	25 - 50 years

Other Assets:

Buildings - Roads, Workshops, Offices and Houses	30-50 years
Furniture, Vehicles and IT	3 - 15 years

Capital work in progress is not depreciated

Depreciation is recognised so as to write off the cost or revalued amounts of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Management has estimated the residual values of the property, plant and equipment at 31 December 2024 to be insignificant and for purpose of the financial statements have been assigned a nil value.

Repairs and maintenance expenses are charged to profit or loss during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

3. Material accounting policies (continued)

l) **Property, plant and equipment (continued)**

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

The surplus arising on revaluation of tangible assets is credited to a non-distributable reserve. Decreases that offset previous revaluations of the same asset are charged against the revaluation reserve. All other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to revenue reserves. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to revenue reserves.

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

m) **Leases**

At inception of a contract, the Group assesses a contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether the contract involves the use of an identified asset, the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Group has the right to direct the use of the asset.

i) **Group as a lessee**

For new lease contracts, the Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee in the statement of financial position. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on consumer price index ("CPI"), the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

3. Material accounting policies (continued)

m) **Leases (continued)**

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments including due to changes in CPI or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or when the lease contract is modified and the lease modification is not accounted for as a separate lease. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the related right-of-use asset has been reduced to zero.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Subsequent to initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any impairment losses and adjusted for certain remeasurements of the lease liability. Depreciation is computed using the straight-line method from the commencement date to the end of the useful life of the underlying asset or the end of the lease term, whichever is shorter. The estimated useful lives of right-of-use assets are determined on the same basis as those of the underlying property and equipment.

In the statement of financial position, the right-of-use assets and lease liabilities are presented separately. When a contract includes lease and non-lease components, the Group allocates the consideration in the contract on the basis of the relative stand-alone prices of each lease component and the aggregate stand-alone price of the non-lease components.

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases of machinery that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii) **Group as a lessor**

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under a finance lease are recognised as receivables at an amount equal to the net investment in the leased assets. Finance lease income is allocated to the periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. Material accounting policies (continued)

n) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

o) Impairment of tangible and intangible assets

At the end of each reporting period the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

p) Financial instruments

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

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

ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. Material accounting policies (continued)

p) Financial instruments (continued)

i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

ii) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

3. Material accounting policies (continued)

p) Financial instruments (continued)

ii) Classification of financial assets (continued)

(i) Amortised cost and effective interest method

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

3. Material accounting policies (continued)

p) Financial instruments (continued)

ii) Classification of financial assets (continued)

(i) Amortised cost and effective interest method

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss.

iii) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investment's revaluation reserve;
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

iv) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. Material accounting policies (continued)

p) Financial instruments (continued)

iv) Impairment of financial assets (continued)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligation;
- Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. Material accounting policies (continued)

p) Financial instruments (continued)

Significant increase in credit risk

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

v) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(vi) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

3. Material accounting policies (continued)

p) Financial instruments (continued)

(vii) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over law of limitation period past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(viii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(ix) Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3. Material accounting policies (continued)

p) Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

q) Investments

IAS 27 Separate Financial Statements contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments.

ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. Material accounting policies (continued)

q) Investments (continued)

The investments represent the equity investments of the Group held at cost in the subsidiaries. These investments are carried at cost as there is no reliable measure of fair value and regularly reviewed for impairment at each reporting date.

r) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

s) Retirement benefits and other employee benefits

(i) Defined benefit plan

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in accumulated funds and will not be reclassified to income or expenditure. Past service cost is recognised in income or expenditure in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

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

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

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. Material accounting policies (continued)

s) Retirement benefits and other employee benefits (continued)

(ii) Defined contribution plan

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

(iii) Termination benefits

Employees on non-fixed term contract of employment (commonly known as "Permanent and Pensionable" employment) are entitled to long service termination benefits. The benefits are computed in accordance with accrued service period and the terminal pay. Provision is raised in profit or loss on a monthly basis.

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

(iv) Other entitlements

Employee entitlements to annual leave and contract gratuity are recognised when they accrue to employees. Accrued leave pay and gratuity is accounted for in income or expenditure as it arises.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with the Group's accounting policies which are described in note 3, requires the Directors to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are readily apparent from other sources. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

a) Critical judgements in applying accounting policies

i) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised.

ii) Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

iii) Significant increase in credit risk

As explained in note 2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

iv) Provision for obsolete inventory

The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is any future saleability of the product and the net realizable value for such product. Accordingly, provision for obsolescence is made where the net realizable value is less than cost based on best estimates by the management, ageing of inventories and historical movement of the inventory.

v) Capitalisation of borrowing costs

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Capitalisation of the borrowing costs relating to construction is suspended when the development is delayed as management reconsiders its detailed plans. Capitalisation of borrowing costs is recommenced at the resumption of the activities necessary to prepare the asset for its intended use.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

a) Critical judgements in applying accounting policies (continued)

vi) Judgement in identifying whether a contract includes a lease

The Directors of the Group assess whether or not the Group has contracted for the rights to use the identified assets and whether the contract conveys the right to control the use of the identified assets for a period of time in exchange for consideration. The Directors concluded that the Group has contracted for the rights to use the identified assets and that the contract conveys the right to control the use of the identified assets for a period of time in exchange for consideration, therefore the contracts do contain lease.

b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

i) Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2023 and the management has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods.

ii) Contingencies

Appropriate recognition and disclosure of contingent liabilities is made regarding litigation, tax matters and environmental issues. Accounting for contingencies requires significant judgement by management regarding the estimated probabilities and ranges of exposure to potential loss. The evaluation of these contingencies is performed by various specialists inside and outside of the Group. The Group's assessment of the Group's exposure to contingencies could change as new developments occur or more information becomes available.

iii) Impairment of investments in joint ventures and associates

Investments in joint ventures and associates are reviewed for impairment at the reporting date. Determining whether an investment balance is impaired requires an estimation of the value in use of the joint venture or associate. The value in use calculation requires an estimate to be made of the timing and amount of future cash flows expected to arise from the joint venture or associate and the application of a suitable discount rate in order to calculate the present value. The discount rates used are based on the Group's weighted average cost of capital adjusted to reflect the specific economic environment of the joint venture or associate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

b) Key sources of estimation uncertainty (continued)

iv) Actuarial valuation assumptions

The Group has a defined benefit pension scheme, the valuation of the net assets or liabilities involves accounting estimates arising from actuarial valuation based on assumptions. Actuarial assumptions made in determining the present obligation of retirement benefits.

v) Leases IFRS 16

In determining the right-of-use assets and lease liabilities a number of assumptions were made. The key assumptions include determining the Incremental Borrowing Rate which was used as discounting factor to determine the lease liability and interest expense.

	Group		Company	
	2024 K'000	2023 K'000	2024 K'000	2023 K'000
5. Revenue				
Arose from customers in the following sections:				
Mining	17,182,820	12,426,022	17,519,919	12,726,411
Exports	7,237,873	8,283,858	7,237,873	8,283,858
Residential	1,900,753	2,805,833	1,900,754	2,805,832
Industrial and agricultural	3,355,576	3,538,438	3,355,576	3,538,438
Commercial (retail outlets)	<u>1,166,949</u>	<u>1,254,053</u>	<u>682,185</u>	<u>849,975</u>
	<u>30,843,971</u>	<u>28,308,204</u>	<u>30,696,307</u>	<u>28,204,514</u>
6. Cost of sales				
Local purchases of power	11,585,273	17,312,282	19,109,404	21,877,570
Direct labour costs	1,630,296	1,269,989	1,612,101	1,269,989
Local wheeling charges	1,315,347	1,104,642	1,315,347	1,104,641
Maintenance costs	706,288	688,542	518,921	521,490
Power imports (internally financed)	9,700,602	41,271	9,700,602	41,271
Generation water usage & fuel costs	251,948	283,262	181,294	199,099
Export wheeling charges	<u>1,249,316</u>	<u>1,116,523</u>	<u>1,249,316</u>	<u>1,116,523</u>
	<u>26,439,072</u>	<u>21,816,511</u>	<u>33,686,985</u>	<u>26,130,583</u>

The Group continued to buy power from Independent Power Producers (IPPs) to supplement the internal power generation, which was reduced due to low water levels. The cost of IPPs was partially financed by the Government of the Republic of Zambia due to higher tariff of about US\$11/cents kWh, compared to the average selling price of US\$7.5/cents kWh.

The IPPs include Maamba Collieries Limited, Ndola Energy Company Limited and Itezhi Tezhi Power Corporation Limited whose average cost of power exceeds ZESCO's selling price to customers. During the year total disbursements from the Government of the Republic of Zambia was K39 million (2023: K31.3 million) towards power purchases.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Group		Company	
	2024 K'000	2023 K'000	2024 K'000	2023 K'000
7. Other operating income				
Wheeling income	1,068,179	62,661	2,272,006	62,661
Amortisation of capital grants and contributions (Note 24)	252,566	226,081	1,068,179	226,081
Interest on late payments	-	358,798	252,567	358,798
Interest income (expenses)	(68,638)	20,516	-	15,375
Rental income	7,662	6,192	22,354	6,193
Sundry income	<u>2,358,608</u>	<u>5,233,323</u>	<u>6,718</u>	<u>5,131,291</u>
	<u>3,618,277</u>	<u>5,907,571</u>	<u>3,621,824</u>	<u>5,800,399</u>
8. Other gains/(losses)				
Net exchange gains/(losses)	(4,997,730)	(13,810,087)	(4,401,879)	(10,619,373)
Loss on disposal of property, plant and equipment	-	-	(1,820)	(4,084)
	<u>(4,997,730)</u>	<u>(13,810,087)</u>	<u>(4,403,699)</u>	<u>(10,623,457)</u>

The Zambian Kwacha depreciated against the US Dollar and other major convertible foreign currencies during the year.

The impact of the depreciation of the Zambian Kwacha during the year is that the Group recorded significant exchange losses on its foreign currency denominated liabilities.

The table below illustrates the movements in the US Dollar exchange rates during the period:

	Mid – market exchange rate as at 1 January 2024	Mid – market exchange rate as at 31 December 2024	Average depreciation during the year
Currency			
US Dollar (1 US\$ =)	<u>K25.714</u>	<u>K27.830</u>	8%

	Group		Company	
	2024 K'000	2023 K'000	2024 K'000	2023 K'000
9. Other expenses				
Provision for bad debts	2,201,291	15,932,749	2,190,923	15,924,089
Other expenses	2,369,670	2,800,359	2,333,590	2,778,345
Impairment provision during the year	-	<u>289,951</u>	-	-
	<u>4,570,961</u>	<u>19,023,059</u>	<u>4,524,513</u>	<u>18,702,434</u>
10. Finance costs				
These comprise the following:				
Interest paid on borrowings	2,342,078	5,463,958	2,072,931	3,007,801
Interest paid on overdraft	4,204	2,756	4,037	2,640
Interest on lease liabilities	<u>5,871</u>	<u>3,134</u>	<u>3,896</u>	<u>3,134</u>
	<u>2,352,151</u>	<u>5,469,848</u>	<u>2,080,864</u>	<u>3,013,575</u>

ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Group		Company	
	2024 K'000	2023 K'000	2024 K'000	2023 K'000
11. Loss before tax				
Loss before tax is stated after crediting:				
Amortisation of capital grants and capital contributions	<u>252,566</u>	<u>226,081</u>	<u>252,566</u>	<u>226,081</u>
Interest income	<u>-</u>	<u>22,504</u>	<u>22,354</u>	<u>15,375</u>
and after charging:				
Interest expense	<u>(68,638)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net exchange gain/(losses) (note 8)	<u>(4,977,730)</u>	<u>(13,810,385)</u>	<u>(4,401,879)</u>	<u>(10,619,373)</u>
Employee benefits	<u>4,723,578</u>	<u>3,346,100</u>	<u>6,535,974</u>	<u>3,736,705</u>
Depreciation and amortisation (note 14 and 15)	<u>5,804,921</u>	<u>2,163,261</u>	<u>5,356,916</u>	<u>1,865,385</u>
Finance costs (Note 10)	<u>2,352,151</u>	<u>5,469,848</u>	<u>2,080,864</u>	<u>3,013,575</u>
Pension costs	<u>135,721</u>	<u>100,721</u>	<u>135,721</u>	<u>118,285</u>
Directors' fees in connection with the management of the Group	<u>70,009</u>	<u>71,504</u>	<u>70,009</u>	<u>70,554</u>
- as Directors	<u>16,049</u>	<u>4,630</u>	<u>5,970</u>	<u>4,650</u>
Donations	<u>3,755</u>	<u>5,899</u>	<u>2,526</u>	<u>5,899</u>
(Loss)/profit on disposal of property, plant and equipment	<u>-</u>	<u>(4,084)</u>	<u>1,820</u>	<u>(4,084)</u>
12. Current tax				
Income tax charge at 30%				
Deferred taxation (note 13)	921,464	63,595	-	-
Current tax	<u>68,870</u>	<u>3,655,944</u>	<u>39,082</u>	<u>33,097</u>
Income tax charge/(credit)	<u>990,334</u>	<u>3,719,589</u>	<u>39,082</u>	<u>33,097</u>

