ZESCO
Powering the Nation

31 December 2015

Integrated Report

Who we are...

ZESCO Limited is a vertically integrated electricity utility, which generates, transmits, distributes and supplies electricity in Zambia. It is a public utility, with the Government of the Republic of Zambia being the sole shareholder. However, an integrated report identifies and aligns the corporation's objectives to its strategic elements:

Mission

ZESCO is committed to providing safe and reliable electricity to improve the quality of life for all.

Vision

To be an effective service provider through a highly motivated team, Driven by a passion for innovation and excellence.

Values

The Company embrace values of Integrity, Love, Health & Vitality, Wisdom and Success by:

- Being honest in all our dealings
- Supporting each other
- Having a balance in our lives
- Being open to new ideas
- Developing leaders

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Strategic Report

1.0 Integrated Reporting Overview

ZESCO Limited has adopted an Integrated Reporting Framework, which aligns with the best practices around the globe. The Integrated Reporting Framework was published by the International Integrated Reporting Council (IIRC) in December 2013, and takes into account other guidelines published in this regard.

Integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term. Integrated reporting also identifies the risks and opportunities the Company is exposed to and how it takes advantage of such opportunities.

The IIRC is a global collision of regulators, investors, companies, standard setters, the accounting profession and NGOs which promotes communication about value creation as the next step in the evolution of corporate reporting.

In the quest to adopt best reporting practice, ZESCO adopted the integrated reporting framework in line with IIRC, with the first Integrated Report being issued for the 2014 financial year.

Basis of Preparation

The Integrated report aims at creating an atmosphere that is inspired by balanced and transparent reporting through value creation. It considers qualitative and quantitative matters that affect operations and strategic objectives of the firm. It also discloses positive and negative matters vital to stakeholders' decision making.

Approval of Integrated Annual Report

The board acknowledges its responsibility to ensure the integrity of this report. The directors have collectively assessed the content and believe the report addresses all material issues and fairly presents the integrated performance of the Company. The board has authorized the release of this report.

Dillion Chipungu
Board Chairperson

Victor M. Mundende
Managing Director

1.1 Chairman's Statement

Mr Dillion Chipungu

Board Chairman

Our responsibility, despite challenges faced in the electricity industry is to provide safe, clean and reliable power. Assuring reliability and accessibility of supply comes at a very high cost and if not watched may destabilize our financial sustainability.

Am pleased to present our Integrated Report for the year ended 2015, it is a very exciting moment for us, as it is the second year we are producing a report that focuses not only on the financial metrics but also interrogates how sustainably we are doing business.

2015 has been full of significant challenges that threatened and questioned our business model. What has not changed is our unique ability to continue adapting to changes in the unpredictable business environment.

We are committed going forward to providing an environment that motivates doing business at the lowest cost possible as we are alive to the fact that our product is a major ingredient in spurring economic growth. Our responsibility, despite challenges faced in the electricity industry is to provide safe, clean and reliable power. Assuring reliability and accessibility of supply comes at a very high cost and if not watched may destabilize our financial sustainability. It was in such situations that our shareholder committed financial stimulus towards power imports.

Macro Environment

It was indeed a year that had countless challenges which were beyond our control, however we had to adapt to minimize the adverse effects on our business and the economy at large. The challenges were as follows but not limited to:

21.0 %

Inflation had an impact on the cost structures of the Company as it increased from 8% in 2014 to 21% in 2015

3.4 %

The forecasted GDP for 2016 is around 3.4% giving a dim outlook for the future.

Drought

Our primary ingredient in the production of electricity is water, therefore the acute hydrological challenges faced in the fiscal year meant that we had to significantly reduce on the generation of power. This factor had a strenuous effect on our commitment to supply reliable power at a very affordable price without hurting our financial sustainability.

Inflation

This had an impact on the cost structures of the Company as it increased from 8% in 2014 to 21% in 2015, and adversely impacted in the operating costs, cost of sales and financing. The employee costs were mainly affected as salaries had to be adjusted so as to cushion employees from the adverse inflation impact.

Exchange Rates

The local currency depreciated by an average of 72% closing at K10.99/US$ during the year. Most of the loans procured for capital investments are in foreign currency hence stressing the balance sheet.

Commodity prices: The country's major export is copper and any shocks in the commodity prices affects GDP growth and this was chiefly compounded by the slowdown in China's appetite for copper. This impacted negatively on our revenues.

Recovery Plan

As a corporation we are known to have a character that is resilient to challenges and the ability to overcome obstacles influenced by the external environment through robust strategies.

With the full range of external factors to contend with, we had to focus on the core strategies. Austerity measures had to be instituted as part of the plan on both OPEX and CAPEX which include the following:

Minimizing the effects of Load shedding:

We are in the business of selling electricity therefore not having enough power strongly threatens our commitment to building a sustainable brand. In the year under review, we had to weigh between the cost of imports and the cost of collapsing the economy due to the unavailability of power. In the interest of transformation and social sustainability, we overlooked the cost of imports and went ahead to import in order to sustain the economy.

The shareholder committed to partly fund the importation of power, as ZESCO we were only committed to spend a maximum of the average selling price while the differential was being met by the shareholder. The shareholders' commitment served as a great aid to mitigate the threat on the company's financial sustainability.

Liquidity position

this situation adversely impacted the working capital position. While we have endeavored to our commitment in maintaining manageable receivables, inventory and payables, we have had challenges recovering receivables due to the slowdown in the economy which meant that liquidity became tight. Despite this, obligations still had to be met as they fell due.

Plant Performance

we invested mainly in maintenance and optimizing the performance of the available plants to sustain supply in the short to medium term.

Future Outlook

The current trajectory of all the external factors highlighted in 2015 will not easily phase out at once, we are not seeing the end to hydrological challenges in 2016 to 2017 neither will the GDP hit more than 6%. The forecasted GDP for 2016 is around 3.4% giving a dim outlook for the future.

Despite the challenges, we commit ourselves to the various stakeholders that we won't be a constraint to the growth of Zambia's economy. The existence of our business entirely depends on nourishment of the sustainability dimensions such as financial, operations, asset investment, environmental and building a solid brand. It is an undeniable fact that the sustainability dimensions in the current environment are threatened as financial stimulus from the shareholder are not sustainable. It is within this spirit, that moderate migration to cost reflective tariff is the solution to stabilize the business in the short, medium and long term.

The ability to source for cheaper external financing for capital investment in alternative sources of energy while stabilizing the company can be achieved by having a clean balance sheet. A precarious balance sheet only attracts expensive finance, therefore the restructuring of the GRZ on lent loan to equity is very key.

Conclusion

This report provides an unbiased picture of the organizations' performance during the year under review. It has been prepared in accordance with IIRC reporting and GRI framework.

1.2 Managing Director's Statement

Mr Victor M Mundende

Managing Director

"The corporation is exploring opportunities for hydro generation in the Northern part of the country. Apart from the dependence on hydro power generation, other sources such as solar plants are also being considered."

The Shareholder's confirmation of key management positions and appointment of Board members towards the end of 2015 stabilized the operations of the corporation. This is after the company had operated with an interim Board for most part of the year.

The following items below detail how ZESCO Limited endeavored to operate and achieve its strategic objectives sustainably during the year.

Revenue And Business Sustainability

The Customer base increased to 740,312 in 2015 representing an increase of 12%. A total of 77,786 connections were done during the year representing an increase of 23%.

Domestic debt at the end of December 2015 increased by K 13.3 million from K 485.6 million reported in 2014. The composition of the debt is mainly water utilities, Central and Local government.

We are committed to a complete migration to prepaid metering. During the year under review, 78,131 prepayment meters were installed compared to 101,146 installed in 2014. The installation included new connections, conversions from postpaid and replacement of faulty meters.

Mining revenues grew by 73% from the previous year while, Exports increased by 64%. This was mainly driven by the deterioration of the local currency against the US dollar. A marginal increase was also recorded on Fibrecom of 17% above the 2014 revenues.

Operational Sustainability

ZESCO generated a total of 12,815 GWh from its hydro power stations. This was against a planned generation of 12, 640 GWh.

Average Availability of generating plant was at 72% with a Capacity Factor of 50%. The low Capacity Factor was attributed to low generation levels at Musonda Falls, Lunzua and Shiwan'gandu Power Stations.

There was insufficient water for average power generation at both Kafue Gorge and Kariba North Bank Power Stations in the year 2015. About normal power generation was done at Victoria Falls Power Station. The Small Hydro Power Stations also faced similar challenges during the year forcing some power plants to reduce on generation.

To address the challenges above, see below sustainable asset creation.

Sustainable Asset Creation

Currently the generation of power has been hindered by the adverse weather pattern, we only produced 1,151 MW against an installed capacity of 2,227 MW representing 52% of installed capacity. Management in mitigating the power deficit is working on the medium to long term measures, among them but not limited to include:

- 15 MW Lusiwasi Upper Power Project
- 86 MW Lusiwasi Lower Power Project
- 750 MW Kafue Gorge Lower (KGL) Power Project.
- 1, 200 MW Batoka Gorge North Bank Hydro Power Station.
- 600 MW Hydro Power schemes - Luapula River Basin Authority
- Construction of Infrastructure and Main Works for the Itezhi-tezhi power plant.
- Generation mix to include solar plants, location of new generation plant in the Northern circuit and rehabilitation of small hydro power stations.

Transmission infrastructure comprises of lines totaling about 5,774 km and 78 Substations spread across Zambia. We have continued to greatly invest in transmission infrastructure in order to strengthen the transmission backbone and to increase interconnectivity within Sub Saharan and East African countries. Amongst the projects undertaken include:

- Zizabona Interconnector Project
- Connection Of Northwestern Province To The Grid
- Pensulo Transmission projects

Distribution and Supply infrastructure covers the whole country and is operated at various voltage levels namely 33 kV, 11 kV and 0.4 kV with an installed capacity of slightly over 1,500 MVA. The corporation is currently undertaking various projects aimed at reinforcing and expanding the distribution infrastructure.

740,312

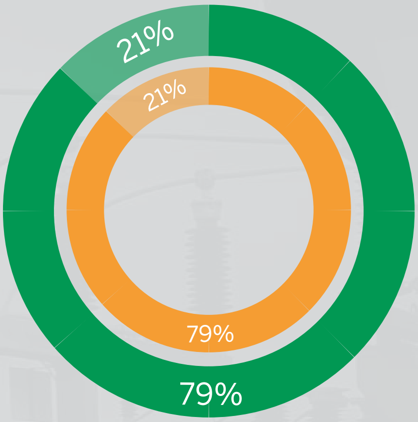
Customer Base
Representing a 12% increase in 2015

77,786

Connections
Representing a 23% increase in 2015

Other Sustainability

The labour strength stood at 6,817 at the close of 2015 against 6,764 in the previous year. Established capacity stands at 7,000. The table below shows the labour mix.