Subject to agreement with the Zambia Revenue Authority, the Group had estimated tax losses of K36.917 billion (2023: K36.917 billion) which are available for carry forward for a period of 10 years from the year in which they arose and for set off against future taxable profits. The cumulative tax losses comprise::

		Group		Company	
		2024 K'000	2023 K'000	2024 K'000	2023 K'000
2024 losses available until 2034 (K'000)		(48,845,325)	(21,119,712)	46,442,480	29,410,136
GROUP					
Tax year	Tax year expiry	Tax loss b/f amount	Utilised	Expired	Tax loss c/f
2015	2025	(1,134,744)	-	-	(1,134,744)
2018	2028	(389,093)	-	-	(389,093)
2020	2030	(17,563,014)	11,057,046	-	(6,505,968)
2021	2031	(275,589)	275,807	(218)	-
2022	2032	(4,090,248)	1,569,268	-	(2,520,980)
2023	2033	(16,833,314)	-	-	(16,833,314)
2024	2034	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,671,634)</u>
		<u>(40,286,002)</u>	<u>12,902,121</u>	<u>(218)</u>	<u>(49,055,733)</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

12. Current tax (continued)

COMPANY

Statement of tax losses

Tax year	Tax year expiry	Utilised in current period K'000	Tax loss utilized in period K'000	Tax loss carried forward K'000
2021	2031	(6,218,861)	-	(6,218,861)
2023	2033	(23,191,275)	-	(23,191,275)
2024	2034	<u>-</u>	<u>-</u>	<u>(17,032,344)</u>
		<u>(29,410,136)</u>	<u>-</u>	<u>(46,442,480)</u>

12. **Current tax (continued)**

*The subsidiary, Kariba North Bank Extension Power Corporation Limited qualifies for the general investments incentives under the Zambia Development Agency Act No.11 of 2006 (the ""Act""). The Act offers a wide range of incentives in the form of allowances, exemptions and concessions for companies. The Act provides for investment thresholds that investors have to meet to qualify for fiscal and non-fiscal incentives.

13. **Deferred tax**

Deferred tax asset arising on temporary differences of ZESCO Limited was derecognised in 2020 as directors believe the asset is not recoverable.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

13. Deferred tax (continued)

The following are the major deferred tax liabilities/(assets) recognised by the Group and their movements in the year:

GROUP	Net unutilized tax losses K'000	Accelerated capital allowances K'000	Revaluation surplus K'000	Provisions and other K'000	Total K'000
2023					
At the beginning of the year restated	(287,032)	70,245	225,195	(167,786)	(159,378)
(Credit) / charge to profit or loss	65,168	6,821	-	-	71,989
Charge to equity	-	-	-	(60,690)	(60,690)
Derecognised deferred tax	-	-	-	3,655,995	3,655,995
At the end of the year	<u>(221,864)</u>	<u>77,066</u>	<u>225,195</u>	<u>3,427,519</u>	<u>3,507,916</u>
2024					
At the beginning of the year	(221,864)	77,066	225,195	3,427,519	3,507,916
(Credit) / charge to profit or loss	700,513	1,417,397	-	(1,449,773)	902,376
Charge to equity	-	-	-	1,600	1,600
At the end of the year	<u>478,649</u>	<u>1,494,463</u>	<u>225,195</u>	<u>1,960,228</u>	<u>4,411,862</u>
				2024	2023
Deferred tax asset				K'000	K'000
Deferred tax liability				-	(17,517)
At the end of the year				4,158,535	3,507,916
				4,158,535	3,490,399

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

13. Deferred tax (continued)

COMPANY

2023

	Net tax losses K'000	Accelerated Capital allowances K'000	Revaluation surplus K'000	Provisions and other items K'000	Total K'000
At the beginning of the year	(10,266,830)	4,196,946	-	(3,370,974)	(9,440,858)
(Credit) charge to profit or loss	1,443,789	487,027	-	(7,734,187)	(5,803,370)
Credit to equity	-	-	-	-	-
At the end of the year	<u>(8,823,041)</u>	<u>4,683,973</u>	-	<u>(11,105,161)</u>	<u>(15,244,229)</u>
2024	Net tax losses K'000	Accelerated Capital allowances K'000	Revaluation surplus K'000	Provisions and other items K'000	Total K'000
At the beginning of the year	(8,823,041)	4,683,973	-	(11,105,160)	(15,244,228)
(Credit) charge to profit or loss	-	-	-	-	-
Derecognised deferred tax	<u>(5,109,703)</u>	<u>13,748,311</u>	-	<u>(35,678)</u>	<u>8,602,930</u>
At the end of the year	<u>(13,932,744)</u>	<u>18,432,284</u>	-	<u>(11,140,838)</u>	<u>(6,641,298)</u>

Deferred tax asset arising on temporary differences of the Company was derecognised in the 2020 year as directors of the Company believed the asset was not recoverable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

14. Property, plant and equipment

(a)	Summary - Group Cost or valuation	Generation Systems K'000	Transmission Systems K'000	Distribution Systems K'000	Civil works & buildings K'000	Vehicles, Furniture & fittings equipment K'000	Capital work in progress K'000	Total K'000
At 1 January 2023								
Additions	20,670,430	14,173,133	14,718,546	10,583,818	5,545,281	27,633,691	93,324,899	
Depreciation Capitalised	26,747	-	1,623	9,890	118,582	4,434,388	4,591,330	
Disposals	(5,718)	-	-	-	(3)	148	145	
Revaluation of Assets	27,613,895	-	(347)	(4,988,032)	(81)	-	(6,146)	
Transfers from Capital Works in Progress	9,753,770	49,432,442	35,740,285	(4,649,738)	(4,988,032)	-	103,148,852	
Reclassification to intangible assets	1,431,045	1,050,184	644,465	113,872	113,872	(13,019,909)	(26,573)	
Adjustment on assets	(255,555)	(58,850)	(2,829)	(21)	(21)	(6)	(317,261)	
At 31 December 2023	<u>(11,443,278)</u>	<u>28,584</u>	<u>5,882</u>	<u>(305,641)</u>	<u>(3,631,186)</u>	<u>15,345,684</u>	<u>45</u>	
Additions	46,615,846	64,809,649	51,457,323	6,279,965	(2,841,488)	34,393,996	200,715,291	
Transfer of assets to KGL	218,541	3,486	8,954	35	111,925	7,245,562	7,588,503	
Reclassification of Assets	(3,659)	-	-	-	-	-	-	
Adjustments	-	-	1,220	-	(28,116)	-	(31,775)	
Disposals	-	-	-	-	(1880)	157	503	
At 31 December 2024	<u>46,830,728</u>	<u>64,813,135</u>	<u>51,467,496</u>	<u>6,280,000</u>	<u>(2,729,582)</u>	<u>41,639,738</u>	<u>(990)</u>	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

14. Property, plant and equipment

Summary – group (continued)	Generation Systems K'000	Transmission Systems K'000	Distribution Systems K'000	Civil works & buildings K'000	Vehicles, Furniture & fittings equipment K'000	Capital work in progress K'000	Total K'000
DEPRECIATION							
At 1 January 2023	1,154,438	2,909,381	3,271,323	1,637,239	1,191,034	-	10,163,415
Charge for the year	431,005	474,216	685,157	334,488	213,495	-	2,138,362
Eliminated on Revaluation	(1,028,464)	(3,383,597)	(3,956,133)	(1,847,803)	(1,355,938)	-	(11,571,935)
Eliminated on disposal	<u>(1,634)</u>	-	<u>(347)</u>	-	<u>(68)</u>	-	<u>(2,049)</u>
At 31 December 2023	555,346	-	-	123,924	48,524	-	727,793
Charge for year	1,275,592	1,613,614	2,297,190	350,180	237,183	-	5,773,759
Transfer to KGL	-	(1)	-	-	11,875	-	11,875
Eliminated on disposal	<u>(1,839)</u>	-	-	-	<u>(4,024)</u>	-	<u>(5,864)</u>
At 31 December 2024	<u>1,829,098</u>	<u>1,613,613</u>	<u>2,297,190</u>	<u>474,104</u>	<u>293,559</u>	-	<u>6,507,563</u>
CARRYING AMOUNT							
At 31 December 2024	<u>45,001,630</u>	<u>63,199,523</u>	<u>49,170,307</u>	<u>5,805,896</u>	<u>(3,053,143)</u>	<u>41,639,738</u>	<u>201,763,950</u>
At 31 December 2023	<u>46,060,500</u>	<u>63,199,523</u>	<u>51,457,323</u>	<u>6,156,041</u>	<u>(2,890,013)</u>	<u>34,393,996</u>	<u>199,987,496</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

14. Property, plant and equipment

(b) Summary - Company

	Generation Systems K'000	Transmission Systems K'000	Distribution Systems K'000	Civil Works and Buildings K'000	Vehicles, Furniture and fittings, and Equipment K'000	Capital Works in Progress K'000	Total K'000
Cost or Valuation							
At 1 January 2023	4,240,038	14,173,133	14,718,133	9,013,374	5,458,426	13,409,215	61,012,724
Additions	19,115	-	1,623	69	110,124	3,117,339	3,248,270
Disposals	(5,718)	-	(347)	-	-	-	(6,065)
Revaluation of Assets	28,640,146	52,823,956	39,701,214	(2,801,926)	(3,642,606)	-	114,720,783
Transfers from Capital Works In Progress	27,790	1,431,045	1,050,184	104,042	113,872	(2,753,506)	(26,573)
Reclassification to intangible assets(note 15)	-	(269,026)	(63,331)	(2,829)	4	(6)	(335,188)
Adjustments	-	<u>13,471</u>	<u>4,481</u>	-	<u>17</u>	-	<u>17,969</u>
At 31 December 2023	<u>32,921,370</u>	<u>68,172,579</u>	<u>55,412,370</u>	<u>6,312,730</u>	<u>2,039,829</u>	<u>13,773,042</u>	<u>178,631,920</u>
Additions	203,407	3,486	8,954	35	62,404	4,773,912	5,052,198
Disposals	-	-	-	-	-	-	-
Transfer to KGL	(3,659)	-	-	-	(28,116)	-	(31,775)
Reclassification to intangible assets note 15	-	-	-	-	-	-	-
Transfers from Capital Works In Progress	-	-	-	-	-	-	-
Adjustments	-	-	<u>1,220</u>	-	<u>1,880</u>	-	<u>660</u>
At 31 December 2024	<u>33,121,119</u>	<u>64,176,065</u>	<u>55,422,544</u>	<u>6,312,765</u>	<u>2,072,237</u>	<u>18,546,953</u>	<u>183,653,003</u>
Cost							
Valuation (1996)	1,687,244	7,335,232	7,629,450	1,012,895	5,490,188	18,546,954	41,701,963
Valuation (2001)	177,987	-	1,281,611	51,779	-	-	1,511,377
Valuation (2017)	191,640	-	-	153,854	-	-	345,494
Valuation (2023)	2,424,102	8,016,877	6,810,269	7,896,163	224,655	-	25,390,505
At 31 December 2024	<u>28,640,146</u>	<u>52,823,956</u>	<u>39,701,214</u>	<u>(2,801,926)</u>	<u>(3,642,606)</u>	-	<u>114,720,783</u>
	<u>33,121,119</u>	<u>68,176,065</u>	<u>55,422,544</u>	<u>6,312,765</u>	<u>2,072,237</u>	<u>18,546,954</u>	<u>183,653,003</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

14. Property, plant and equipment

(b) Summary – company (continued)

	Generation Systems K'000	Transmission Systems K'000	Distribution Systems K'000	Civil Works and Buildings K'000	Vehicles, Furniture and fittings, and Equipment K'000	Capital Works in Progress K'000	Total K'000
Depreciation							
At 1 January 2023	858,337	2,909,381	3,271,323	1,540,847	1,159,805	-	9,739,693
Charge for the year	171,761	474,216	685,157	306,956	196,132	-	1,834,222
Eliminated on revaluation	(1,028,464)	(3,383,597)	(3,956,135)	(1,847,803)	(1,355,937)	-	11,571,934
Eliminated on disposal	(1,634)	-	(347)	-	-	-	(1,982)
At 31 December 2023	-	-	-	-	-	-	-
Charge for year	885,486	1,613,614	2,297,190	311,736	218,137	-	5,326,163
Eliminated on disposals	(1,839)	-	-	-	(3441)	-	(5,281)
Adjustment at 31 December 2024	-	-	-	-	333	-	333
	<u>1,909,898</u>	<u>1,613,614</u>	<u>2,297,190</u>	<u>311,736</u>	<u>215,029</u>	<u>-</u>	<u>5,321,215</u>
Carrying Amount							
At 31 December 2024	<u>26,447,860</u>	<u>63,170,940</u>	<u>49,164,425</u>	<u>4,153,216</u>	<u>511,790</u>	<u>18,546,953</u>	<u>166,758,536</u>
At 31 December 2023	<u>31,895,119</u>	<u>64,781,066</u>	<u>51,451,441</u>	<u>4,464,917</u>	<u>694,403</u>	<u>13,773,042</u>	<u>167,059,989</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

14. Property, plant and equipment (continued)

(c) Fair valuation measurement

The Group's Civil engineering works, generation plants and transmission and distribution systems and leasehold buildings are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation. The fair value measurement of the Group's civil engineering works and buildings and generation plants and transmission and distribution systems as at 31 December 2023 were performed by Messrs Multiconsult United Kingdom and Upmarket Property Consultants respectively, independent valuers not related to the Group.

Multiconsult UK Limited revalued technical assets, (Generation, Transmissison and Distribution Assets) while Upmarket Property Consultants revalued Land and Buildings, IT equipment, and vehicles

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

14. Property, plant and equipment (continued)

(c) Fair valuation measurement (continued)

Property, plant and equipment	Valuation technique	Description of valuation technique	Observable inputs
Transmission and distribution systems	Depreciated Current Replacement Value (DCRV)	The DCRV method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration. Transmission line asset prices were obtained from recent ZESCO transmission line projects pricing schedules. An additional 3% on-costs was added to account for the Owner's costs. Line costs were priced per unit length and according to terrain type (flat, hilly and swampy). Distribution equipment pricing data was obtained from recent ZESCO in-house pricing data. Unit installed prices (material and labour) per length of overhead line and underground cable was calculated from these data.	Market prices, exchange rates, discounted rate

Details of the Group's civil engineering works and buildings, generation plants and transmission and distribution systems and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 December 2024
	K'000	K'000	K'000	K'000
Civil engineering works and buildings	—	—	2,665,342	2,665,342
Generation plants	—	9,283,274	—	9,283,274
Transmission and distribution systems	—	7,179,935	—	7,179,935

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

14. Property, plant and equipment (continued)

(c) Fair valuation measurement (continued)

	Level 1	Level 2	Level 3	Fair value as at 31 December 2023
	K'000	K'000	K'000	K'000
Civil Engineering works and buildings	—	—	2,936,793	2,936,793
Generation plants	—	—	10,133,677	10,133,677
Transmission and distribution systems	—	—	7,376,442	7,376,442

The fair value measurements for intangible assets have been categorised as Level 3 fair values based on the inputs to the valuation technique used.

There were no transfers between fair value levels during the year.

(d) Historical cost basis

Had the Group's civil engineering works and buildings, generation plants and transmission and distribution systems been measured on a historical cost basis, their carrying amounts would have been as follows:

	2024 K'000	2023 K'000
Civil Engineering works and buildings	369,200	334,011
Generation plants	748,075	550,876
Transmission and distribution systems	12,448,766	11,397,499

(e) Sensitivity analysis

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

(f) Useful lives

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

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

14. Property, plant and equipment (continued)

(g) Fixed assets register

In accordance with Section 248 of the Companies Act, 2017, the register of Land and Buildings is available for inspection by members and their duly authorised agents at the Registered records office of the Group.

(h) Assets Held as Security

During the year under review, the Group continued servicing the lease financing facility with ABSA PLC on procurement of motor vehicles valued at K91 million. The motor vehicles are still held as security in the transaction.

15. Intangible assets	Group		Company	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Cost				
At the beginning of the year	297,667	271,216	297,630	271,057
Additions	369	26,454	369	26,573
Adjustment	-	(3)	-	-
At the end of the year	<u>298,036</u>	<u>297,667</u>	<u>297,999</u>	<u>297,630</u>
Accumulated amortisation				
At the beginning of the year	90,654	59,492	90,859	59,697
Amortisation expense	<u>22,741</u>	<u>31,162</u>	<u>30,753</u>	<u>31,162</u>
At the end of the year	<u>113,395</u>	<u>90,654</u>	<u>113,510</u>	<u>90,859</u>
Carrying amounts:				
At the end of the year	<u>184,641</u>	<u>207,013</u>	<u>184,489</u>	<u>206,771</u>

The following useful lives are used in the calculation of amortisation:

Significant intangible assets 5 years

The intangible assets consist of oracle software and the business information systems.

The Group's intangible assets are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated amortisation. The fair value measurement of the Group's intangible assets as at 31 December 2023 were performed by Messrs. Multiconsult United Kingdom and Upmarket Property Consultants, independent valuers not related to the Group.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

15. Intangible assets (continued)

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

Intangible assets	Valuation technique	Description of valuation technique	Observable inputs
Oracle software and other related software	Current Replacement cost	The method determines the amount that Group would have to pay to replace an asset at the present time, according to its current worth of the software on the market.	Not applicable

Intangible assets	Level 1	Level 2	Level 3	Fair value at 31 December 2024
	K'000	K'000	K'000	K'000
Intangible assets	-	-	184,641	184,641
Intangible assets	Level 1	Level 2	Level 3	Fair value at 31 December 2023
	K'000	K'000	K'000	K'000
Intangible assets	-	-	75,392	75,392

The fair value measurements for intangible asset have been categorised as Level 3 fair values based on the inputs to the valuation technique used.

There were no transfers between fair value levels during the year.

16. Right of use assets	Group		Company	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Cost				
At the beginning of the year	72,836	40,589	20,782	35,765
Additions	72,909	46,465	7,952	-
Termination of lease	-	(14,218)	-	(14,983)
At the end of the year	<u>145,745</u>	<u>72,836</u>	<u>28,734</u>	<u>20,782</u>
Accumulated depreciation				
At the beginning of the year	24,033	23,197	17,807	21,035
Charge for the year	(10,952)	5,689	2,778	3,226
Termination of Lease	<u>(4,033)</u>	<u>(6,454)</u>	<u>4,033</u>	<u>(6,454)</u>
At the end of the year	<u>35,563</u>	<u>20,578</u>	<u>24,618</u>	<u>17,807</u>
Carry amounts:				
At the end of the year	<u>110,182</u>	<u>49,639</u>	<u>4,116</u>	<u>2,975</u>

The Group leases mainly building assets with an average lease term of 5 years. The Group has an option to purchase certain buildings it currently occupies at market value.

Most of the lease agreements which run for one year are renewed on an annual basis for the same period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

17. Investments in subsidiaries and associates

17.1 Investments in subsidiaries

Name of subsidiary	Principle activity	Place of incorporation and principle place of business	Proportion of ownership interest/voting rights held by the Group
Kariba North Bank Extension Power Corporation Limited	Generation and supply of electricity	Zambia, Lusaka	100%
Kafue Gorge Lower Power Development Corporation Limited	Construction of the power generation facility	Zambia, Lusaka	100%
Fibrecom Limited	Provision of IP connectivity	Zambia, Lusaka	100%
Kalungwishi Hydro Power Company Limited	Construction of the Power generation facility	Zambia, Lusaka	100%

17.2 Investments in associates and a joint venture

Name and nature of investment	Principle activity	Place of incorporation and principle place of business	Proportion of ownership interest/voting rights held by the Group
(i) Itezhi Tezhi Power Corporation Limited (Joint Venture)	Generation and supply of electricity	Zambia, Lusaka	50%
(ii) El Sewedy Electric Zambia Limited (Associate)	Manufacturing distribution transformers ranging from 25kv to a maximum of 5,000kv (5mva)	Zambia, Ndola	40%
(iii) Zambia Electrometer Limited (Associate)	Manufacture of electricity meters and compact fluorescent lights.	Zambia, Ndola	40%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

17. Investments in subsidiaries and associates (continued)

17.2 Investments in associates and a joint venture (continued)

All the above associates and joint venture are accounted for using the equity method in these consolidated financial statements.

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with the IFRS's adjusted by the Group for equity accounting purposes.

(i) Itezhi Tezhi Power Corporation Limited (Joint Venture)

	2024 K'000	2023 K'000
At the beginning of the year	(5,674)	(23,946)
Share of profit for the year	741,995	18,272
Impairment provision during the year	-	-
At the end of the year	<u>736,321</u>	<u>(5,674)</u>
Statement of financial position:		
Current assets	<u>3,666,843</u>	<u>333,299</u>
Non-current assets	<u>1,455,185</u>	<u>299,703</u>
Current liabilities	<u>1,510,761</u>	<u>234,555</u>
Non-current liabilities	<u>1,231,877</u>	<u>26,207</u>
Net (liabilities) assets of the joint venture	<u>2,379,390</u>	<u>372,240</u>
Proportion of the Group's ownership	50%	50%
Group share of net assets	<u>1,189,695</u>	<u>186,120</u>
Statement of comprehensive income:		
Revenue	<u>1,714,326</u>	<u>338,911</u>
Net exchange gains	<u>111,758</u>	<u>2,288</u>
Total comprehensive income for the year	<u>1,483,990</u>	<u>18,272</u>
Proportion of the Group's ownership	50%	50%
Group share of joint venture's profit for the year	<u>741,995</u>	<u>9,136</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

17. Investments in subsidiaries and associates (continued)

17.2 Investments in associates and a joint venture (continued)

	2024 K'000	2023 K'000
[ii] El Sewedy Electric Zambia Limited (Associate)		
At the beginning of the year	101,594	47,878
Share of profit for the year	<u>31,487</u>	<u>53,716</u>
At the end of the year	<u>133,081</u>	<u>101,594</u>
Statement of financial position:		
Current assets	<u>333,299</u>	<u>5,715,718</u>
Non-current assets	<u>299,703</u>	<u>1,467,877</u>
Current liabilities	<u>234,555</u>	<u>665,326</u>
Non- current liabilities	<u>26,207</u>	<u>1,786,834</u>
Net assets of the Associate	<u>372,240</u>	<u>4,731,435</u>
Proportion of the Group's ownership	40%	40%
Group share of net assets	<u>148,896</u>	<u>1,892,574</u>
Statement of comprehensive income:		
Revenue	<u>476,719</u>	<u>338,911</u>
Profit for the year	<u>76,399</u>	<u>18,272</u>
Total comprehensive income for the year	<u>78,717</u>	<u>134,289</u>
Proportion of the Group's ownership	40%	40%
Group share of associate's profit for the year	<u>31,487</u>	<u>53,716</u>
[iii] Zambia Electrometer Limited (Associate)		
At the beginning of the year	19,439	19,439
Share of loss for the year	<u>-</u>	<u>-</u>
At the end of the year	<u>19,439</u>	<u>19,439</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

17. Investments in subsidiaries and associates (continued)

17.2 Investments in associates and a joint venture (continued)

[iii] Zambia Electrometer Limited (Associate) (continued)

	2024 K'000	2023 K'000
Statement of financial position		
Current assets	<u>388</u>	<u>388</u>
Non-current assets	<u>5,950</u>	<u>5,950</u>
Current liabilities	<u>120,006</u>	<u>120,006</u>
Non- current liabilities	<u>3,181</u>	<u>3,181</u>
Net liabilities of the associate	<u>(116,849)</u>	<u>(116,849)</u>
Proportion of the Group's ownership	40%	40%
Group share of net liabilities	<u>(46,740)</u>	<u>(46,740)</u>
Statement of comprehensive income:		
Revenue	-	-
Profit for the year	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>-</u>	<u>-</u>
Proportion of the Group's ownership	40%	40%
Group share of associate's loss for the year	<u>-</u>	<u>-</u>
Summary of associates position:		
At the beginning of the year	17,481	56,572
Share of profit and loss for the year:		
ElSewedy Electric Zambia Limited	31,487	53,716
Zambia Electrometer Limited	<u>-</u>	<u>(92,807)</u>
	<u>31,487</u>	<u>(39,091)</u>
Total closing position for both associates	<u>48,968</u>	<u>17,481</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

17. Investments in subsidiaries and associates (continued)	2024	2023
Company	K'000	K'000
These represent the investment interest in the following companies at cost:		
Kafue Gorge Lower Power Development Corporation Limited	14,480,170	13,123,475
Kariba North Bank Extension Power Corporation Limited	5,139,370	5,139,370
Itezhi Tezhi Power Corporation Limited (ITTPC)	164,255	164,255
Fibrecom Limited	148,764	106,112
Kalungwishi Power Corporation Limited	186,928	37,106
Elsewedy Electric Zambia Limited	11,351	11,351
Zambia Electrometer Limited	6,130	6,130
	20,136,968	18,587,799
Impairment provision during the year	(6,150,034)	(6,150,059)
Total	13,986,934	12,437,740
The impairment provision comprise of the following:		
Itezhi Tezhi Power Corporation Limited (ITTPC)	164,255	164,255
Zambia Electrometer Limited	6,130	6,130
Kafue Gorge Lower Power Development Corporation Ltd	5,172,657	5,172,657
Kariba North Bank Extension Power Corporation Limited	756,471	756,471
Fibrecom	50,546	50,546
At 31 December	6,150,059	6,150,059
The movement in the investment during the year was as follows:	2024	2023
	K'000	K'000
Balance at the beginning of the year	18,587,799	15,345,606
Additions during the year	1,549,194	3,242,193
Impairment provision	(6,150,059)	(6,150,059)
Balance at the end of the year	13,986,934	12,437,740

ZESCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. Inventories	Group		Company	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Materials	1,642,693	1,560,281	1,383,234	1,373,239
Fuel and lubricants	24,218	19,587	24,218	35,925
Spares	49,167	66,693	49,167	19,587
Goods in transit	-	35,925	-	66,693
	1,716,078	1,682,486	1,456,619	1,495,444
Allowance for obsolescence	(206,039)	(206,039)	(206,039)	(206,039)
	1,510,039	1,476,447	1,250,580	1,289,405
The cost of inventories recognised as an expense during the year was K256 million (2023: K256 million).				
Inventories are disclosed net of provision for obsolete stock amounting to K206 million (2023: K206 million).				
19. Trade and other receivables	Group		Company	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
The balance comprises:				
Gross trade receivables	26,558,428	24,036,829	26,527,364	23,482,612
Impairment allowance	(19,102,880)	(18,891,543)	(19,102,880)	(18,891,543)
	7,455,578	5,145,286	7,424,484	4,591,069
Other receivables				
Other receivables	4,346,142	1,286,942	4,679,483	1,255,961
Staff receivables	98,084	108,491	98,084	108,491
Prepayments	317	-	-	-
Allowance for doubtful debts	(2,238,138)	(388,453)	(2,238,138)	(388,453)
	2,206,405	1,007,020	2,539,429	975,999
Total trade and other receivables	9,661,983	6,152,306	9,963,913	5,567,068
The movement in allowance for doubtful trade receivables is as follows:				
Balance at the beginning of the year	18,891,543	10,742,962	18,891,543	10,742,962
Charge for the year	211,337	8,148,581	211,337	8,148,581
At the end of the year	19,102,880	18,891,543	19,102,880	18,891,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

19. Trade and other receivables (continued)

	Group		Company	
	2024 K'000	2023 K'000	2024 K'000	2023 K'000
The movement in allowance for doubtful debts for other receivables is as follows:				
Balance at the beginning of the year	388,453	239,191	388,453	239,191
Impairment losses recognised on other receivables	1,849,685	149,262	2,287,561	149,262
Reversal of impairment losses recognised on other receivables	-	-	(437,876)	-
At the end of the year	<u>2,238,138</u>	<u>388,453</u>	<u>2,238,138</u>	<u>388,453</u>

The following tables detail the risk profile of trade receivables based on the Group provision matrix. As the Groups' historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the company's different customer bases.

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ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

19. Trade and other receivables (continued)

GROUP

31 December 2024

	Not past due K'000	0-30 past due K'000	31-60 past due K'000	61-90 past due K'000	More than 90 days past due K'000	Total K'000	
Expected credit loss rate	0%	72%	72%	72%	93%	82%	
Estimated total gross carrying amount at default	-	1,188,584	636,702	731,879	24,001,971	26,559,136	
Lifetime ECL	-	(854,899)	(457,953)	(526,410)	(17,263,618)	(19,102,880)	
Net balance	-	<u>333,685</u>	<u>178,749</u>	<u>205,469</u>	<u>6,738,353</u>	<u>7,456,256</u>	

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GROUP

31 December 2023

	Not past due K'000	0-30 past due K'000	31-60 past due K'000	61-90 past due K'000	More than 90 days past due K'000	Total K'000	
Expected credit loss rate	0%	32%	35%	60%	92%	80%	
Estimated total gross carrying amount at default	-	2,672,737	1,295,567	871,588	18,642,720	23,482,612	
Lifetime ECL	-	(845,441)	(452,887)	(520,586)	(17,072,629)	(18,891,543)	
Net balance	-	<u>1,827,296</u>	<u>842,680</u>	<u>351,002</u>	<u>1,570,091</u>	<u>4,591,069</u>	

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

19. Trade and other receivables (continued)

Company	31 December 2024					31 December 2023							
	Not past due	0-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total		Not past due	0-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total
	K'000	K'000	K'000	K'000	K'000	K'000		K'000	K'000	K'000	K'000	K'000	K'000
Expected credit loss rate	0%	42%	43%	75%	99%	88%							
Estimated total gross carrying amount at default	-	2,176,019	2,169,844	1,135,974	21,045,527	26,527,364		-	(832,032)	(848,398)	(18,886,355)	26,527,364	(21,341,018)
Lifetime ECL	-	<u>1,343,987</u>	<u>1,321,446</u>	<u>361,742</u>	<u>2,159,172</u>	<u>5,186,346</u>		-	<u>1,189,727</u>	<u>1,169,774</u>	<u>320,222</u>	<u>1,911,341</u>	<u>(18,891,543)</u>
Net balance	-							-					<u>4,591,069</u>
Company	31 December 2023					31 December 2022							
	Not past due	0-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total		Not past due	0-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total
	K'000	K'000	K'000	K'000	K'000	K'000		K'000	K'000	K'000	K'000	K'000	K'000
Expected credit loss rate	0%	31%	60%	72%	94%	84%							
Estimated total gross carrying amount at default	-	1,929,260	1,920,794	1,005,590	18,629,967	23,482,612		-	(736,533)	(751,020)	(16,718,621)	23,482,612	(18,891,543)
Lifetime ECL	-	<u>(736,533)</u>	<u>(751,020)</u>	<u>(685,368)</u>	<u>(16,718,621)</u>	<u>(18,891,543)</u>		-	<u>1,189,727</u>	<u>1,169,774</u>	<u>320,222</u>	<u>1,911,341</u>	<u>4,591,069</u>
Net balance	-							-					

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

19. Trade and other receivables (continued)

Ageing of past due but not
impaired trade receivables

	Group		Company	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
0- 30 days	333,635	1,827,297	1,343,987	1,189,727
30 - 60 days	178,749	842,680	1,321,447	1,169,774
60 - 90 days	205,469	351,001	361,742	320,222
Over 90 days	<u>6,738,353</u>	<u>1,570,091</u>	<u>2,159,171</u>	<u>1,911,346</u>
	<u>7,456,206</u>	<u>4,591,069</u>	<u>5,186,347</u>	<u>4,591,069</u>

The average credit period on services is 60 days. Penalties are charged for late payment on mining customers.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 98% against all receivables over 90 days past due because historical experience has indicated that these receivables are generally not fully recoverable.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Age of impaired
trade receivables

	Group		Company	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
0 - 30 days	854,899	845,441	832,032	845,441
30 - 60 days	457,953	452,887	848,398	452,887
60 - 90 days	526,410	520,586	774,232	520,586
Over 90 days	<u>17,263,618</u>	<u>17,072,629</u>	<u>18,886,355</u>	<u>17,072,629</u>
	<u>19,102,880</u>	<u>18,891,543</u>	<u>21,341,017</u>	<u>18,891,543</u>

Trade Receivables placed as Security

The Copperbelt Energy Corporation PLC (CEC) receivables have been assigned as security for ZANACO syndicated loan. The Kalumbila Minerals Limited receivables have been assigned 100% towards the Power Purchases from Maamba Collieries Limited. Mpande Limestone Limited receivables have been assigned to IDC/NAPSA Loan, while part of Lumwana Mining Group Limited receivables have been assigned to China Energy. San He Manufacturing (Z) Limited receivables have been assigned to Industrial Development Corporation Limited Shareholder as part of security for the loan obtained as equity for construction of the 750 MW Kafue Gorge Lower Power Project.

ZESCO LIMITED

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20. Share capital

	Group		Company	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Authorised 2,500,000,000 ordinary shares of K2 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid 1,412,559,015 ordinary shares of K2 each	<u>2,825,118</u>	<u>2,825,118</u>	<u>2,825,118</u>	<u>2,825,118</u>

There was no change to Group's and Company share capital during the year.

21. Related party transactions

The Group's immediate and ultimate holding Company is Industrial Development Corporation Zambia Limited incorporated in Zambia and owned and controlled by the Government of the Republic of Zambia. During the year the Group carried out transactions with related parties as detailed below:

	Group		Company	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
(i) Trading transactions				
Rendering of services	<u>37,268</u>	<u>37,268</u>	<u>1,108</u>	<u>1,108</u>
Purchases of services	<u>24,797</u>	<u>24,797</u>	<u>10,521</u>	<u>10,521</u>
ii) Amounts due from related parties				
Government of the Republic of Zambia	91,413	-	91,413	1,956,372
Itezhi Tezhi Power Corporation Limited	468,900	404,133	468,900	431,415
Zambia Electrometer Limited	35,657	35,657	4,056	92,587
Kariba North Bank Extension Power Corporation Limited	1,635	1,635	35,657	35,657
Kafue Gorge Lower Power Corporation Limited	-	-	2,297	33,448
Rural Electrification Authority (b)	-	-	1,635	3,897
Allowance for doubtful debts (a)	<u>-</u>	<u>(157,496)</u>	<u>-</u>	<u>(2,143,411)</u>
	<u>597,605</u>	<u>283,929</u>	<u>603,958</u>	<u>409,965</u>

(a) Allowance for doubtful debts

The movement in allowance for doubtful debts in respect of the amounts due from related parties is as follows:

	Group		Company	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Balance at beginning of year	(157,496)	(845,807)	2,143,411	(845,807)
Recover	157,496	688,311	2,143,411	688,311
Charge for the year	-	-	(845,807)	(1,985,915)
At end of the year	<u>-</u>	<u>(157,496)</u>	<u>-</u>	<u>(2,143,411)</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21. Related party transactions (continued)

(b) Rural Electrification Authority

Rural Electrification Authority is a Government spending agency charged with the responsibility of electrifying the Rural Areas of the Country. The Authority engages ZESCO Limited to undertake certain projects on its behalf and in turn the Authority pays ZESCO Limited for the works undertaken.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. A provision for doubtful debts in respect of amounts due from related parties amounting to K486 million (2023: K628 million) was made during the year.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. A provision for doubtful debts in respect of amounts due from related parties amounting to K486 million (2020: K628 million) was made during the year.

	Group		Company	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
(iii) Amounts due to related parties				
Itezhi Tezhi Power Corporation Limited (ITTPC) incorporated in Zambia (2)	2,842,218	4,363,580	2,842,219	4,363,580
Kariba North Bank Extension Power Corporation incorporated in Zambia (1)	-	-	21,092,127	11,480,926
Kafue Gorge Power Development Corp Ltd (1)	-	-	1,532,091	1,111,755
Elsewedy Electric Zambia Limited (3)	191,618	223,657	191,619	223,657
Fibrecom Limited	<u>-</u>	<u>-</u>	<u>35,637</u>	<u>276</u>
	<u>3,033,836</u>	<u>4,587,237</u>	<u>25,693,693</u>	<u>17,180,194</u>

- a) Kariba North Bank Extension Power Corporation Limited, Fibrecom and Kafue Gorge Lower Corporation are subsidiary companies,
b) Itezhi Tezhi Power Corporation is a joint venture investment with 50% shareholding.
c) Elsewedy Electric Zambia Limited is an associate with 40% shareholding.