	2015	5316	2014	5296
	2015	1448	2014	1521
	Total	6764		6817

The corporation remains an equal employer and does not discriminate against the differently abled.

The Safety, Health, Environment and Quality (SHEQ) project was commissioned in April 2014 and commenced operations in September 2014. The project was set up with a view to improve the quality of service to meet the expectations of customers while managing the environment and operational risks in compliance with relevant legal and regulatory requirements. The SHEQ project is based on the requirements of ISO 9001, ISO 14001, OHSAS 18001 and ISO 27001.

In the first quarter of 2016, the project will undertake a Preparedness Audit for the company which will lead to the main audit in the last quarter of 2016 for ISO certification.

Future Outlook

The corporation is exploring opportunities for hydro generation in the Northern part of the country. Apart from the dependence on hydro power generation, other sources such as solar plants are also being considered.

The government of the Republic of Zambia has liberalized the energy sector with a view to attract Independent Power Producers (IPPs) which include Maamba Coal, Lunsemfwa and Ndola Energy.

Following significant change in cost structure, there is urgent need to migrate to cost reflective tariffs in order to sustain the operations of the corporation.

Through these measures, the corporation is assured of financial sustainability thereby guaranteeing the going concern of the entity.

Organisational Overview and External Environment

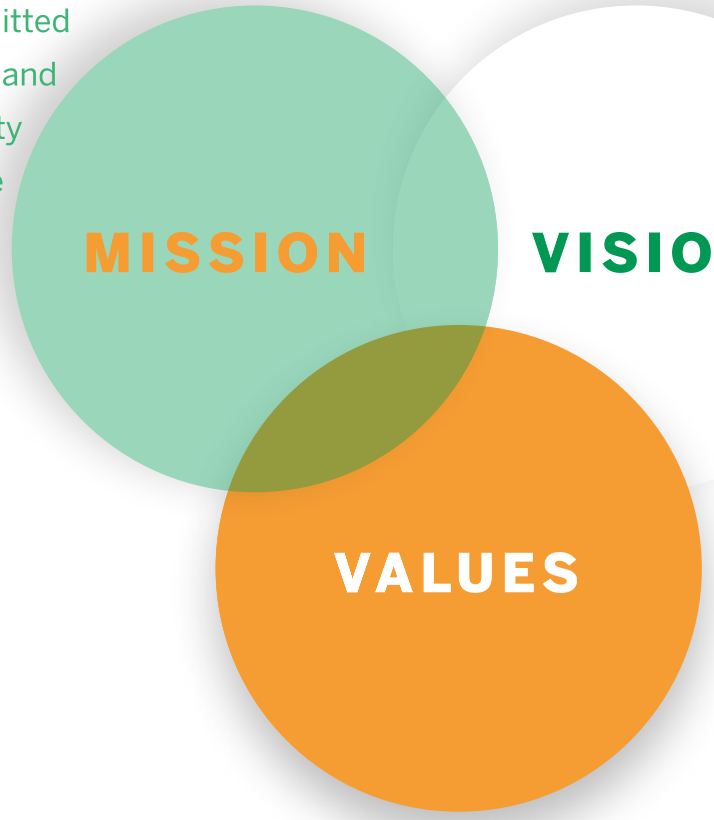
2.0 Organisational Overview and External Environment

Who we are...

ZESCO Limited is a vertically integrated electricity utility, which generates, transmits, distributes and supplies electricity in Zambia. It is a public utility, with Industrial Development Corporation being a holding Company.

The integrated report identifies and aligns the corporation's objectives to the company's strategy.

ZESCO is committed to providing safe and reliable electricity to improve the quality of life for all.



To be an effective service provider through a highly motivated team, Driven by a passion for innovation and excellence.

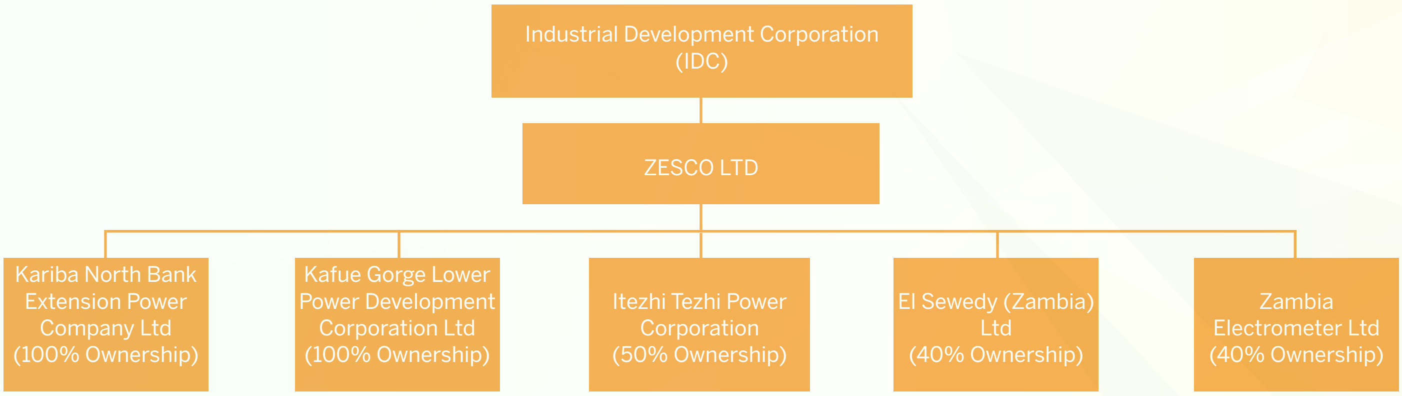
The Company embrace values of Integrity, Love, Health & Vitality, Wisdom and Success by:

- *Being honest in all our dealings,*
- *Supporting each other,*
- *Having a balance in our lives,*
- *Being open to new ideas and*
- *Developing leaders*

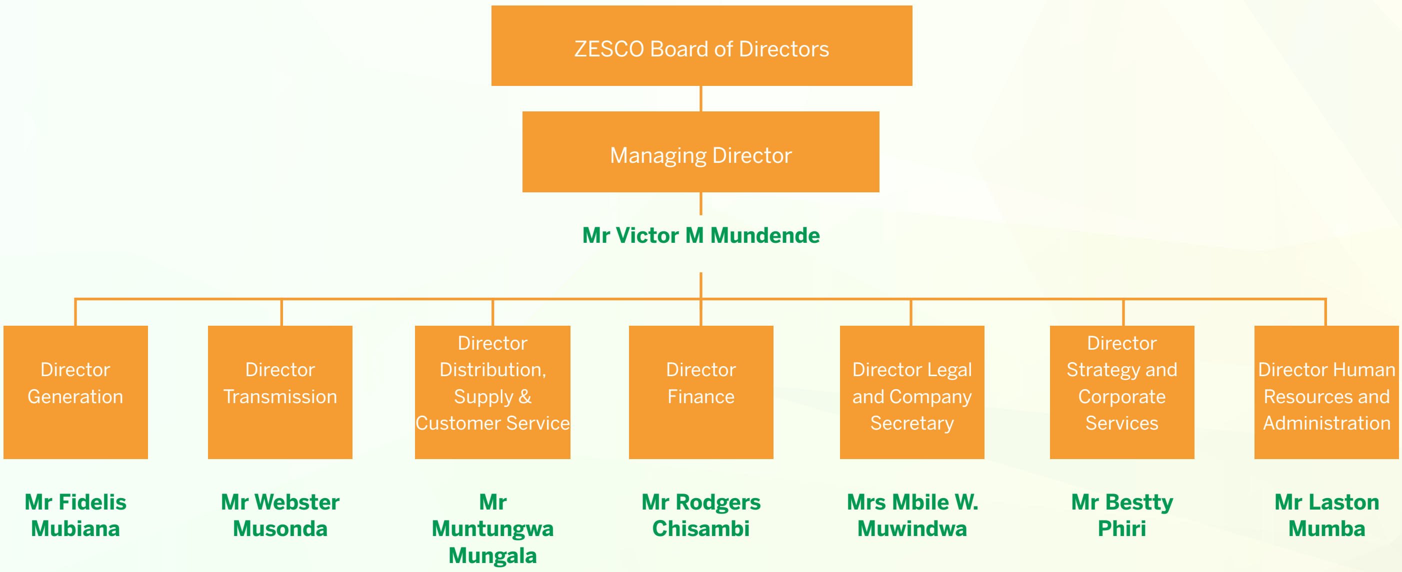
2.1 Ownership and Operating Structure

ZESCO Limited is a vertically integrated utility, wholly owned by the Government of the Republic of Zambia. ZESCO Limited was formed in 1970 after the Zambia Electricity Supply Act was passed in Parliament. This Act brought together the electricity undertakings that were previously managed by the local authorities. The corporation traces its origins to 1906 when a small thermal station was established in Livingstone to serve a small section of the town.

In 1994, the name of Zambia Electricity Supply Corporation Limited was changed to ZESCO Limited. This was to reflect the recommitment to providing a high quality of customer service.



Management Structure



2.2 Corporate Management Profiles

Director Generation
Mr Fidelis Mubiana (50 years)

He is a holder of B.Eng. Mechanical Engineering obtained at University of Zambia. He has a Master's in Business Administration with Manchester University. He has over 23 years' experience in Engineering Manager with technical and managerial skills in Hydro Power Generation.

Director Distribution, Supply and Customer Services
Mr Muntungwa Mugala (47 years)

He is holder of B. Eng. Electrical Engineering obtained in 1991 at University of Zambia. He has over 20 years' experience responsible for a broad range of electric power system engineering activities at Distribution power systems and implemented various distribution projects.

Director Legal and Company Secretary
Mrs Mbile W Vukovic (45 years)

She is a holder of LLB (Hons) Bachelor of Laws Degree, obtained in 1995 at Themes Valley University, West London, United Kingdom Honors Degree.

She possess LLM (Masters of Law) from University of Leicester, United Kingdom and obtained Law Practice Certificate from the Zambia Institute of Advanced Legal Studies and got admitted to the Zambian Bar in April, 1997. She has vast experience as Legal Practioner and has held various Legal Portfolios in the Company for over 19 years

Director Transmission
Mr Webster Musonda (44 years)

He is holder of B. Eng. Electrical Engineering obtained in 1996 at University of Zambia. He has over 20 years' experience responsible for a broad range of electric power system engineering activities at the detailed design, supervision and management level.

Director Finance
Mr Rodgers Chisambi (56 years)

He is a Chartered Certified Accountant (ACCA) and a holder of Master Degree in Business Administration. He is a fellow of ZICA and ACCA, with wide experience in corporate capital restructuring, corporate finance, budgeting and strategic planning and corporate governance.

Director Strategy and Corporate Services
Mr Bestty Phiri (51 years)

He is a Certified Management Accountant (CIMA) and a holder of Master Degrees in Business Administration, with broad experience in accounting, budgeting and strategic planning having served as Chief Accountant, Senior Manager Budget & Compliance and Director Strategy spurning over 30 years. He is a fellow of ZICA and CIMA.

Director Human Resources and Administration
Mr Laston Mumba (42 years)

He is a holder of Bachelor's degree in Business Administration and Diploma in International Post Graduate Management. He also possess a Master Degree in Business Administration with over 20 years' of experience in Human Resources development, dispute and strategic dialogue, performance management and strategic planning.

Corporate Governance

3.0 Corporate Governance

ZESCO Limited is governed by the Board of Directors who are appointed by the shareholder, the Government of the Republic of Zambia through the Industrial Development Corporation. The Board of Directors is responsible for the strategic direction of the company.

The Company's Board functions in accordance with the Board Charter and the Corporate Governance Guidelines which require that there is an appropriate balance of power and authority on the board.

The Board of Directors is comprised of 9 members, out of which 8 are non-executive members. The Board members are drawn from various sectors of the economy, representing different interest groups of society. During the year under review, the corporation was run by an interim board. The main Board was appointed in December 2015.

Key Board Responsibilities

The Board of Directors have two basic functions, which include: decision making and providing oversight. The Board of Directors' responsibilities include the following:

- Determine a governance model and ensure that appropriate organisation policies and structures are in place;
- To provide Strategic direction of the Company, by developing or revalidate the existing Mission, Vision and Values;
- Maintain effective partnership and communication with the external stakeholders;
- To ensure that the internal control environment and internal audit is effective;
- To monitor the business performance, risk assessment and compliance with legal obligations;
- To approve audited annual Financial Statements and Operating & Capital expenditure budgets;
- To ensure effective planning and adequacy of resources;

The Board entrusts the day to day running of the organisation to the Managing Director, who is an Executive member of the Board.

The Board delegates it's responsibilities to the Board Sub-committees, whose membership is drawn from the Board and society. Below is a detailed responsibilities of the Board Sub-committees:

The Board Sub-Committees

The Board in accordance with the Companies Act, the articles of association and the Board Charter delegates it's responsibilities to the sub-committees, namely;

- Audit and Risk
- Finance and Investment
- Technical
- Legal, Customer Service and Administration

Audit and Risk Committee

The Audit and Risk Committee of the Board is responsible for assisting the Board in its oversight of:

- To ensure effectiveness of the Company's systems of internal controls and policies and procedures for risk assessment and risk management;
- To ensure the Company's compliance with legal and regulatory requirements;
- To assess the performance of the Company's internal audit function and the Independent Registered Public Accounting Firm, including its appointment, qualifications, compensation and independence;
- The effectiveness of the Company's procedures for risk assessment and risk management;

Finance and Investment Committee

The Finance and Investment Committee is appointed by the Board to oversee the Board's responsibilities relating to the financial affairs of the Company. The principle responsibilities include:

- To make recommendations to the Board in connection with the Company's investment guidelines, investment asset allocations and financing activities.
- To ensure the integrity of the Company's financial statements and the financial reporting process, including the system of disclosure controls;
- Review and make recommendations to the Board on all significant credit, letter of credit and other financing facilities. The Committee shall have the authority to approve letter of credit facilities established to secure the Company's obligations under reinsurance and insurance contracts;
- Review and recommend to the Board all major new business initiatives, especially those requiring a significant capital allocation.

Technical Committee

The Committee is appointed by the Board to oversee the technical aspect of the Company.

The Committee's responsibilities include:

- Review of technical reporting process;
- Review maintenance asset management policies and conditions of asset;
- Identification of internal projects, appraisal and reporting;
- Ensure compliance with laws and regulatory requirements;

Legal, Customer Service and Administration

The Committee is appointed to assist the Board with the following:

- Review and approve the human resource plans, policies and processes and to confirm that the Corporation's organizational development and executive compensation practices support its strategic business objectives;
- Review and approve the customer service charter, procedures and policies that are consistent with the organizations' objectives;
- Review and monitor the ongoing litigation cases and the potential liability to the Company;

Board Profiles

Mr Dillion Chipungu
Non Executive Board Member - Chairperson

Mr. Chipungu's portfolio stems from his wide experience in the private sector business development. He has headed some of the top business companies in Zambia and he has sat on various Boards aimed at empowering and strengthening the local entrepreneurship such as the Citizens Economic Empowerment Commission and the Buy Zambian Campaign under the Ministry of Commerce, Trade and Industry.

He brings to the ZESCO Board his outstanding business acumen and vast wealth of knowledge of the business sector.

Mr Victor M Mundende
Executive Board Member

Mr. Victor M. Mundende is the Managing Director of ZESCO Limited. Previously he held the position of Chief Operating Officer a position which deputised the Managing Director.

Mr. Mundende graduated from the University of Zambia in 1991 with a Bachelor's Degree in Engineering from the University of Zambia and joined ZESCO Limited in the same year. He has worked in various positions spanning from operations in the power plants to development of new power plants in ZESCO's Generation Directorate.

He worked for over 8 years on Zambia's Power Rehabilitation Project (PRP). He has also worked as Director of Generation Directorate.

His responsibilities to the Board include but are not limited to ensuring that the corporations objectives are met and the execution of the corporations strategy are presented and approved by the Board.

Dr Ronald Simwinga
Non Executive Board Member

DR. Simwinga is the Permanent Secretary for Economic Management and Finance at the Ministry of Finance. He is responsible for overseeing and managing the economic and financial policy of the Ministry.

He brings to the Board vast experience in managing debt portfolio strategies and structuring issuances of loans and securities for deficit financing and refinancing, advising treasury on financial policies that assure minimum cost risk to the sovereign debt portfolio.

Dr. Simwinga is a holder of a PHD in Economics from American University, Washington D.C, USA, a Master of Science degree in Economics from University of Birmingham, England and a BBA from Copperbelt University.

Brig. Gen Emeldah Chola
Non Executive Board Member

Retired Brigadier General Emeldah Chola is the Energy Permanent Secretary (PS) at Ministry of Energy and Water Development. She held the same portfolio of PS at Lusaka Province, Ministry of Home Affairs and Ministry of Defense.

She studied Human Rights and Law of armed conflict at Lund University in Sweden and the Law of armed conflict for armed forces from San-Remo, Italy. She is a decorated retired Brigadier Gen from the Zambia Air Force where her career took off in 1975.

Mrs Felicitas C K Katotowe
Non Executive Board Member

Mrs. Katotobwe is an Economist by profession. Her experience emanates mainly from the vast work experience from the University of Port Elizabeth in South Africa and World Food Programme in Zambia where she fundamentally established her distinct expertise and abilities in economic analysis in the area of energy-economy-environment, economic monitoring and economic research.

She is a holder of a Bachelor of Commerce Degree - Economics and Accounts from the University of Port Elizabeth (Now Nelson Mandela Metropolitan University. Mrs Katotowe also holds a Master of Business Administration with Specialization - Financial Management from Heriot Watt University – Edinburgh Business School.

Mr George M Kanja
Non Executive Board Member

Mr. George Mpundu Kanja is a Lawyer by Profession. He holds a Bachelor of Laws (LLB) degree from the University of Zambia, a Master of Laws (LLM) degree from Queen Mary College, University of London, and a Postgraduate Diploma in Intellectual Property Law from the School of Law, University of Turin, Italy and a Postgraduate Diploma in Human rights from Raoul Wallenberg Institute of Human Rights, University of Lund.

He is bringing his legal acumen to the ZESCO management and Board in his private practice.

Mr Israel Phiri
Non Executive Board Member

Mr. Israel Phiri holds a Bachelor of Engineering degree in Civil Engineering and a Post Graduate Diploma in Hydro power Planning and Development. Mr. Phiri has worked on many hydro power projects in Zambia from conception to implementation and has worked on numerous documents that are required for project implementation and financing using various models from public through to public private partnerships (PPP) to independent power (private sector) producers.

He served on the board of International Hydropower Association from 2005 to 2015 and managed the Office for Promoting Private Power Investments (OPPPI) in the Ministry of Energy and Water Development in Zambia from 2006 to 2013 where he successfully chaired inter-ministerial teams of experts and negotiated implementation agreements for both hydro and thermal power projects.

Mr. Phiri holds a bachelor of engineering (Civil) Degree from the University of Zambia.

He brings to the ZESCO Board vast experience in energy sector and wealth knowledge of business from both public and private sectors.

Dr Mbita C Chitala
Non Executive Board Member

Dr.Chitala with a professional career in Public Administration spanning over 30 years in the areas of Project Planning and Management Organisation and Methods. He has served on various high level Zambian Government portfolios as Deputy Minister of Commerce, Trade and Industry and also of Finance and National Planning.

He has served on numerous boards including National Council for Construction, Comcapital Securities Limited and Pan African Radio Limited among others.

Dr.Chitala is a holder of a PHD – Public Administration from the University of Zambia. He also holds a Master's Degree in Public Administration as well as a Bachelor's Degree in Education both from the University of Zambia.

Mrs Cecilia M B Zimba
Non Executive Board Member

Mrs. Zimba has over twenty (20) years of broad financial and operations management experience in both Financial and non-Financial Institutions at Executive Management Level and Micro Finance Institution. Her extensive experience includes but is not limited to management of financial systems and budgets, financial reporting, Treasury Management, financial data analysis, risk management analysis, accounting, auditing, taxation and providing financial advice.

She has vast experience in corporate support services which include Administration, Human Resources, Procurements, IT and Security.

Mrs. Zimba holds a Master's Degree in Business Administration from Heriot Watt (UK). She is a fellow of Association of Chartered Certified Accountants (ACCA) and a fellow of Zambia Institute of Chartered Accountants (ZICA).