	Group		Company	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
(c) Key management personnel remuneration				
Key management remuneration	70,009	71,054	70,009	70,554
Directors' fees	<u>16,049</u>	<u>8,286</u>	<u>5,970</u>	<u>4,630</u>
	<u>86,058</u>	<u>79,340</u>	<u>75,979</u>	<u>75,184</u>

22. Borrowings

The movement on loans is as follows:

At the beginning of the year	54,815,126	36,613,021	31,160,708	19,990,040
Prior year adjustment	514,258	358,458	-	-
Borrowings arising during the year	2,701,500	6,131,301	2,701,500	6,645,559
Net exchange (losses)/gains	4,300,051	15,487,080	2,186,587	8,299,843
Repayments made during the year	<u>(1,186,171)</u>	<u>(3,774,734)</u>	<u>(1,186,171)</u>	<u>(3,774,734)</u>
Balance at the end of the year	<u>61,144,764</u>	<u>54,815,126</u>	<u>34,862,624</u>	<u>31,160,708</u>

The borrowings are repayable as follows:

On demand or within one year	3,617,254	2,200,939	3,617,254	2,200,939
Loans payable within 1 to 2 years	4,331,405	2,955,262	4,331,405	3,469,520
Loans payable within 3-5 years	9,158,450	9,805,092	9,158,450	9,805,092
Loans payable over 5 years	<u>44,037,655</u>	<u>39,853,834</u>	<u>17,755,513</u>	<u>15,685,157</u>
Total	<u>61,144,764</u>	<u>54,815,127</u>	<u>34,862,622</u>	<u>31,160,708</u>
Disclosed as:				
Due after one year	57,527,510	52,614,187	31,245,368	28,959,768
Due within one year	<u>3,617,254</u>	<u>2,200,939</u>	<u>3,617,254</u>	<u>2,200,939</u>
Total	<u>61,144,764</u>	<u>54,815,126</u>	<u>34,862,623</u>	<u>31,160,707</u>

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		Group		Company	
		2024	2023	2024	2023
		K'000	K'000	K'000	K'000
22.	Borrowings (continued)				
	The borrowings are due to the following:				
(i)	Industrial Commercial Bank of China and the Export Import Bank of China	26,282,142	24,168,677	-	-
(ii)	Industrial Development Corporation Shareholder Loan	6,741,955	6,008,449	6,741,955	6,008,449
(iii)	Industrial Commercial Bank of China	3,962,149	3,660,738	3,962,149	3,660,738
(iv)	Zanaco Syndicated Loan (\$359 million)	3,762,888	3,353,255	3,762,888	3,353,255
(v)	GRZ/International Development Agency	2,367,206	2,187,127	2,367,206	2,187,127
(vi)	DBSA - Loan Kafue Gorge Hydro Power Station	2,356,016	2,176,788	2,356,016	2,176,788
(vii)	Nordea Stanbic Bank	2,005,668	1,853,092	2,005,668	1,853,092
(viii)	European Investment Bank - LTDRP Loan facility	2,057,801	1,442,336	2,057,801	1,442,336
(ix)	GRZ/China Exim Bank	1,254,149	1,158,743	1,254,149	1,158,743
(x)	GRZ/International Development AssociationKafue Muzuma	1,157,484	1,069,432	1,157,484	1,069,432
(xi)	European Investment Bank	1,150,891	1,063,340	1,150,891	1,063,340
(xii)	African Development Bank	1,085,580	973,909	1,085,580	973,909
(xiii)	GRZ/Agence Francaise De Development	809,707	748,110	809,707	748,110
(xiv)	Industrial Commercial Bank of China Facility-Mpika Transmission	610,519	564,076	610,519	564,076
(xv)	Industrial Commercial Bank of China Facility Loan - Musonda Falls	609,003	562,675	609,003	562,675
(xvi)	Industrial Commercial Bank of China Facility-Chipata-Lundazi	590,957	546,001	590,957	546,001
(xvii)	GRZ Loan-EDM	522,563	522,563	522,563	522,563
(xviii)	KNBEPC Loan-Karpower	85,475	514,258	85,475	514,258
(xix)	GRZ/Japan International Cooperation Agency	382,015	389,947	382,015	389,947
(xx)	ZANACO Medium Term Loan ZMW	277,877	374,900	277,877	374,900
(xxi)	India Exim Bank Loan 2	369,255	363,909	369,255	363,909
(xxii)	European Investment Bank	392,339	362,492	392,339	362,492
(xxiii)	ABSA Medium Term Loan	195,000	292,500	195,000	292,500
(xxiv)	GRZ Loan-Karpower	278,300	257,129	278,300	257,129
(xxv)	Nigeria Trust Fund	239,422	221,208	239,422	221,208
(xxvi)	China Exim Bank Kabwe-Pensulo	182,229	168,367	182,229	168,367
(xxvii)	GRZ/World Bank	122,806	113,464	122,806	113,464
(xxviii)	Agency Francaise de Development	86,888	85,393	86,888	85,393
(xxix)	GRZ/World Bank Facility 2	90,105	83,251	90,105	83,251
(xxx)	ABSA Vehicle Asset Lease II	33,702	25,963	33,702	25,963
(xxxi)	ABSA – Vehicle Asset Lease	-	17,292	-	17,292
(xxxii)	ABSA – Medium term facility	162,500	-	162,500	-
(xxxiii)	KNBE Emergency Power Loan	55,273	-	55,273	-
(xxxiv)	GRZ Emergency Power	834,900	-	834,900	-
(xxxv)	Fibrecom K30 Million bridge finance	30,000	-	30,000	-
		<u>61,144,764</u>	<u>54,815,126</u>	<u>34,862,622</u>	<u>31,160,707</u>

ZESCO LIMITED

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22. Borrowings (continued)

i. Summary of the arrangements:

(i) *Industrial Commercial Bank of China and the Export Import Bank of China*

On 13 November 2017, a facility agreement of up to US\$1, 530, 576, 039 was signed between Kafue Gorge Lower Power Development Corporation Limited, Industrial and Commercial Bank of China Limited and The Export-Import Bank of China. Drawdowns only begun after the financial close was achieved in June 2018. Interest is 3.2% Margin plus 6 months LIBOR (Screen Rate) paid semi-annually. The Loan will be repaid over 10 years. The loan is denominated in United States Dollar and as at 31 December 2024 a total outstanding loan was \$934,347,979 (2023: \$948,848,018) \$14,500,039 was held in the Revenue Account was applied towards the Loan by the Lenders. The loan is secured over the assets of the company up to US\$1,530,576,039.

(ii) *IDC / ZPC Shareholder Loan*

This is a US\$190 million loan facility obtained from the Industrial Development Corporation (IDC) and Zambia Power Corporation (ZPC) by ZESCO Limited on 19 May 2020. The loan facility was obtained to finance ZESCO Limited equity investment into Kafue Gorge Lower Hydro Power Corporation (KGL). The interest is at 10% fixed paid semi-annually with a grace period of three years. The loan facility is denominated in United States Dollars and will be repaid within 23 years including the grace period of three years. The balance at the reporting date was US\$262.190 million or K6.7 billion.

(iii) *Industrial and Commercial Bank of China*

This is a US\$285 million loan facility obtained from Industrial and Commercial Bank of China on 30 May 2011 to finance the Pensulo-Msoro-Chipata West 330 KV and Pensulo-Kasama 330 kV Transmission lines. Interest is 2.5% Margin plus LIBOR (Screen Rate), the Loan will be repaid over 10 years. The loan is denominated in United States Dollars and the balance at the reporting date was US\$154.085 million or K3.9 billion.

(iv) *ZANACO Syndicated loan (\$359 million)*

This is a US\$359 million ZANACO facility for settlement of IPP arrears. The facility is payable in 5 years. Principal payments will be made quarterly starting December 2024. Interest is charged at 9.75% plus Bank of Zambia Policy rate for the Kwacha facility while the US\$ facility will be charged at 5.07% plus SOFR. The balance at close of year was K3.7 billion.

(v) *GRZ/International Development Agency*

This is a US\$105 million loan facility obtained from the International Development Association on 3 October 2013 by the Government of the Republic of Zambia and on lent to ZESCO to finance the Lusaka Transmission and Distribution Rehabilitation Project. Interest is charged at 1.5% semi-annually and the loan (principal plus interest) will be repaid over 30 years including 10 years grace period. The loan is denominated in United States Dollars. The loan balance at the reporting date was US\$92.059 million or K2.1 billion.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

22. BORROWINGS (CONTINUED)

Summary of the arrangements (continued)

- (vi) **Development Bank of Southern Africa (DBSA) (KGL)**
This is a US\$100 million loan facility obtained from Development Bank of South Africa (DBSA) on 4 May 2016 to finance the Kafue Gorge Lower Hydro Power Project. Interest is charged at 9.4% plus 6 month Libor, semi-annually and the loan (principal plus interest) will be repaid over 15 years including 2 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was US\$91.624million or K2.3 billion.
- (vii) **Nordea Stanbic Bank**
This is a US\$133 million loan facility obtained from Nordea bank on 14 August 2014. The loan was obtained to finance the connection of North Western Province to the National Grid. The loan shall be repaid over a 14 year period including a grace period of 2 years. The interest rate is 3.69% per annum fixed payable semi-annually. The loan facility is in United States Dollars and the balance at the reporting date was US\$77.999 million or K2.005 billion.
- (viii) **GRZ/European Investment Bank - LTDRP Loan Facility**
This is a US\$106 million loan facility obtained from the European Investment Bank on 3 October 2013 by the Government of the Republic of Zambia and on lent to ZESCO to finance the Lusaka Transmission and Distribution Rehabilitation Project. Interest is charged at 1.2% semi-annually and the loan (principal plus interest) will be repaid over 30 years including 10 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was US\$80.026 million or K2.057billion.
- (ix) **GRZ/China Exim Bank**
This is a US\$45 million facility obtained from China Exim bank through the Ministry of Finance on 13 October 2014. The loan was obtained to Finance the Kariba North Bank- Kafue west 330KV transmission project. The interest rate is 2%. The facility is in United States Dollar and the balance as at the reporting date was US\$48.773 million or K1.254 billion.
- (x) **GRZ/International Development Association-Kafue Muzuma**
This is a US\$60 million loan facility obtained from the International Development Association on 6 December 2012 by the Government of the Republic of Zambia and on lent to ZESCO to finance the Kafue Muzuma Transmission Project. Interest shall be computed at 2% per annum and the loan (principal plus interest) will be repaid over 20 years including 5 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was US\$45.014million or K1.157 billion.
- (xi) **GRZ/European Investment Bank**
This is a EUR 50 million loan facility from the European Investment Bank (EIB) by the Government of the Republic of Zambia on 10 December 2012. The facility was obtained for the purpose of financing the Itezhi-Tezhi Hydro Power plant, Mumbwa Substation and Lusaka West - Mumbwa Transmission Line Project. The facility shall be settled over a period of twenty five (25) years including a grace period of five (5) years. The interest is charged at 1.2% per cent per annum. The balance at the reporting date was EUR39.737 million or K1.150 billion.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

22. BORROWINGS (CONTINUED)

Summary of the arrangements (continued)

- (xii) **GRZ/African Development Bank**
This is a US\$40.212 million loan facility obtained from the African Development Bank (ADB) by the Government of the Republic of Zambia on 19 December 2012. The loan was obtained to finance the transmission line for the Itezhi-Tezhi Hydro Power and Transmission Line Project at semi-annual interest of 2.5%. The loan facility is in United States Dollars and the balance at the reporting date was US\$42.212 million or K1.085 million.
- (xiii) **GRZ/Agence Francaise De Development**
This is a US\$34.4 million loan facility obtained from the International Development Association on 18 December 2012 by the Government of the Republic of Zambia and on lent to ZESCO to finance the construction of Itezhi Tezhi Power Station. Interest is computed at 1.5% semi annum and the loan (principal plus interest) will be repaid over 25 years including 5 years of grace period. The loan is denominated in United States Dollars. The balance at reporting date was US\$31.488 million or K809million.
- (xiv) **Industrial and Commercial Bank of China – Mpika Transmission**
This is a US\$29.6 million loan facility obtained from Industrial and Commercial Bank of China by ZESCO Limited on the 13 July 2016. The loan facility was obtained to finance the improvement of power supply in Mpika. The loan shall be repaid over a 15 year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollar and the balance at the reporting date was US\$23.743 million or K611 million.
- (xv) **Industrial and Commercial Bank of China Facility Loan - Musonda Falls**
This is a US\$35.25 million loan facility obtained from Industrial and Commercial Bank of China by ZESCO Limited on the 26 January 2017. The loan facility was obtained to finance the rehabilitation and upgrading of Musonda Falls Hydro Power Plant. The loan shall be repaid over a 15 year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollars and the balance at the reporting date was US\$23.684 million or K610 million.
- (xvi) **Industrial and Commercial Bank of China - Chipata-Lundazi-Chama 132KV Transmission Line**
This is a US\$36.84 million loan facility obtained from Industrial and Commercial Bank of China by ZESCO Limited on the 10 August 2017. The loan facility was obtained to finance the Connection of Lundazi and Chama to the National Grid. The loan shall be repaid over a 15 year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollars and the balance at the reporting date was US\$22.982 million or K591 million.
- (xvii) **GRZ Loan- EDM**
This is a K 522 million facility obtained from GRZ to facilitate payments of power purchase debt to EDM. Interest is charged at 1% fixed. The balance on the loan was K522 million at the reporting date.
- (xviii) **KNBEPC Loan-Karpower**
This is a US\$ 20 million facility from KNBEPC to facilitate payments of electricity purchases debt to Karpower. Interest is charged at 3% fixed. The loan balance at financial year end was USD 3.324 million or K85 million.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

22. BORROWINGS (CONTINUED)

Summary of the arrangements (continued)

(xix) **GRZ/Japan International Cooperation Agency (JICA)**

This is a Yens 5.5 billion loan facility obtained from JICA by the Government of the Republic of Zambia on 1 November 2010. There were additional drawdowns amounting to Yens 149 million. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 15 year period including a grace period of 5 years. The interest is charged at 0.05% per annum. The loan facility is in Japanese Yen and the balance at the reporting date was Yens 2.1437 billion or K382 million.

(xx) **ZANACO – Medium Term Loan ZMW**

This is a K470 million loan facility obtained from ZANACO on 2 August 2022. The loan facility was obtained to finance purchase of various materials for dismantling the backlog for new customer connections. The loan shall be repaid over a 48 months period including a grace period of 3 months. The interest is margin of 12% plus Bank of Zambia Policy Rate (BPR) per annum. The loan facility is in Zambian Kwacha and the balance at the reporting date was K277 million.