Mrs Mbile W Vukovic
Company Secretary

Ms. Vukovic is the Company Secretary and Director Legal Services of ZESCO Limited. She holds a Bachelor of Law Degree and a Master's Degree in International Commercial Law from Thames Valley University and University of Leicester respectively.

She ascended the corporate ladder from a Legal Officer through to Chief Legal Officer, Senior Manager Legal Services and finally to her current position.

Her work experience spans a period of 19 years in the Corporation. She holds a current Practicing Certificate to practice law in Zambia from the Zambia Institute of Advanced Legal Education.

Her responsibilities to the Board include but are not limited to advising the Board on governance developments, servicing board and committee meetings, advising directors on their legal obligations and ensuring compliance with company laws and regulations.

3.1 Governance of Risk

In 2015, the corporation reviewed the risk portfolio to alignment it to the organisation strategy.

Principal risks and uncertainties		
Description	**Potential impacts**	**Mitigation Activities**
1. Strategy Delivery Failure to deliver ZESCO's strategy	The Business Plan for 2013 - 2017 aims to deliver the future strategy, by increasing generation, transmission and distribution capacity. The focus areas of the strategy are to increase customers' base; cost reduction and reduction of distribution losses. This is fundamental to our future success and incorporates both controllable and uncontrollable risk elements which require careful monitoring.	• Established budget to ensure capital investment is allocated in line with the Business Plan and prioritised to deliver optimal business results. • Delivery of Strategy is the primary objective of the Board and Corporate Management. • Quarterly performance reviews are held by all strategic business units to monitor progress against these targets. Management accounts shall be considered key tools to track performance.
2. External Environment Changes and events that could impact delivery of ZESCO's strategy	Customer behaviour and demand can change due to improved energy efficiency, climate change, government initiatives, long-term weather patterns and the general economic outlook. These external environments could harm our business, therefore we must respond appropriately. Events within the external market environment sit largely outside of our direct control, but set the tone for our future business.	• Regular analysis is undertaken on commodity price fundamentals and their potential impact on business plans and expectations. We are affected by the price reduction in copper prices and therefore it is our key responsibility to perform regular analysis. • Diversifying generation sources to the Northern part of the country and generation mix such as solar. • We are increasing our investment in connected homes through smart meters, energy efficient programs, and time-of-use tariffs in order to respond to market disruption and position us at the forefront of new technology. • Continue to pursue a range of investment options across Generation, Transmission and Distribution in different geographies in response to the effects in changes of the environment
3. Credit Risk Failure by our customers to settle the outstanding debt.	Failure by customers to settle the outstanding debt due tariff disputes, may impact adversely on the liquidity of the Company.	• Engaging the stakeholders on the need to migrate to cost reflective tariffs. • The Regulator to undertake the Cost of Service Study, which will determine the tariff per customer category

Principal risks and uncertainties		
Description	Potential impacts	Mitigation Activities
4. Sourcing and Supplier Management Dependency on, and management of, third parties to deliver the products and services for which they are contracted to the agreed time, cost and quality.	Our business operations rely on products and services provided through third parties, including outsourced activities, infrastructure and operating responsibility for some assets. We rely on these parties to comply with not only contractual terms, but also legal, regulatory and ethical business requirements.	• All Procurements are properly authorized by ZESCO Procurement Committee and Zambia Public Procurement Agency • All Procurements are done in accordance with Public Procurement Act. • Maintain an updated Procurement Register of all Suppliers and a back ground check on previous performance is done.
5. Safety, Healthy, Environment and Quality (SHEQ) SHEQ hazards and regulations associated with ZESCO's operations.	Our operations have the potential to result in personal or environmental harm, or operational loss. Significant SHEQ events could also have regulatory, legal, financial and reputational impacts that would adversely our brand and business.	• SHEQ remains our highest priority with a continued focus across all our assets and operations. • Top leadership team, has been actively involved in SHEQ operations. • We undertake regular reviews and have thorough assurance processes in place in relation to these risks, with reporting to the SHEQ Committee on a monthly basis and full discussion of all issues arising. • Third line of defence responsibility for SHEQ has been transferred into Internal Audit to ensure appropriate objectivity and reinforce our assurance provision. • We have strengthened our controls through the development of the SHEQ management system, focusing on areas including process safety, driving and working at heights. • We continue to invest in training to ensure we maintain safe operating practices, including SHEQ leadership programmes. • Security intelligence and operating procedures, as well as crisis management and business continuity plans are regularly evaluated and tested. • Our employees attend mandatory weekly SHEQ circle meetings which acts as a tool in change management and subsequently adopting a culture that supports risk management.
6. Financial processing and reporting Accuracy and completeness of internal and external financial information.	We must be able to maintain robust financial systems to produce accurate financial statements underpinned by appropriate accounting judgements and the right information to support optimal business decisions. Our obligation includes maintaining processes to avoid misstatement through fraud or error so that the confidence of our customers, shareholder, lenders and regulator (ERB) is not undermined and they can rely on available information.	• Financial Statements are prepared in accordance with IFRS reporting guidelines. • The Audit Committee reviews carefully our compliance with our internal policies and external requirements. • We maintain an effective working relationship with our external auditors, listening to their advice and recommendations, and they rely on our internal assurance and monitoring activities where appropriate.

Principal risks and uncertainties		
Description	Potential impacts	Mitigation Activities
7. Legal, Regulatory and Ethical Conduct Compliance with legal, regulatory and ethical requirements	Our operations are the subject of intense regulatory focus and we seek to deliver the highest standards in compliance and ethical conduct	• The Energy Regulatory Board regulates the Energy Industry by determining the tariffs per customer category based on the Revenue requirements. • The process for tariff adjustment is done transparently by involving extensive stakeholder consultation before the final tariff is awarded. • The Energy Regulation Board measure the performance by monitoring the Key Performance Indicators. • The operator must have valid licences for generation, transmission and distribution system.
8. Change Management Execution of change programmes and implementation of performance management system	The implementation of balanced scorecard to assist in implementation of performance management system and also change management of employees.	• Engagement of Corporate Management Team and employees at all levels is critical to successful implementation performance system. • Progress and critical issues to be reported to the Board. • Appointment of a senior executive to lead the transformation programme brig focused attention to benefits realisation, risk priotisation and milestone tracking.
9. Business planning, forecasting and performance Business planning, forecasting, risk management and achievement of anticipated benefits.	We prioritise how we use our resources based on our business plans and forecasts. Failure to accurately plan and forecast taking into account the changing business environment could result in suboptimal decisions and failure to realise anticipated benefits.	• Quarterly performance review meetings involving corporate management enable the discussion of plans and forecasts with revisions identified as necessary. • Constructive challenge is provided across each level of the business to ensure that the key assumptions remain robust and appropriate.
10. Asset development, availability and performance Invest in Asset Management System. This will ensure primary assets are in good working conditions and delivery economic value.	Failure to invest in the maintenance and development of our assets could result in underperformance. Assets being out of service or significant safety issues.	• Capital allocation and investment decisions governed by finance and investment committee. • Board and Corporate Management to take direct interest in the oversight of significant assets and ensuring we have the highest operational standards.

Business Model

4.0 Business Model

ZESCO's business model targets at long-term value creation by delivering on return on investments and meeting customer demand for power on the domestic and export markets.

The challenge identified is the climate change, which resulted in low generation of power arising from low water levels due to partial drought experienced in the 2014-15 rain season as the company is 99% dependant on hydro-generation. The answer to this challenge lies in generation mix such as solar power plants and construction of new generation power stations in the Northern part which has potential for new hydro power stations.

System of Inputs	Business Activities	Outputs	Outcomes
Financial	ZESCO's Capital Investments require financing which is obtained through the following: Internally generated (Retained Profits) Debt Equity or Grants Special Purpose Vehicles such as Kariba North Bank Power Extension Corporation Limited and Kafue Gorge Lower Hydro Power Corporation Limited (wholly owned subsidiary). Joint Ventures: Itezhi Tezhi Power Corporation jointly owned by TATA Africa and ZESCO Limited; Elsewedy Zambia Limited and Zambia Electrometer Limited.	Increased Generation, Transmission and Distribution capacity and enhanced system reliability. Easy access to materials such as distribution transformers, prepaid meters and energy saving bulbs.	Increased sales improved cash flows; Enhance quality of customer service delivery;
Manufactured	The manufactured physical assets include the following: • Generation assets i.e. Kafue Gorge Power Station, Kariba North Bank Power Station and Victoria Falls Power Station; • Transmission assets i.e. transmission substations and • Distribution assets i.e distribution substations and lines • Customer service centres • The manufactured assets generate power and evacuate from Imports, IPPs and own generation to various customer segments within the country and the region.	Increase energy availability, stable and quality of service	• Improved load management • Increase asset turnover and return on investment
Intellectual	ZESCO is a complex business because of its capital intensive nature, therefore exists organisational, knowledge-based intangibles. There is tacit knowledge that makes service delivery effective. SHEQ and COBIT have put in place best practice systems, procedures and protocols.	Standardised way of doing things and offering quality service.	Improved efficiency and knowledge transfer
Human	The employees exhibit high levels of competencies due to their capabilities and experience notwithstanding the motivation to innovate. ZESCO has different types of human capital depending on the complexity of the task and risk levels. Tasks that have an inherent high levels of risks are matched with highly specialised skills. The employee's tasks are aligned to ZESCO's strategy.	High performance	Staff motivation Effective and efficient service delivery

System of Inputs	Business Activities	Outputs	Outcomes
Social and relationships	ZESCO engages its stakeholders in various subject matters such as safety, demand side management and tariff awareness programmes. The corporate social responsibility policy aims at empowering the communities especially those who may be affected by the company's investment decisions such as construction of power stations, transmission and distribution lines and substations.	Good corporate citizen Enhanced corporate reputation;	A well alert and informed society
Natural	ZESCO does its business in an environmentally friendly atmosphere because of its dependency on hydro. Its natural capitals are: Water which is used in the generation of power. Land on which the infrastructure along the energy chain is built. Eco-system health:ensuring the use of water does not harm the aqua life and the dams are built in compliance of relevant environment pieces of legislation.	Compliance with environmental requirements High reputation hence easy to source financing.	Improved return on investment Good corporate citizen

Business Performance Review

5.0 Finance Director's Report

Mr Rodgers Chisambi

Director Finance

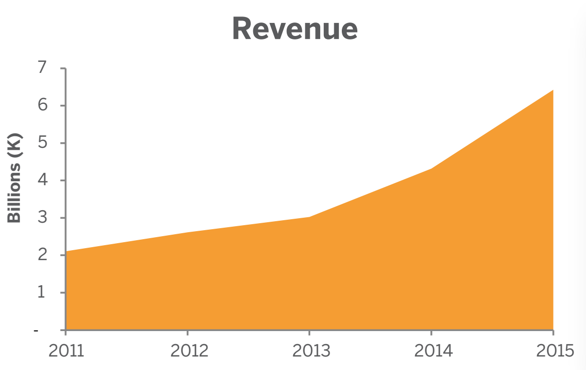
Despite the low profitability recorded in 2015, the corporation's turnover grew by 49%, due to foreign currency denominated sales for mining and exports arising from the appreciation of US dollar against the local currency.

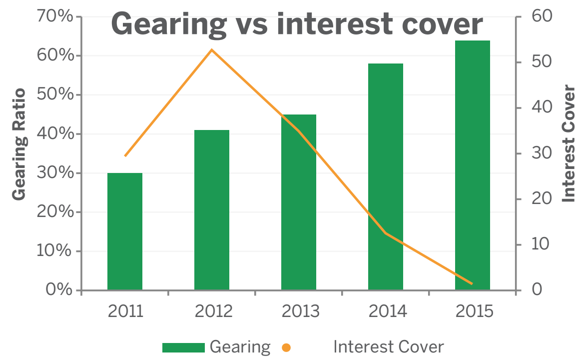
It gives me much pleasure to present to you the company's financial performance review for the year ending 31 December 2015.

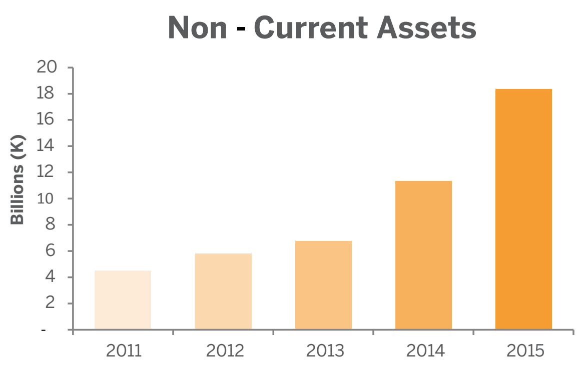
During the year, the profitability deteriorated due to impairment of receivables arising from disputed mining tariffs. This adversely affected cash inflows and provision quality of service delivery to our customers, as the mines continued paying at the old tariff and not the approved tariff.

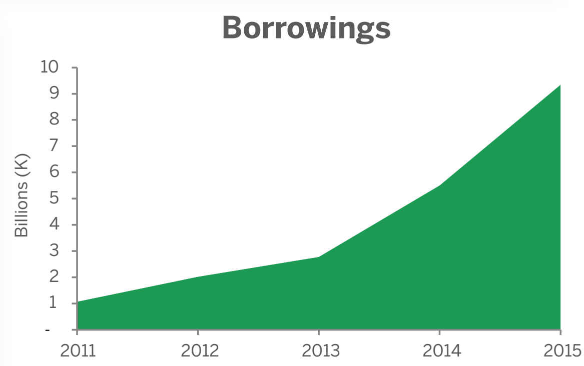
Despite the low profitability recorded in 2015, the corporation's turnover grew by 49%, due to foreign currency denominated sales for mining and exports arising from the appreciation of US dollar against the local currency. The significant increase in the cost of sales by 70% was attributed to costly power imports driven by low generation resulting from insufficient water levels in our reservoirs. The cost of power imports is a major factor to the rising cost of sales and it is a threat on the financial sustainability of the corporation.

The high cost of power imports has led to a significant drop in interest cover to 1.4 times (2014: (13 times).The interest cover was further eroded by huge investments in capital works in progress which do not immediately result in improved revenues. The investments in the industry are capital intensive and have a longer gestation period. The interest cover trajectory poses a threat on the corporation's ability to meet financial obligations if these projects are not completed on time and if cost reflective tariffs are not implemented.









The balance sheet has grown by 47% to K24 billion (2014:K16 billion) while maintaining the levels of trade payables at an average of K1.37 billion. The balance sheet growth was attributable to major investment in property, plant and equipment. The long term debt grew by 70% partially due to the revaluation of foreign denominated loans resulting from strengthening of US$ dollar against the local currency and also the procurement of additions loans.

The company's exposure to financial risks, is partially mitigated by matching the foreign denominated receivables from mining and export customers against the foreign denominated obligations such as longs and trade payables. Further, hedging of financial liabilities will be considered depending on the cost benefit analysis to be undertaken.

The operating cash flows before working capital movements increased to K6.4 billion (2014: K1.9 billion). After working capital adjustments net cash flow from operating activities was K2.7 billion (2014: K1.5 billion). The net cash outflow from investing activities increased to K4.5 billion (K3.1 billion) due to huge capital investments in Property, Plant & Equipment. The disposals amounting K1.9 million related to Motor Vehicles. The net cash out flow from financing activities was K2.4 billion (2014: K1.8 billion), this was mainly due to the loans procured amounting to over K2.8 billion.

Future Outlook

- In order to protect the corporation's financial sustainability, we are committed to ensuring that:
- We prioritise investments in projects with shorter gestation periods such as renewable energy sources.
- Priority will also be given to revenue generating projects which will have an immediate impact.
- Sourcing of project financing to ensure completion of stalled critical projects.
- Complete phase out of inefficient and costly diesel power generation.
- Continue stakeholder engagement in migration of tariffs to cost reflective levels.

6.0 Business Performance Review

6.1 Revenue and Business Sustainability

Our business is focused on quality service delivery to our varied customers. Our customers' interests always come first before profits and revenues are considered in order to meet and exceed their expectations. In 2015, the operating profit was eroded drastically to less than 1% compared to 13% in 2014 due to an increase in provisions for doubtful debts arising from impairment of mining receivables and the importation of power to meet the needs of our valued customers.

	2015 (K 000)	2014 (K 000)	Variance (K 000)	Variance (%)	2015 Sales %	2014 Sales %
Domestic	1,723,670	1,569,113	154,557	10%	27%	36%
Mining	3,869,847	2,240,389	1,629,458	73%	60%	52%
Exports	832,220	508,196	324,024	64%	13%	12%
TOTAL	**6,425,737**	4,317,698	2,108,039	49%	100%	100%

Movement in exchange rates

The total revenues in Kwacha terms increased by 49%, however, when converted to US dollar the revenues reduced by 13%. Mining and Export customers are invoiced in US dollar, therefore any adverse fluctuations in exchange rates will impact on the operations of the corporation. The kwacha depreciated by 72% with the closing exchange rate moving to K10.994/US$, from K6.392/US$.

Consumption remained constant from 2014 to 2015 despite Generation reducing by 7% in 2015. Power purchases increased by 45% in order to mitigate the reduced Generation due to low water levels and to meet the increased demand by the Mines such as Kalumbila. The difference between consumption and total power available was caused by technical and non-technical losses.

Load Profile - kWh

	2015	2014	Variance
Mining	6,220,618,710	5,905,002,794	315,615,916
Exports	1,121,255,706	1,282,761,052	(161,505,346)
Domestic	5,204,271,295	5,344,129,005	(139,857,710)
	12,546,145,711	12,531,892,851	14,252,860

	2015	2014	Variance
Generation	11,663,496,544	12,528,620,252	(865,123,708)
Purchases	2,704,763,400	1,863,384,900	841,378,500
	14,368,259,944	14,392,005,152	(23,745,208)

Domestic Revenue

Residential customers continue to be the major consumers taking up 50% of the available Domestic power. Large and Small power takes up 44% of the allocated power with commercial and social sharing only 6%.

	2015 (K)	2014 (K)	**2015**	2014
			Tariff US$cents	Tariff US$cents
Residential	1,043,059,746	931,539,960	3.98	3.48
Large Power (MD3 &MD4)	176,068,341	167,619,245	2.43	2.27
Smal Power (MD1 & MD2)	414,739,496	379,672,886	2.68	2.39
Commercial	49,902,798	49,425,538	2.98	2.72
Social	39,900,341	40,855,270	2.8	2.58
TOTAL	**1,723,670,722**	1,569,112,899	3.31	2.94

	2015 (kWh)	2014 (kWh)	Variance (kWh)	Variance %	2015 % T	2014 % T
Residential	2,623,744,157.69	2,677,857,995.86	-54,113,838	-2%	50%	50%
Large Power (MD3 &MD4)	724,406,732.24	737,089,609.52	-12,682,877	-2%	14%	14%
Small Power (MD1 & MD2)	1,546,119,776.30	1,589,619,722.40	-43,499,946	-3%	30%	30%
Commercial	167,625,196.77	181,451,014.89	-13,825,818	-8%	3%	3%
Social	142,375,432.44	158,110,661.85	-15,735,229	-10%	3%	3%
TOTAL	**5,204,271,295**	5,344,129,005	-139,857,709	-3%	100%	100%

Domestic Receivables

	2015 (K)	2014 (K)	2015 BILLED	2015 RECEIPTS	RECEIPTS as % BILLED
Central Government	208,857,606	172,124,878	68,781,880	28,720,551	42%
Local Authorities	5,223,727	5,736,917	4,321,044	4,834,233	112%
Water Utilities	103,073,696	90,894,759	69,868,792	50,478,518	72%
State Owned Entities	5,182,043	4,761,837	8,695,170	8,185,906	94%
	322,337,072	273,518,392	**151,666,886**	**92,219,208**	61%

The GRZ receivables increased by an average of 18% in 2015 due to non-settlement of bills. The average payment rate by Central Government, Water Utilities and State Owned Entities was 61%, implying that GRZ debt was growing year on year.

Mining Revenue

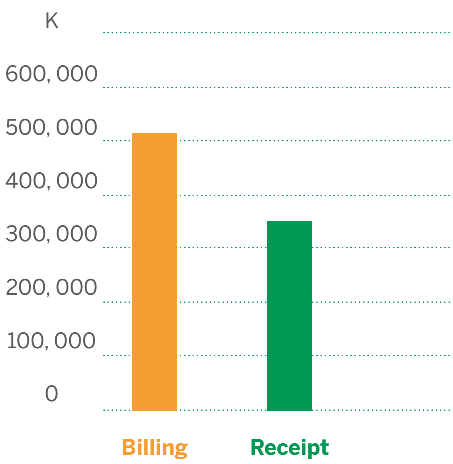
Our mining customers in 2015 paid 71% of the total billing, threatening the sustainability of the liquidity position of the corporation. The mines have continued to pay at an average tariff of UScents 5.35/kWh despite being billed at an approved tariff of UScents 6.84/kWh. This resulted in/from a dispute on the legality of the Regulator's approved tariff.