(xxi) **India Exim Bank 2**

This is a US\$20.35 million facility obtained from India Exim bank on 11 April 2018 to finance the construction of 142 km 132KV transmission line from Leopards Hill to Chitope along with the 33KV distribution network. The interest rate is LIBOR plus 3.0%. The facility is in United States Dollar and the balance as at the reporting date was US\$14.360 million or K369 million.

(xxii) **GRZ/European Investment Bank**

This is a US\$30 million loan facility obtained from the European Investment Bank (EIB) by the Government of the Republic of Zambia on 4 December 2012. The Government agreed to on-lend to ZESCO Limited on the terms and conditions set forth in the finance contract. The purpose of the facility was to finance the Kafue-Livingstone transmission Line project. The loan facility shall be repaid to the Government in equal semi-annual installments beginning five (5) years after the signature date of the on-lending loan and ending ten (10) years after the date of such agreement. The interest is charged at one and half percent (1.5%). The loan facility balance is US\$15.258 million or K392 million.

(xxiii) **ABSA - Medium Term Loan**

This is a K360 million loan facility from ABSA Bank Zambia Plc meant to purchase various materials for dismantling the backlog for new customer connections. Finance charges on this facility are at a margin of 13% plus Bank of Zambia Policy Rate (BPR). This credit agreement was signed on 2nd December 2022. Principal and interest are paid monthly, and the loan tenure is for 48 months. The facility balance at the reporting date was K195 million.

(xxiv) **GRZ Loan- Karpower**

This is a USD 10 million facility obtained from GRZ to facilitate payments of power purchase debt to Karpower. Interest is charged at 1% fixed. The balance on the loan was USD10.823 million or K278million at the reporting date.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

22. BORROWINGS (CONTINUED)

Summary of the arrangements (continued)

(xxv) **GRZ/Nigeria Trust Fund**

This is a US\$9.22 million loan facility obtained from the Nigerian Trust Fund by the Government of the Republic of Zambia on the 19 December 2012. The loan was lent to ZESCO Limited for the purpose of financing the Itzhi-Tezhi Hydro Power and Transmission Line project. The loan shall be repaid over a period of twenty five (25) years including a grace period of five (5) years. The interest is charged at zero point seventy five (0.75%) per annum fixed interest rate. The loan facility is in United States Dollars and the balance at the reporting date was US\$9.311 million or K239million.

(xxvi) **China Exim Bank (ii) - Kabwe - Pensulo**

This is a US\$114 million facility obtained from Export-Import Bank of China (Exim Bank China) by ZESCO Limited on 15 December 2017. The facility was obtained for the construction of the second Kabwe Stepdown-Pensulo 330 KV Transmission Line project. The tenure of the facility is 15 years. The principal and interest shall be repaid in 24 successive semi-annual instalments. The interest is charged at 3% margin plus LIBOR per annum. The balance at the reporting date was US\$7.087million or K182 million.

(xxvii) **GRZ/World Bank**

This is a US\$16 million loan facility obtained from World Bank by the Government of the Republic of Zambia on 9 February 2009. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 20 year period including a grace period of 5 years. The loan will have a 2% interest charge per annum. The loan facility is in United States Dollars and the balance at the reporting date was US\$4.776 million or K122 million.

(xxviii) **GRZ/World Bank Facility 2**

This is a US\$10 million loan facility obtained from World Bank by the Government of the Republic of Zambia on 21 March 2010. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 20 year period including a grace period of 5 years. The loan will have a 2% interest charge per annum. The loan facility is in United States Dollars and the balance at the reporting date was US\$3.379 million or K86 million.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

22. BORROWINGS (CONTINUED)

Summary of the arrangements (continued)

(xxix) **GRZ/Agence Francaise de Development**

This is a €40 million loan facility obtained from Agency Francaise de Development by GRZ and on lent to ZESCO Limited on 23 June 2016 to finance the improvement of power supply in Southern Division. The loan shall be repaid over a 20 year period including a grace period of 5 years. The interest rate is 5% per annum, fixed. The loan facility is in Euros and the balance at the reporting date was €3.111 million or K90.105 million.

(xxx) **ABSA Vehicle lease II**

This is a K145 million ABSA facility to facilitate the procurement of operational vehicles to replenish the existing fleet for sustenance of operations. Finance charges on this facility are at 12.50% plus Bank of Zambia Policy Rate (BPR) and has a financing period of 24 months. The facility agreement was signed on 18 November 2022. The balance at the reporting date was K33.702 million.

(xxxi) **ABSA Lease**

This is a K100 million loan facility which from ABSA Bank Zambia Plc for purchase of 89 brand new motor vehicles from Toyota Zambia. Finance charges on this facility are at 10.50% plus Bank of Zambia Policy Rate (BPR). This credit agreement was signed on 03 June 2021. Principal and interest are paid monthly and the loan tenure is for 3 years. The facility balance at the reporting date was Knil.

(xxxxii) **ABSA Medium Term facility (ZMW200 million)**

This is a ZMW200 medium-term loan facility from ABSA to support backlog dismantling on 23 February 2024. The facility will be settled in four (4) years. The interest structure is the Bank of Zambia Monetary Policy Rate + 12.5%. The balance at close of the year was K162.5 million.

(xxxxii) **KNBE Emergency power loan**

This is a K65million emergency power purchase loan obtained from Kariba North Bank Extension Power Corporation. Interest on the loan is 3% and the balance at close of the year was K52.7 million

(xxxxiii) **GRZ Loan-emergency power**

This is a US\$30m emergency power loan to facilitate power purchases and settlement of some IPP debt. This loan was obtained from the Government of the Republic of Zambia. Interest is 1% and the balance at close of the year was K834.9 Million.

(xxxxiv) **Fibrecom ZMW30 million Bridging Finance**

This is a ZMW30 million bridging finance loan from Fibrecom. The facility is payable within 12 months and interest is 18%. The balance at close of the year was K30 Million

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

22. BORROWINGS (CONTINUED)

Summary of the arrangements (continued)

Breach of Loan Covenants(i) **Development Bank of Southern Africa**

The Company was non-compliant with the DBSA loan covenants. The Company was in breach of the leverage ratio, Debt Service Cover ratio but compliant with the gearing ratio which was less than 1.72 times.

(ii) **ABSA**

The Company was non-compliant as the Leverage Ratio was more than 3 times, and was non-compliant in that the Debt Service Ratio was less than 1.1 times.

(iii) **ZANACO**

The Company was compliant with the gearing ratio which was less than 1.72; and was non-compliant with the current ratio which was less than 1.

23. **Retirement benefit obligations**(i) **Defined contribution plan - NAPSA**

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

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

The total expense recognised in the profit or loss of K103.6 million (2023: K87.9 million) represents contributions payable to these plans by the Group.

As 31 December 2024, contributions of K8.7 million (2023: K12.08 million) due in respect of the current reporting period had not been paid over to the plans.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

23. Retirement benefit obligation (continued)

(ii) LASF defined benefit plan

Under the terms of employment, qualifying employees of ZESCO Limited are members of a state-managed retirement benefit plan operated by the Local Authorities' Superannuation Fund ("LASF"). ZESCO Limited is required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the benefits. The only obligation of ZESCO Limited with respect to the retirement benefit plan is to make the specified contributions. The fund also administers the pension schemes of a number of organisations, including all local authorities. The last actuarial valuation of the entire fund for the five years period to 31 December 2017 was carried out and showed a deficit of K538 million. No provision has been made in these financial statements for any unfunded liability of the Fund as the directors are of the opinion that any liability will be met by the Government of the Republic of Zambia.

The Group's contributions to the plan are charged to profit or loss in the year to which they relate. The Group has no further obligation once contributions have been paid. The total cost of pension contributions during the year was K10.04 million (2023: K13.11 million). As at 31 December 2024, contributions of K0.726 million (2023: K1.43 million) due in respect of the current reporting period had not been paid over to the plans.

(iii) Long service retirement benefit

Under the terms of employment, qualifying employees of the Group are entitled to post-employment benefits. The benefits are defined benefit in nature based on the members' length of service and their salary at the earlier of retirement or death or termination from employment. The defined benefit plan is administered and paid for by the Group. The Plan runs on an unfunded basis as ZESCO Limited (the Employer) meets benefit costs as they fall due.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 31 December 2022 by Zambia State Insurance Actuarial Consultants. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit method.

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 which is the long-term investment return which matches the yield on government bonds as reported in the IMF Report. 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.

Actuarial assumptions:	2024	2023
Discounting rates	24.9%	29.0%
Salary increases	18.1%	19.5%

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

23. Retirement benefit obligation (continued)

	Group		Company	
Benefit cost to be recognized in profit and loss	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Net interest	153,153	152,179	153,153	151,767
Current service cost	656,084	637,992	656,084	637,167
Prior year service cost	-	1,233,618	-	1,233,618
Profit and loss expense	<u>809,237</u>	<u>2,023,789</u>	<u>809,237</u>	<u>2,022,552</u>
Remeasurements to be recognized in other comprehensive income				
Gain from change in financial assumptions	-	-	-	-
Experience gains	-	-	-	-
Actuarial Gains on economic assumptions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The amounts to be recognised in the statement of financial position				
At beginning of the year	2,047,388	3,680,749	2,124,804	1,997,107
Current service cost	913,238	461,541	153,153	360,819
Prior year service cost	(151,767)	(570,835)	(151,767)	(570,855)
Interest income	253,193	837,448	253,193	837,036
Gain from change in financial assumptions	-	-	24,091	1,530
Experience gains	863,502	-	-	-
Benefits paid during the year	<u>(312,875)</u>	<u>(2,361,103)</u>	<u>(312,875)</u>	<u>(601,555)</u>
At 31 December	<u>3,859,170</u>	<u>2,047,388</u>	<u>2,090,599</u>	<u>2,124,804</u>
Disclosed in the financial statements as:				
Non-current	3,859,170	1,963,090	1,936,369	1,868,323
Current	<u>-</u>	<u>84,298</u>	<u>154,230</u>	<u>154,230</u>
	<u>3,859,170</u>	<u>2,047,388</u>	<u>2,090,599</u>	<u>2,124,804</u>
Sensitivity of defined benefit obligation to actuarial assumptions				
Current results	<u>3,859,170</u>	<u>2,047,388</u>	<u>2,090,599</u>	<u>2,124,804</u>
Discount rate				
Increase by 1%	-	-	-	-
Decrease by 1%	-	-	-	-
Salary increase				
Increase by 1%	-	-	-	-
Decrease by 1%	-	-	-	-

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

23. Retirement benefit obligation (continued)

(iii) Long service retirement benefit

The table above shows that assuming a long-term investment return that is 1% higher than the valuation assumption would yield a Defined Benefit Obligation that is K3.03 million lower than that reported. On the other hand, adopting a long-term investment rate that is 1% lower than assumed would yield a defined benefit obligation that is K3.06 million higher than reported.

Applying a long-term salary escalation rate that is 1% higher than assumed would yield a liability position that is K209.30 million higher than reported whereas a salary escalation that is 1% lower than expected would yield a liability value that is K187.31 million lower than reported.

(iv) Gratuity benefits

The Group accrues for short term gratuity benefits for employees on contracts between 1 to 3 years. The gratuity computations are based on the terms and conditions agreed with employees at the point of signing the contract;

	Group		Company	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
At the beginning of the year	84,298	60,126	92,349	56,758
Current service cost	1,129,589	47,743	153,153	35,591
Benefits paid during the year	<u>(312,875)</u>	<u>(1,489)</u>	<u>(312,875)</u>	<u>-</u>
At the end of the year	<u>901,012</u>	<u>106,380</u>	<u>(67,373)</u>	<u>92,349</u>
Disclosed in the financial statements as:				
Non-current	740,520	75,591	(436,428)	70,517
Current	<u>160,492</u>	<u>30,789</u>	<u>369,055</u>	<u>21,832</u>
	<u>901,012</u>	<u>106,380</u>	<u>(67,373)</u>	<u>92,349</u>
(v) Total retirement benefit obligation recorded on the statement of financial position				
Long service retirement benefit	3,859,170	2,131,686	3,853,498	2,022,552
Gratuity benefits	<u>901,012</u>	<u>-</u>	<u>890,477</u>	<u>100,722</u>
	<u>4,760,181</u>	<u>2,131,686</u>	<u>4,743,975</u>	<u>2,123,274</u>
Disclosed in the financial statements as:				
Non-current	4,599,689	2,047,388	4,592,544	2,039,561
Current	<u>160,492</u>	<u>84,298</u>	<u>151,431</u>	<u>83,713</u>
	<u>4,760,181</u>	<u>2,131,686</u>	<u>4,743,975</u>	<u>2,123,274</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