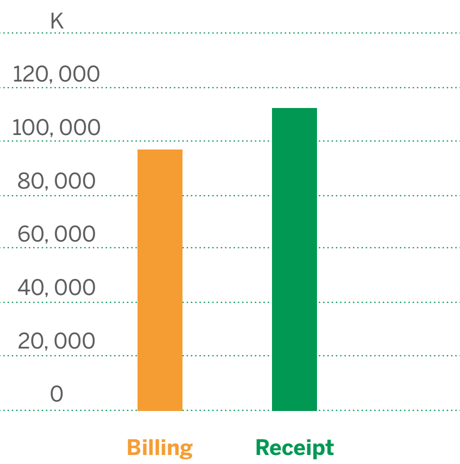
Export Revenue

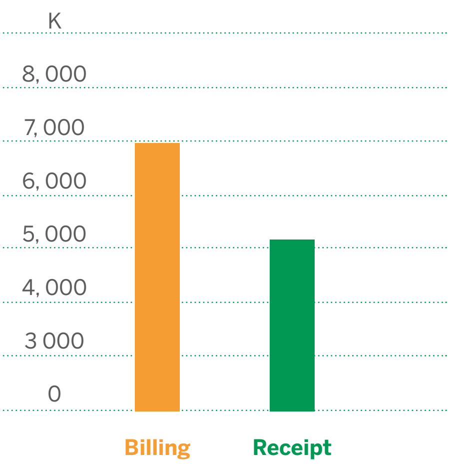
Export revenues exceeded the billing with collection rate averaging 119%, with the excess payments going towards servicing of arrears. In the fiscal year the corporation suspended the non-firm power exports due to insufficient available power caused by the adverse weather pattern.

Fibrecom Revenues

The corporation also has a bulk carrier license which allows it to lease out fibre lines. The average billing during the year was US$ 6,923,729, against the collections of US$ 5,281,769, resulting in collection rate of 76%. The number of customers remained static at 28, implying that there was insignificant growth in the business despite having sufficient capacity.







Energy losses

During the year, both Transmission and Distribution losses reduced to 5.9% and 11.4% respectively (2014: 6.1% and 14.8%). Further, total system losses reduced from 17.3% to 12.8% due to installation of prepaid meters and metering of bulk supply points. However, Transmission losses marginally exceeded the regulator's target of 5% while distribution losses were within the regulator's target of 13%.

Future focus

- Engaging the Mining, Domestic and Export customers on the outstanding debt.
- Engaging water utilities and local councils on settlement plan of the outstanding debt.
- Making the Fibre communication business more viable by reviewing the existing contracts and making it run independently.
- Intensifying the meter audits to reduce on electricity theft.

Operational Sustainability

This is the measure of the performance of our primary plant and equipment.

We operate 3 major and 5 small hydro power generation stations, and diesel generating machines. The total installed plant capacity during the year was 2,227 MW, whilst plant availability was 1,993 MW representing 89% (2014: 2,172 MW representing 98%).

The challenges that affected generation performance included

- Low water levels at the ITT and Kariba reservoirs
- Delayed completion of power rehabilitation works at Kariba North Bank Power Station for Unit 1 & 2, and replacement of generator transformers at Kafue Gorge Power Station.
- Delayed completion of rehabilitation works on the Small Hydro Power Stations.
- Increased unplanned generation outages due to corrective maintenance on plant and equipment at the stations.

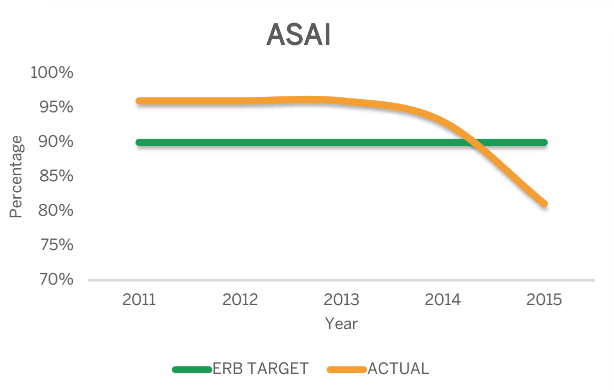
Transmission grid comprises approximately 6,734 km of the transmission lines and 78 substations with installed capacity of 6,071 MVA.

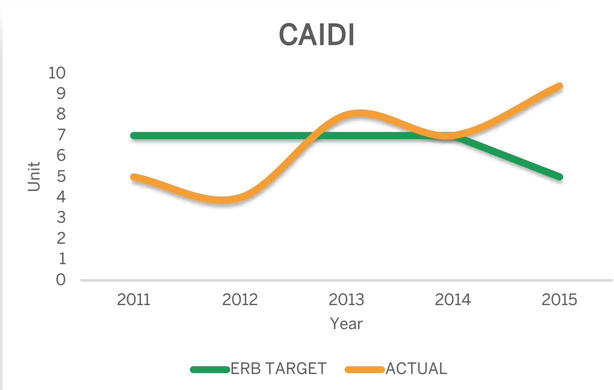
During the year, there were six power black outs largely due to failure of electromechanical components on aged switchgear at the two main substations, Leopards Hill and Kabwe Step Down coupled with a bush fire on the Kabwe-Luano 330kV line.

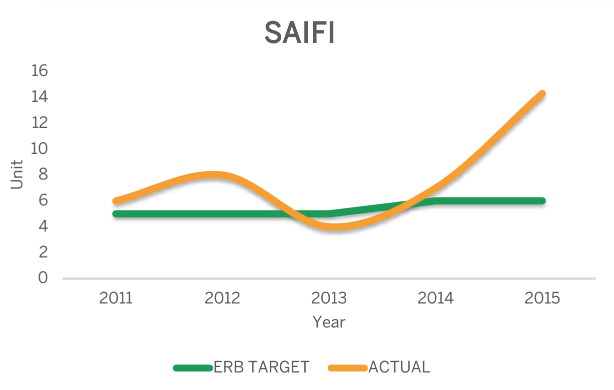
The maintenance activities undertaken during the year were preventive and corrective in nature. Way leave maintenance on the 330kV and 220kV transmission were also completed on schedule.

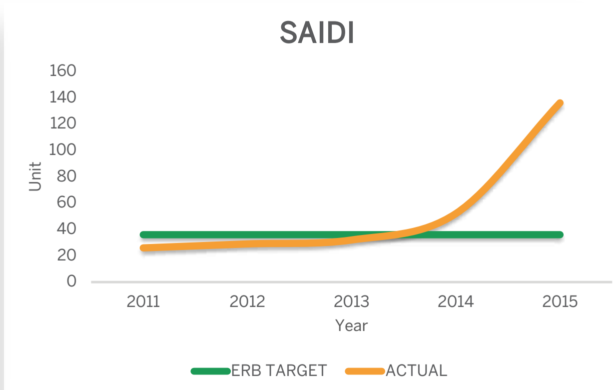
POWER STATION	KGPS	KNBPS	VFPS	KNBE	SHPS	DIESEL	TOTAL
AVAILABLE CAPACITY (MW)	942	608	97	307	32	7	1,993
INSTALLED CAPACITY (MW)	990	720	108	360	39	10	2,227

The poor performance of the distribution system is mainly attributed to load shedding and the general system inefficiencies. This negatively affected the Revenue and solid brand sustainability.









Sustainable Asset Creation

This entails undertaking projects that will strengthen our asset base and maximize asset turnover ratio. The assets are created in compliance with the environmental requirements.

Kafue Gorge Lower Hydropower Project

ZESCO has created a Special purpose vehicle (SPV) called, Kafue Gorge Lower Hydropower Corporation Limited. Its purpose is to oversee the construction of the 750 MW hydro power plant at an estimated cost of US$ 2 billion. The construction of the hydro power is expected to be completed by 2021. This is an EPC contract that has been awarded to Sinohydro Corporation of China, with a capital structure of 15% equity and 85% debt.

Itezhi-Tezhi Hydropower Power Project

This project was developed by Itezhi Tezhi Power Corporation Limited (ITPC), a Tata Power and ZESCO joint venture that will increase national generation capacity by 120 MW.

Infrastructure and main works for the power station were completed by close of the year, 2015, with commissioning of the plant having commenced towards the end of November 2015 and remained in progress by the end of the year.

Lunzua Hydro Power Project

This project involved the construction of a 14.8 MW hydro power plant along the Lunzua River, upstream of the existing 0.75 MW power plant. Other than providing electricity generation in the northern grid, this power station will also help in mitigating low voltage profiles in the Northern Province.

Lusiwasi Upper & Lower Hydropower plants

The project involves construction of 15 MW Lusiwasi Upper Hydro Power Plant and the EPC Contractor, China Machinery Engineering Corporation (CMEC), has commenced with additional site survey and soil investigation study.

The project involves construction of 86 MW Lusiwasi Lower Hydro Power Plant and the EPC Contractor China National Electric Engineering Company (CNEEC) was reviewing the scope of the project.

Uprating of Musonda Falls Hydro Power station

The project involves uprating from 5 MW to 10 MW with completion rate being at 54%. Sinohydro Corporation is the contractor assigned to carry out this project.

Chishimba Falls Hydro Power Station

The project involves construction of 14.8 MW Hydro Power Station with procurement of EPC contractor yet to be completed.

Pensulo-Kasama Transmission Project

The project involves construction of a 381km and 330kV transmission line from Pensulo Substation in Serenje through Mpika to Kasama terminating into a new 330/66kV Substation. The project aims at improving the quality of power and capacity of transmission line as a gateway to the export market in the East African region and also improve voltage in the Northern circuit of the country.

Pensulo - Msoro – Chipata

The project involves construction of a 273km long 330kV line from Pensulo through Msoro terminating into a new 330/132/33 kV substation at Chipata West. The project aims at improving the quality of power and capacity of transmission line as a gateway to the regional power trade (Malawi and Mozambique). It will also improve the quality and capacity of supply to Chipata and other districts in the Eastern province.

ITT – Mumbwa – Lusaka West

The project involves construction of a 142 km 220 kV line from Itezhi Tezhi (ITT) Power Station to the new Mumbwa 330/220/33 kV Substation and a 134 km 330 kV line from Mumbwa substation to Lusaka West Substation. The main objective of the ITT – Mumbwa – Lusaka west Transmission line project is to evacuate power from Itezhi Tezhi substation to Kalumbila mines in order to provide power security to the mine. The new Mumbwa 330/220/33 kV Substation will also serve as a terminal point for a new transmission corridor to the Northwestern Province.

Lusaka Transmission Distribution Rehabilitation Project

The project involves installation of 2 x 45MVA 132/11kV transformers at Coventry substation and re-conductoring the Leopards Hill – Coventry 88kV line and the Kafue – Mazabuka 88kV line with High Temperature Low Sag (HTLS) conductor. The project aims to increase the transfer capacity of the existing 132kV sub-transmission into Lusaka and permit operational flexibility. It also includes constructing new 33kV lines, replacing/upgrading of 33kV and 11kV cables and constructing new 11kV switching stations.

Kafue town - Muzuma - Victoria falls

The project involves upgrading the existing 348km 220kV transmission line to 330kV from Kafue Town to Muzuma and Victoria Falls. The project aims to increase power transfer capacity in the South-North corridor.

Northwestern Grid extension

The project involves construction of about 800 km of 132 kV lines emanating from Lumwana Substation. It also includes construction of transmission substations at Mwinilunga, Kabompo, Mufumbwe, Zambezi, Chavuma and Lukulu. The project aims at replacing the expensive and unreliable diesel generation supply with quality and reliable power.

Luangwa to the Grid

The project involves construction of 132 kV line connecting Luangwa to the Grid. The aim is to replace the expensive and unreliable diesel generation with quality and reliable power.

Distribution related projects

The projects include;

- Construction of Fig tree Substation
- Construction of Chibombo Substation
- Construction of Kanyama Substation
- Lusaka road Substation in Livingstone
- 33/11kV Mikango Substation
- 33/11kV New Nkumbi Substation

Grid Extension and Intensification

Electrification works in the central region covering Mangango and Mukonchi were completed on the conductor stringing on the 400V, 11kV, 33kV lines, installation of pole mounted transformers and construction of the 5MVA, 2x1MVA and 2.5MVA substations and associated equipment. The 33kV lines and 2x 1MVA substation were commissioned while testing of other equipment was underway during the month of December 2015.

Other projects

The project involves construction of 153.677 Km of optic fibre cable from Kawambwa to Mporokoso. The project aims at improving internal communication and open fibre access to remote parts of the country.

Environmental Sustainability

As a corporation we have continued with our commitment to operating efficiently causing no significant harm to the environment. At the end of 2015, our generation was predominantly Hydro based with only 2% being diesel. Plans are underway to completely phase out the diesel stations.

In terms of water usage, 33,354 million cubic meters was used compared to 35,824 million in 2014 resulting in a 7% reduction while generation efficiency remained constant at 0.384MWh/litre.

Sustainable water usage is key in power generation. As a corporation, we endeavor to use the water in a very sustainable way so as not to disturb the environment and livelihoods that depend on the water bodies.

The water performance for 2015 was 2.60l/MWh compared to 2.61 l/MWh achieved in the previous year.

Environmental Impact Assessment studies, way-leave and land acquisition, and public consultation meetings with stakeholders were conducted for various projects across the company during the year.

Under the Lusaka Ring 132kV Rehabilitation project, Four Million Kwacha (K4, 000,000) was disbursed and paid to Project Affected People (PAPs). A total of 18 PAPs were paid. This brought the total number of PAPs paid to 200, and marks the completion of the compensation exercise for the Eastern Corridor portion.

A route verification exercise was carried out on the proposed Kafue Gorge Lower (KGL) 330KV Transmission line to the Lusaka Multi Facility Economic zone (LMFEZ) substation in which eighteen (18) PAPs were identified and a meeting with the Village headmen is being awaited.

	Litres		Generation Sent Out		Litres/MWhso	
Power Station	2014	**2015**	2014	**2015**	2014	**2015**
Main Hydros	35,303,000	32,966,000	13,632,348	12,696,903	2.59	2.60
Small Hydros	521,000	387,600	106,496	121,532	4.89	3.19
TOTAL	35,824,000	**33,353,600**	13,738,844	**12,818,435**	2.61	**2.60**

Other Sustainability

The Industrial Relations climate during the year 2015 was harmonious giving a clear indication that Management and the Union had continued enjoying a cordial relationship through an open door policy. There were no notable disputes that could have disrupted operations.

In addition to the various medical services that the employees enjoyed, the Corporation successfully signed up two more Medical Scheme Memorandum of Understandings with Chilonga Mission Hospital and Mumbwa General Hospital bringing the total number of service providers to 45.

Safety performance

Our safety record improved greatly compared to 2014, due to the implementation of SHEQ program that deals with safety awareness amongst employees, contractors and customers.

	2014	**2015**	Increase /(Decrease)
Vehicle Accidents	68	21	-69%
Fatalities (Employees and Contractors) number	2	1	-50%
Fatalities (Public) number	27	20	-26%
Falls from Heights	7	2	-71%
Electrical Contact (Electrocution)	29	21	-28%
Congtact with Heat	13	4	-69%
Struck by or against an Object	19	9	-53%
Caught between or under an Object	15	7	-53%

6.2 Key Performance Indicators

Financial Indicators

Financial Performance Measure

Year	Debt/Equity	Turnover
2015	178%	K 6, 426 m
2014	190%	K 4, 318 m
2013	130%	K 3, 025 m
2012	102%	K 2, 614 m
2011	69%	K 2, 107 m

Financial Performance Measure

Year	EBITDA	Net Profit Margin
2015	K 4, 040 m	14%
2014	K2, 917 m	7%
2013	K2, 116 m	-11%
2012	K1, 895 m	12%
2011	K1, 785 m	16%

Finance Performance Review

Corporate Financial Summary

Year ended 31 December	**2015**	2014	Change
Revenue	K6.426bn	K4.318bn	49%
Adjusted Operating Profit	K0.016bn	K0.573bn	-97%
Adjusted Operating Cash flow	K2.678bn	K1.505bn	78%
Return on Capital Employed	0.40%	5%	-93%
Operating Costs	K4.576bn	K2.786bn	64%

Revenue by Sector

Year ended 31 December	**2015**	2014	Change
Mining	K3.870bn	K2.240bn	73%
Residential	K1.083bn	K0.972bn	11%
Exports	K0.832bn	K0.508bn	64%
Industrial and Agricultural	K0.622bn	K0.581bn	7%
Commercial (Retail Outlets)	K0.018bn	K0.015bn	20%

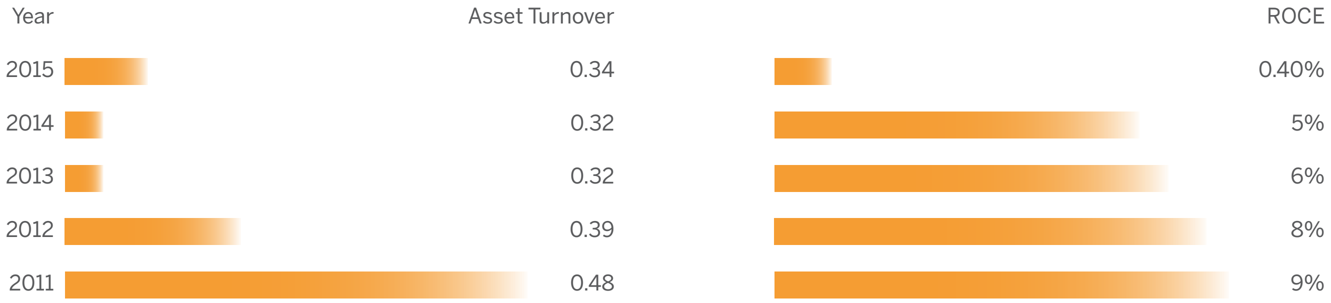
Load Profile

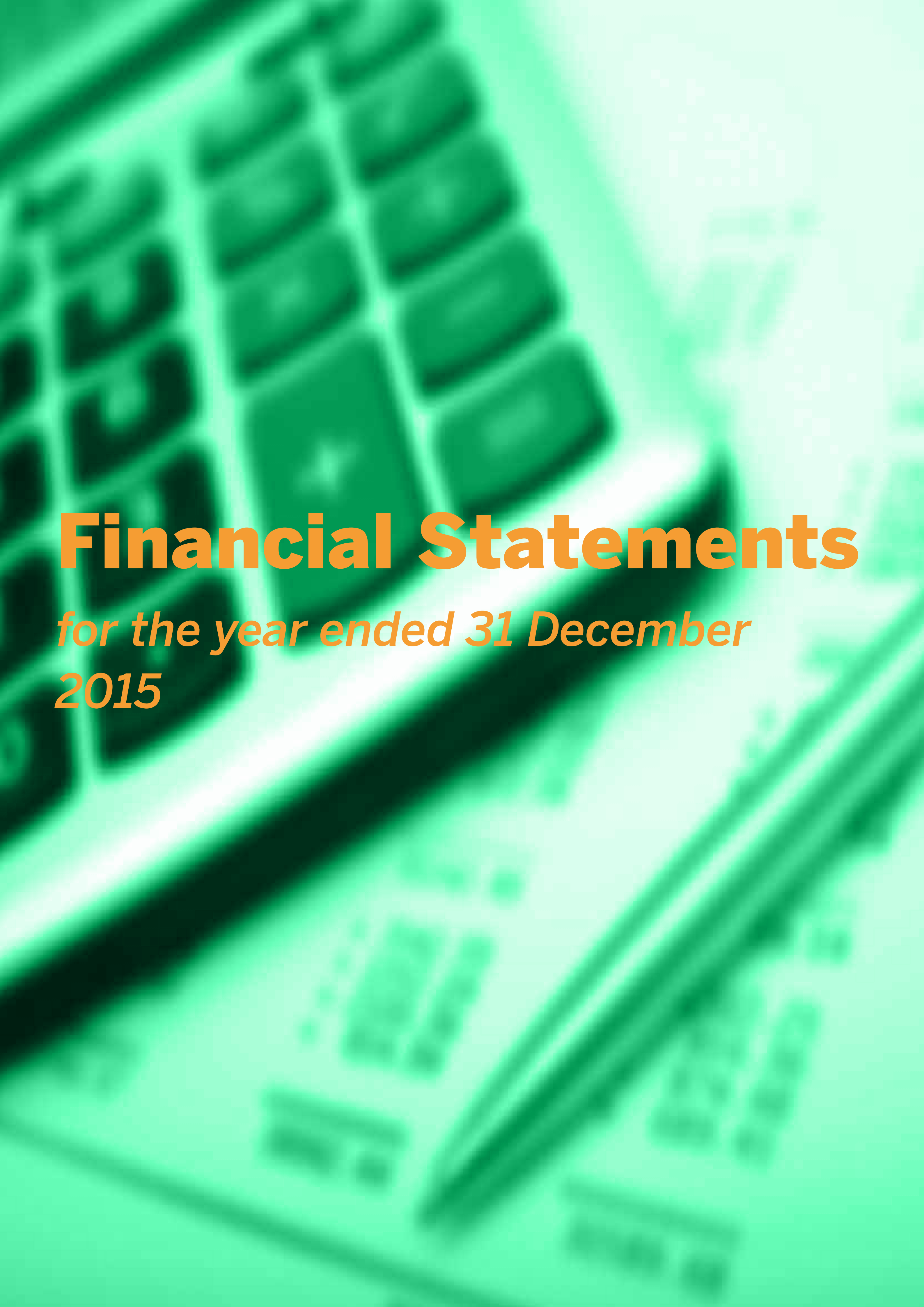
	2015		2014		Change	
	GWh	**Mix**	GWh	Mix	GWh	Mix
Mining	6,221	50%	5,905	47%	316	3%
Exports	1,121	9%	1,283	10%	-162	-1%
Domestic	5,204	41%	5,344	43%	-140	-1%
Total	**12,546**		12,532		14	