24. Capital Grants And Capital Contributions

Group

	Capital Grants K'000	Capital Contributions K'000	Total K'000
At 1 January 2023	467,058	2,765,319	3,232,377
Additions during the year	50,937	606,192	657,126
Transfer of Assets from Rural Electrification Authority	14,696	-	14,696
Amortisation of capital grants and contributions	<u>(26,271)</u>	<u>(199,810)</u>	<u>(226,081)</u>
At 31 December 2023	<u>506,420</u>	<u>3,171,701</u>	<u>3,678,121</u>
Additions during the year	235,010	695,527	930,537
Transfer of Assets from Rural Electrification Authority	(26,102)	550,966	524,864
Amortisation of capital grants and contributions	<u>(26,271)</u>	<u>(226,295)</u>	<u>(252,566)</u>
At 31 December 2024	<u>689,057</u>	<u>4,191,899</u>	<u>4,880,956</u>

Maturity analysis:

	2024 K'000	2023 K'000
Non-current	4,672,118	3,520,748
Current	<u>208,838</u>	<u>157,373</u>
Total	<u>4,880,956</u>	<u>3,678,121</u>

Company

	Capital Grants K'000	Capital Contributions K'000	Total K'000
At 1 January 2023	467,058	2,765,319	3,232,377
Additions during the year	65,633	569,202	634,835
Transfer of Assets from Rural Electrification Authority	-	-	37,990
Amortisation of capital grants and contributions	<u>(26,271)</u>	<u>(199,810)</u>	<u>(226,081)</u>
At 31 December 2023	<u>465,622</u>	<u>3,096,492</u>	<u>3,678,121</u>
Additions during the year	235,010	695,527	930,537
Transfer of Assets from Rural Electrification Authority	14,696	626,175	640,871
Amortisation of capital grants and contributions	<u>(26,271)</u>	<u>(226,295)</u>	<u>(252,566)</u>
At 31 December 2024	<u>689,057</u>	<u>4,191,899</u>	<u>4,880,956</u>

Maturity analysis:

	2024 K'000	2023 K'000
Non-current	4,672,118	3,520,748
Current	<u>208,838</u>	<u>157,373</u>
Total	<u>4,880,956</u>	<u>3,678,121</u>

ZESCO LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2024

	Group		Company	
	2024 K'000	2023 K'000	2024 K'000	2023 K'000
25. Trade and other payables				
Trade payables	40,690,184	41,347,485	32,125,094	34,285,983
Sundry payables and accrued expenses	13,014,174	746,165	12,960,928	734,636
Employee related accruals	<u>328,507</u>	<u>257,536</u>	<u>328,507</u>	<u>257,536</u>
	<u>54,032,865</u>	<u>42,351,186</u>	<u>45,414,529</u>	<u>35,278,155</u>

Trade and other payables principally comprise amounts outstanding in respect of trade purchases and ongoing costs, as well as amounts accrued in respect of operating costs. The average credit period on purchases of certain goods is 30 days. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

26. Financial instruments

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while managing the return to stakeholders through the management of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents, interest bearing liabilities and equity attributable to equity holders of the Group, comprising issued capital, reserves and retained earnings. Debt includes both long term and short term interest bearing liabilities.

Gearing ratio

The Group reviews the capital structure on an ongoing basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a gearing ratio of 256% (2023: 1,434%).

The gearing ratio at the year end was computed as follows:

	Group		Company	
	2024 K'000	2023 K'000	2024 K'000	2023 K'000
Debt (i)	<u>57,527,510</u>	<u>52,614,187</u>	<u>34,862,622</u>	<u>31,160,707</u>
Equity (ii)	<u>82,852,535</u>	<u>98,281,485</u>	<u>72,944,739</u>	<u>98,425,965</u>
Gearing ratio	<u>41%</u>	<u>35%</u>	<u>48%</u>	<u>32%</u>

(i) Debt is defined as long- and short-term borrowings.

(ii) Equity includes all capital and reserves of the Group.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies to the consolidated financial statements. The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

26. Financial instruments (continued)

Categories of financial instruments	Group		Company	
	2024 K'000	2023 K'000	2024 K'000	2023 K'000
Financial assets:				
- Amounts due from related parties	597,605	283,929	603,958	409,965
- Trade and other receivables	9,661,983	6,044,271	1,387,937	1,746,005
- Bank and cash	<u>1,513,388</u>	<u>2,138,865</u>	<u>9,963,846</u>	<u>5,533,620</u>
	<u>11,772,976</u>	<u>8,467,065</u>	<u>11,955,741</u>	<u>7,689,590</u>
Financial liabilities:				
- Amounts due to related parties	3,033,836	4,587,237	25,693,693	17,180,194
- Trade and other payables	54,032,865	42,093,650	32,125,094	34,793,427
- Borrowings	61,144,764	54,815,126	34,862,622	31,160,707
- Lease liabilities	<u>130,807</u>	<u>69,918</u>	<u>17,866</u>	<u>17,866</u>
	<u>118,342,272</u>	<u>101,565,931</u>	<u>92,699,275</u>	<u>83,152,194</u>

Financial risk management objectives

The Group's executive directors and management co-ordinates access to domestic markets and borrowings from related parties, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not enter into any derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as approved by the Board of Directors.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Group	Financial assets		Financial liabilities	
	2024 K'000	2023 K'000	2024 K'000	2023 K'000
United States Dollar (\$)	7,716,419	7,716,419	20,839,967	64,212,179
Japanese Yen (JPY)	-	-	300,336	389,947
South Africa Rand (ZAR)	-	-	-	-
Euro	-	-	121,835	4,680,417
GBP	-	-	-	-

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

26. Financial instruments (continued)

Company

	Financial assets		Financial liabilities	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
United States Dollar (\$)	26,752,785	22,383,059	68,237,538	64,212,179
Japanese Yen (JPY)	-	-	382,015	389,947
South Africa Rand (ZAR)	-	-	-	-
Euro	-	-	4,364,905	4,680,417
	<u>26,752,785</u>	<u>22,383,059</u>	<u>72,984,458</u>	<u>69,282,543</u>

Interest rate sensitivity analysis

The interest rate risks sensitivity analysis is based on the assumption that changes in the market interest rates affect the interest income or expenses of variable interest financial instruments:

The tables below set out the impact on current profit before taxation of an incremental 5% parallel fall or rise in all yield curves during the year:

Group

		Scenario 1 5% increase in variable interest rates	Scenario 2 5% decrease in variable interest rates
At 31 December 2024			
Loss before tax	(14,438,615)	(14,438,615)	(14,438,615)
At 31 December 2023			
Profit before tax	(35,797,020)	(35,797,020)	(35,797,020)

Company

		Scenario 1 5% increase in variable interest rates K'000	Scenario 2 5% decrease in variable interest rates K'000
At 31 December 2024			
Loss before tax	(20,678,773)	(20,678,773)	(20,678,773)
At 31 December 2023			
Loss before tax	(33,580,854)	(35,259,897)	(31,901,811)

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

26. Financial instruments (continued)

Interest rate risk management

The Group, its subsidiaries, associates and joint venture are exposed to interest rate risk arising on shareholders loans and loans from the banks for its working capital requirements.

The exposure to interest rate risk is evaluated regularly by management to align with interest rate views and defined risk appetite, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

Interest rate sensitivity analysis

The sensitivity has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group, its subsidiaries, associates and joint venture's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

Credit risk management

Credit risk management refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk in respect of trade and other receivables. As at the financial period end the Group had trade receivables which were due from the Group's customers.

	Group		Company	
	2024 K'000	2023 K'000	2024 K'000	2023 K'000
The Group's maximum exposure to credit risk is analysed below:				
Amounts due from related parties	597,605	283,929	603,958	409,965
Bank and cash balances	1,513,388	2,138,865	1,387,937	1,746,005
Trade and other receivables	<u>9,661,983</u>	<u>6,044,271</u>	<u>9,963,846</u>	<u>5,567,068</u>
	<u>11,772,976</u>	<u>8,467,065</u>	<u>11,955,741</u>	<u>7,723,038</u>
The maximum exposure to credit risk for trade receivables at the reporting date by key customer sector was:				
Mining	23,011,213	20,365,059	20,987,452	18,776,053
Exports	1,616,261	1,429,038	1,796,718	2,488,817
Industrial and related sectors	507,786	448,965	740,920	1,328,330
The Local authorities and water utilities	591,120	522,646	552,695	480,736
Government and related entities	557,658	493,061	165,188	165,188
Domestic customers	153,253	135,500	385,556	199,333
Agriculture and related sectors	26,174	23,741	64,018	44,154
IP Connectivity	<u>73,064</u>	<u>64,601</u>	-	-
	<u>26,536,528</u>	<u>23,482,611</u>	<u>24,692,547</u>	<u>23,482,611</u>

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

26. Financial instruments (continued)

The following table below details the Group's remaining contractual maturity for its non-derivate financial assets and liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets and liabilities.

Group

	Payable on Demand K'000	1 – 3 Months K'000	3 months to 1 year K'000	Above 1 year K'000	Total K'000
Year ended 31 December 2024					
Financial liabilities					
- Borrowings	-	3,617,254	-	57,527,510	61,144,764
- Trade and other payables	-	54,032,865	-	-	54,032,865
- Amounts due to related parties	-	3,033,838	-	-	3,033,838
- Lease liabilities	-	-	130,807	-	130,807
	<u>-</u>	<u>60,683,957</u>	<u>130,807</u>	<u>57,527,510</u>	<u>118,342,274</u>
Financial assets					
- Amount due from related parties	-	597,605	-	-	597,605
- Trade and other receivables	-	9,661,983	-	-	9,661,983
- Bank and cash balances	<u>1,513,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,513,388</u>
	<u>1,513,388</u>	<u>10,259,588</u>	<u>-</u>	<u>-</u>	<u>11,772,976</u>

Company

	Payable on demand K'000	1 - 3 months K'000	3 months to 1 year K'000	Above 1 year K'000	Total K'000
Year ended 31 December 2024					
Financial liabilities					
- Borrowings	-	-	3,617,254	31,245,368	34,862,622
- Trade and other payables	2,607,221	3,282,749	664,625	36,488,196	43,042,791
- Amounts due to related parties	1,818,075	920,699	407,042	22,547,877	25,693,693
- Bank Overdraft	-	-	-	-	-
- Lease liabilities	-	-	13,970	3,896	17,866
	<u>4,425,296</u>	<u>4,203,448</u>	<u>4,702,891</u>	<u>90,285,338</u>	<u>103,616,972</u>
Financial assets					
- Amounts due from related parties	-	-	603,958	-	603,958
- Trade and other receivables	1,343,987	1,321,447	361,742	4,698,600	7,725,776
- Bank and cash balance	<u>1,387,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,387,937</u>
	<u>2,731,924</u>	<u>1,321,447</u>	<u>965,700</u>	<u>4,698,600</u>	<u>9,717,671</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

26. Financial instruments (continued)

Group

Year ended 31 December 2023	Payable on Demand K'000	1 – 3 Months K'000	3 months to 1 year K'000	Above 1 year K'000	Total K'000
Financial liabilities					
- Borrowings	-	3,617,254	-	57,527,510	61,144,764
- Trade and other payables	-	54,032,865	-	-	54,032,865
- Amounts due to related parties	-	3,033,836	-	-	3,033,836
- Bank overdraft	-	-	-	-	-
- Lease liabilities	-	130,807	-	-	130,807
	<u>-</u>	<u>60,683,955</u>	<u>-</u>	<u>57,527,510</u>	<u>118,342,274</u>
Financial assets					
- Amount due from related parties	-	597,605	-	-	597,605
- Trade and other receivables	-	9,661,983	-	-	9,661,983
- Bank and cash balances	<u>1,513,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,513,388</u>
	<u>1,513,388</u>	<u>10,259,588</u>	<u>-</u>	<u>-</u>	<u>11,772,976</u>

Company

Year ended 31 December 2023

	Payable on demand K'000	1 - 3 months K'000	3 months to 1 year K'000	Above 1 year K'000	Total K'000
Financial liabilities					
- Borrowings	-	-	2,157,293	17,670,900	19,828,193
- Trade and other payables	1,511,744	618,859	254,505	17,790,962	20,176,070
- Amounts due to related parties	910,377	224,639	228,801	9,201,051	10,564,868
- Lease liabilities	-	-	15,711	10,776	30,250
	<u>2,422,121</u>	<u>843,498</u>	<u>2,656,310</u>	<u>44,677,452</u>	<u>50,599,381</u>
Financial assets					
- Amounts due from related parties	-	446,462	409,965	-	856,427
- Trade and other receivables	909,813	381,122	409,353	301,085	1,995,373
- Bank and cash balance	<u>1,746,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,746,005</u>
	<u>2,649,818</u>	<u>827,584</u>	<u>819,318</u>	<u>301,085</u>	<u>4,597,805</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

26. Financial instruments (continued)

Fair value measurements

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lusaka Securities Exchange).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.
- This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.
- Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.
- There were no financial assets and liabilities that are measured at fair value on a recurring basis during the period.
- Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).
- Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

26. Financial instruments (continued)

Group	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
- Amounts due from related parties	597,605	597,605	283,929	283,929
- Trade and other receivables	9,661,983	9,661,983	6,044,271	6,044,271
- Bank and cash	<u>1,513,388</u>	<u>1,513,388</u>	<u>2,138,865</u>	<u>2,138,865</u>
Total	<u>11,772,976</u>	<u>11,772,976</u>	<u>8,467,063</u>	<u>8,467,063</u>
Financial liabilities				
- Borrowings	61,144,764	61,144,764	54,815,126	54,815,126
- Trade and other payables	54,032,865	54,032,865	42,093,650	42,093,650
- Amounts due to related parties	3,033,836	3,033,836	4,587,237	4,587,237
- Lease liabilities	<u>130,807</u>	<u>130,807</u>	<u>16,452</u>	<u>16,452</u>
Total	<u>118,473,081</u>	<u>118,473,081</u>	<u>101,512,465</u>	<u>101,512,465</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

26. Financial instruments (continued)

Company	2024		2023	
	Carrying amount K'000	Fair value K'000	Carrying amount K'000	Fair value K'000
Financial assets				
- Amounts due from related parties	603,958	603,958	409,965	409,965
- Trade and other receivables	9,963,846	9,963,846	5,533,620	5,533,620
- Cash and bank balances	<u>1,387,937</u>	<u>1,387,937</u>	<u>1,746,005</u>	<u>1,746,005</u>
Total	<u>11,955,741</u>	<u>11,955,741</u>	<u>7,689,590</u>	<u>7,689,590</u>
	2024		2023	
	Carrying amount K'000	Fair value K'000	Carrying amount K'000	Fair value K'000
Financial liabilities				
- Borrowings	34,862,622	34,862,622	31,160,707	31,160,707
- Trade and other payables	32,125,094	32,125,094	35,278,155	35,278,155
- Amounts due to related parties	25,693,693	25,693,693	17,180,194	17,180,194
- Bank overdraft	-	-	-	-
- Lease liabilities	<u>17,866</u>	<u>17,866</u>	<u>17,866</u>	<u>17,866</u>
Total	<u>92,699,275</u>	<u>92,699,275</u>	<u>83,636,922</u>	<u>83,636,922</u>

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ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

26. Financial instruments (continued)

Group	Fair value hierarchy as at 31 December 2024			
	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Financial assets				
- Amounts due from related parties	-	-	597,605	597,605
- Trade and other receivables	-	-	1,513,388	1,513,388
- Bank and cash balances	-	-	<u>9,661,983</u>	<u>9,661,983</u>
Total	-	-	<u>11,772,976</u>	<u>11,772,976</u>
	Fair value hierarchy as at 31 December 2024			
	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Financial liabilities:				
- Borrowings	-	-	61,144,764	61,144,764
- Trade and other payables	-	-	54,032,865	54,032,865
- Amounts due to related parties	-	-	3,033,836	3,033,836
- Bank overdraft	-	-	-	-
- Lease liabilities	-	-	<u>130,807</u>	<u>130,807</u>
Total	-	-	<u>118,473,081</u>	<u>118,473,081</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

26. Financial instruments (continued)

Company	Fair value hierarchy as at 31 December 2024			
	Level 1	Level 2	Level 3	Total
	K'000	K'000	K'000	K'000
Financial assets				
Loans and receivables:				
- Amounts due from related parties	-	-	603,958	603,958
-Trade and other receivables	-	-	7,725,775	7,725,775
-Cash and bank balances	-	-	<u>1,387,937</u>	<u>1,387,937</u>
Total	<u>-</u>	<u>-</u>	<u>9,717,670</u>	<u>9,717,670</u>
Financial liabilities:				
- Borrowings	-	-	34,862,622	34,862,622
- Trade and other payables	-	-	43,042,791	43,042,791
- Amounts due to related parties	-	-	25,693,693	25,693,693
- Lease liabilities	-	-	<u>17,866</u>	<u>17,866</u>
Total	<u>-</u>	<u>-</u>	<u>103,616,972</u>	<u>103,616,972</u>

ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

26. Financial instruments (continued)

Group	Fair value hierarchy as at 31 December 2024			
	Level 1	Level 2	Level 3	Total
	K'000	K'000	K'000	K'000
Financial assets				
- Amounts due from related parties	-	-	283,929	283,929
-Trade and other receivables	-	-	6,044,271	6,044,271
- Bank and cash balances	-	-	<u>2,138,865</u>	<u>2,138,865</u>
Total	<u>-</u>	<u>-</u>	<u>8,467,065</u>	<u>8,467,065</u>
	Fair value hierarchy as at 31 December 2024			
	Level 1	Level 2	Level 3	Total
	K'000	K'000	K'000	K'000
Financial liabilities:				
- Borrowings	-	-	54,815,126	54,815,126
- Trade and other payables	-	-	42,093,650	42,093,650
- Amounts due to related parties	-	-	4,587,237	4,587,237
- Lease liabilities	-	-	<u>130,807</u>	<u>130,807</u>
Total	<u>-</u>	<u>-</u>	<u>101,626,820</u>	<u>101,626,820</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

26. Financial instruments (continued)

Company

Fair value hierarchy as at 31 December 2023

	Level 1	Level 2	Level 3	Total
	K'000	K'000	K'000	K'000
Financial assets				
Loans and receivables:				
- Amounts due from related parties	-	-	409,965	409,965
- Trade and other receivables	-	-	5,533,620	5,533,620
- Cash and bank balances	-	-	1,746,005	1,746,005
Total	-	-	7,689,590	7,689,590
Financial liabilities:				
- Borrowings	-	-	31,160,707	31,160,707
- Trade and other payables	-	-	35,278,155	35,278,155
- Amounts due to related parties	-	-	17,180,194	17,180,194
- Lease liabilities	-	-	17,866	17,866
Total	-	-	83,636,922	83,636,922

The fair values of the financial assets and financial liabilities included in the level 3 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27. Lease liabilities

	Group		Company	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
At beginning of the year	18,506	31,885	17,866	26,487
At initial recognition	-	-	-	-
Addition	16,345	-	-	-
Finance costs	5,870	3,134	3,341	2,494
Termination on Lease	(5,870)	(5,398)	3,896	-
Repayments	(2,966)	(11,155)	(3,981)	(11,115)
At year end	31,885	18,506	21,762	17,866
Maturity analysis				
Year 1	22,592	61,467	13,190	22,592
Year 2	10,143	9,923	5,922	10,143
Year 3	2,064	4,054	1,205	2,064
Year 4	743	1,459	434	743
Year 5	53	104	31	53
	35,595	87,007	20,782	35,595
Less: Unearned interest	(17,089)	(17,089)	980	(17,729)
	18,506	69,918	21,762	17,866
Analysed as:				
Non-current	112,939	49,084	3,896	640
Current	17,868	20,834	13,970	17,226
	130,807	69,918	17,866	17,866

28. Going concern

Introduction

The IFRS Conceptual Framework states that going concern is an underlying assumption in the preparation of IFRS financial statements of the Group. Therefore, the financial statements presume that an entity will continue in operation in the foreseeable future or, if that presumption is not valid, disclosure and a different basis of reporting are required.

The Board of Directors ("Board") believes that, as of the date of this report, this presumption is still appropriate and accordingly the financial statements have been prepared on the going concern basis.

Ability of the Group to continue as a going concern

IAS 1 Preparation of Financial Statements requires management to perform an assessment of the Group's ability to continue as a going concern. If management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entities' ability to continue as a going concern, IAS 1 requires these uncertainties to be disclosed.

ZESCO LIMITED

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28. Going concern (continued)

In conducting this assessment, the Board have taken into consideration the following factors;

a) Financial position

- The Group's current liabilities as at 31 December 2024 of K62 billion (2023: K50.3 billion) exceeds the current assets of K13 billion (2023: K10 billion). Further, the carrying amounts of total assets of the entity of K216 billion (2023: K210.3 billion) was more than the total liabilities of K133 billion (K112 billion) in the year under review.
- The increase in current liabilities by 25% to K62.9 billion from K50.3 billion in 2023 was mainly due to adverse exchange rate movement which affected trade payables revaluation.
- The Group meets its day to day working capital requirements from operations as well as various forms of borrowing.
- The Financial statements have been prepared on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. The validity of this depends on the Group being able to obtain external financial resources or GRZ support to finance its operations.
- If the Group were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify property, plant and equipment and long-term liabilities as current assets and liabilities.
- Whilst the directors are presently uncertain as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

b) Strategic Plan (10 Year Rolling)

The Directors' have continued to implement the 10-year rolling Strategic Plan with focus on financial sustainability and improved customer service delivery. The initiatives that the Directors are implementing include;

i Debt Restructuring

The long term debt stands at about K57.2 billion or US\$2.1 billion, borrowed for capital infrastructure investment.

As part of the debt restructuring the Group has reached an advanced stage in engagement with The Government of the Republic of Zambia (GRZ) through the Ministry of Finance and National Planning to convert the Government guaranteed and on-lent concessional loans to equity amounting to US\$371.5 million. Once the loans have been converted, it is expected to reduce the levels of gearing and improve the equity.

Further, the Group is in the process of re-negotiating the terms of the existing expensive long term debt under the commercial loans category. The process of engagement with various lenders is still on going. The strategy includes engagement of individual lenders with a view to restructure the existing debt by reviewing the repayment terms and interest rates and possible deferment of the repayment of loans as they fall due.

The debt restructuring will include re-negotiating with some Lenders to reduce the levels of debt reserves, which holds cash cover for the debt repayment for certain loans. This will free up cash to assist in liquidating long outstanding arrears for IPPs and other Suppliers of goods and services.

ii IPPs Tariff Re-negotiations

The IPPs tariff re-negotiations were concluded with Maamba Collieries Limited and Itezhi Tezhi Power Corporation Limited. The new tariffs have been implemented for Maamba Collieries Limited and ITPC This will improve the liquidity and reduce the cost of power from IPPs and subsequently improve financial performance.

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28. Going concern (continued)

iii Revenue Enhancement

This includes the following initiatives;

- The migration to cost reflective tariffs for Domestic customers will be achieved by 2027 through multiyear tariff increases as which the Energy Regulation Board has awarded the Corporation.
Further, the long outstanding review of capital contribution for new customer connection was approved by ERB and effected in January 2023
- The Group finalized the New Bulk Supply Agreement (BSA) with Copperbelt Energy Corporation Limited. The development will result in a stable business relationship with our major customer on the Copperbelt and significant reduction in provisions for doubtful debt in line with IFRS 9 - Financial Instruments.
- The Group concluded the negotiations with IPPs, Maamba and ITPC on the Power Purchase Agreements. This has resulted into reduction of liabilities and power purchase costs compared to previous years.
- The Group has continued to engage the Government of the Republic of Zambia on debt swap for outstanding amounts on its electricity domestic debt. This is aimed at improving the liquidity of the Group and reduce the outstanding electricity debt Government and its agencies.

c) Macro- Economic conditions and impact of COVID-19

- There has been changes in the Macro-Economic conditions in 2024 year with the following major changes.
- The Exchange rate of Kwacha to US\$ dollar depreciated to K25.714/US dollar at 31 December 2024 from K18.064 at 1 January 2024, this had a positive impact on the financial statements for the Group. The exchange rate movement of Kwacha against the US dollar is sensitive and has an impact in the turnover and ultimately the outcome of the financial performance of the Group in the next 12 months and thereafter.
- The Government of the Republic of Zambia is in the process of concluding the country's debt restructuring with its lenders of Euro-Bond and other Creditors which will have a positive impact on the Group's debt structure.

Impact of COVID-19

- The Group continued to conduct its business with COVID 19 awareness even though there were less incidences of the epidemic affecting the business in the year

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29. **Budgeted commitments**

	Group		Company	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Authorised by the Directors but not contracted for	<u>1,346,856</u>	<u>5,207,279</u>	<u>1,346,856</u>	<u>5,207,279</u>

30. **Contingent liabilities**

There were no known material contingent liabilities at 31 December 2024 and 31 December 2023.

31. Events after the reporting date

- (a) The Group incorporated a subsidiary, Kiyona Energy Limited, a company that will invest in other energy sources to diversify and attain some energy mix
- (b) The Group was affected by drought with significant reduction in the water levels in both the Zambezi and Kafue Basins. The reduction in water levels significantly affected power generation. The Corporation had to commence load shading in March 2024 and increased power imports to mitigate the shortfall of power from own generation.
- (c) Following the application made to ERB for an emergency tariff as a measure to finance increased power imports to mitigate load shading, the ERB approved an emergency tariff for some customer categories effective 1 November 2024.

32. Climate Change

The Company recognises Climate Risk as an Integrated Risk Type. Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it. The Company aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to its own activities in alignment with the Paris Agreement. Climate change impacts almost all sectors within the economy. However, the Company notes that there are certain sectors that are more vulnerable to climate risks under different Transition Risk and Physical Risk scenarios. The Company plans to move quickly in developing identified methodologies and engage with its various stakeholders and integrate Climate Risk into its mainstream risk management activities and assessments. The Company will seek to adapt its approach as the impact from Climate Risk becomes clearer and the tools and methodologies to gather reliable data mature.