Domestic Revenue

	2015		2014		Change	
	K 'Billion	**Mix**	K 'Billion	Mix	K 'Billion	Mix
Residential	1.043	61%	0.932	59%	0.112	7%
Large Power (MD3 & MD4)	0.176	10%	0.168	11%	0.008	1%
Small Power (MD1 & MD2)	0.415	24%	0.380	24%	0.035	2%
Commercial	0.050	3%	0.049	3%	0.000	0%
Social	0.040	2%	0.041	3%	-0.001	0%
Total	**1.724**		1.569		0.155	

Financial Performance Measure





Financial Statements

for the year ended 31 December 2015

7.0 Financial Statements

7.1 Report of the Directors

The Directors present their report and audited financial statements for the year ended 31 December 2015.

Principal Activity

The Company's principal activities are generation, transmission, distribution and supply of electricity.

Registered Office and Principal Place Of Business

The address of the Company's registered office and principal place of business is:

Stand 6949, Great East Road

Lusaka.

FINANCIAL RESULTS	2015	2014
	K' 000	K' 000
Statement of profit or loss		
Revenue	6,425,737.00	4,317,697.62
Profit after tax	868,477.00	323,268.70
Statement of financial position		
Total Assets	23,769,814.05	16,216,992.00
Total Equity	6,283,485.05	4,220,956.00
Total Liabilities	17,486,329.00	11,996,036.00

Revenue

The Company's average monthly revenue increased by 48% from K360 million in 2014 to K534 million in 2015 mainly on account of mining and exports customers due to the depreciation of the Kwacha as the sales are quoted in Dollars. There was also an increase in the customer base by 12% from 662,526 in 2014 to 740,312 in 2015 financial year under review.

Profit after tax

Increase in profit after tax is due to the income tax credit mainly arising on tax losses and capital gains during the year.

Total assets

The increase in assets is mainly due to the investments made to property, plant and equipment of K4.2 billion and revaluation gains on loans and receivables balances which are denominated in USD.

Total equity

The increase in equity is due to conversion of K1.1 billion on lent loans to equity, as part of the capitalisation process by the Government of the Republic of Zambia.

Total liabilities

The increase in liabilities is due to additional borrowings on loan facilities of K2.8 billion and revaluation losses of K3.2 billion.

Dividends

The Directors do not recommend payment of a dividend in respect of the year ended 31 December 2015.

Directors

The Directors who held office during the year were:

- Mr. Mutale Katema (Retired on 14 February 2015)
- Mr. Cyprian Chitundu (Retired on 14 February 2015)
- Ms. Charity Mwansa (Retired on 14 February 2015)
- Mr. Chakonta David (Retired on 14 February 2015)
- HRH Chief Emmy Simamba (Retired on 14 February 2015)
- Ms. Angela Cifire (Retired on 14 February 2015)
- Mrs. Dorothy Kasanda (Retired on 14 February 2015)
- Mr. Felix Nkulukusa (Retired on 14 February 2015)
- Mr. Charles Mubanga (Retired on 14 February 2015)

However during the year, on 15 February 2015 an interim Board comprising of Permanent Secretary of Energy Brigadier General Emeldah Chola, the Chairperson and Mr. Victor M. Mundende, the Managing Director was appointed.

On the 14 December 2015, a new Board of Board of Directors was appointed as follows:

- Mr. Dillion Chipungu (Board Chairperson)
- Mr. Victor M. Mundende
- Dr. Ronald Simwinga
- Mr. Israel Phiri
- Dr. Mbita Chintundya Chitala
- Mrs. Felistas Kabwe Chibamba
- Mrs. Cecilia Banda Zimba
- Mr. George Mpundu Kanja
- Brig General. Emeldah Chola

Corporate Governance

The Board continued 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

There was change in the Company's property, plant and equipment during the year resulting from investments made in capital and operating projects. The Company invested a total of K4.2 billion (2014: K2.9 billion).

Intangible Assets

During the year the Company acquired software at a cost of K5 million (2014: 24 million).

Exports

The value of electricity exports by the Company were K832 million (2014: K508 million).

Donations

The Company made donations during the year amounting to K1.7 million (2014: K2.4 million.)

Research and Development

The Company did not carry out any significant research and development activities during the year.

Share Capital

The Government of the Republic of Zambia had authorised the conversion of K1.1 billion or US$156 million on lent loans into additional equity, as part of the capitalisation process of the Company.

Employees

The total remuneration and other related staff costs paid to the employees was K1, 316 million (2014: K1, 288 million).

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

	2015	2014
January	6,767	6,577
February	6,768	6,598
March	6,774	6,575
April	6,771	6,606
May	6,763	6,655
June	6,790	6,650
July	6,815	6,648
August	6,805	6,617
September	6,813	6,687
October	6,803	6,784
November	6,826	6,785
December	6,817	6,771

Key Developments During The Year

- In December 2015, cabinet at its 28th sitting approved the conversion of K1.1 billion equivalent of US$156 million on lent loans to be converted to equity. Further, during the financial year under review, the Government of Zambia agreed to a cheque swap of K352 million which was done to reduce related party receivables and Pay As You Earn balance in January, 2015.
- During the year the EPC contract was awarded to Sinohydro Corporation of China through a competitive bidding process for the construction of 750 MW power generation plant at a total estimated cost of US$2 billion. The project will be implemented through Kafue Gorge Lower Power Corporation Limited, a special purpose vehicle. ZESCO Limited is expected to contribute 15% equity, while negotiations to raise 85% debt have a reached advanced stage.
- The generation of electricity at Kariba North Bank and Kafue Gorge Power Stations reduced significantly due to low water levels. This was due to below normal or normal cumulative rainfall performance in the main catchment areas of Kafue and Zambezi rivers in 2014/15 season. Further, the Company had to import emergency power in order to reduce the impact of load shedding. The Government continues to subsidise the cost of emergency power imports at a cost of K352 million representing 70% of import costs while ZESCO Limited pays 30%.

Future Developments

- The Company is currently engaging the Energy Regulation Board, the Government and stakeholders on the implementation of cost reflective tariffs.
- The development of a 1,000 MW Luapula hydro power station on the Luapula river basin as a joint commission between Zambia and Democratic Republic of Congo is being considered. This will be implemented by the Company and SNEL of DRC. In addition, the Company expects to construct a 1,600 MW Batoka hydro power project which is joint commission between Zambia and Zimbabwe. The dam will be constructed and managed by Zambezi River Authority.

Health And Safety Of Employees

The Company has a Safety, Health, Environment and Quality system called SHEQ. The SHEQ programme conforms to international standards/specifications such as ISO 9001, ISO 14001, OHASA 18001 and ISO27001 by complying with the objectives and targets of:

- Minimizing risk and eliminating harm to employees, customers and the environment;
- Ensuring elimination of waste;
- Minimizing risks and guarantee confidentiality, integrity and availability to our Information Communications and Technology ICT (systems);
- Ensuring reliable and safe supply of electricity that sustains business continuity;
- Identifying, developing and maintaining the required resources to deliver reliable and high quality power supply of our customers safely as per their identified needs;
- Effectively communicating with all stakeholders on all matters relating to SHEQ and service provision.

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

Auditors

Messrs Deloitte & Touche's term of office comes to end at the next Annual General Meeting. A resolution proposing their re-appointment as auditors and authorising the Directors to determine their remuneration will be put to the Annual General Meeting.

By order of the Board.

Mrs. Mbile Wina Vukovic
COMPANY SECRETARY
Lusaka

Statement of Responsibility for Annual Financial Statements

Section 164 (6) of the Companies Act, 1994 (as amended) requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the profit or loss for that period.

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The independent external auditors, Messrs Deloitte & Touche, have audited the financial statements and their report is shown on pages 6 and 7.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements are prepared on a going concern basis except as set out under Note 3.2 to the financial statements. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern in the foreseeable future.

In the opinion of the Directors:

- the statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the profit of the Company for the year ended 31 December 2015;
- the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2015;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due; and
- the financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1994 (as amended).

Signed on behalf of the Board by:

CHAIRMAN

MANAGING DIRECTOR

Deloitte.

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Lusaka
Zambia

Deloitte & Touche
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Lusaka, Zambia

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INDEPENDENT AUDITOR'S REPORT

To the members of

ZESCO Limited

Report on the financial statements

We have audited the accompanying financial statements of ZESCO Limited as set out on pages 8 to 61, which comprise the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1994 (as amended), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free of material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ZESCO Limited as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1994 (as amended).

Report on other legal and regulatory requirements

The Companies Act, 1994 (as amended) requires that in carrying out our audit, we consider and report to you on the following matter: we confirm that in our opinion, the accounting and other records and registers have been properly kept in accordance with the Act.

Deloitte & Touche

DELOITTE & TOUCHE

C. CHUNGU
PARTNER (AUD/F000292)

DATE: 16 JUNE 2016

AUDIT · TAX · CONSULTING · FINANCIAL ADVISORY ·

A member firm of
Deloitte Touche Tohmatsu

Statement of Profit or Loss and Other Comprehensive Income

for the yaer ended 31 December 2015

		2015	2014
	NOTES	K'000	K'000
REVENUE	5	6,425,737	4,317,698
Cost of sales	6	(2,385,395)	(1,400,487)
GROSS PROFIT		4,040,342	2,917,211
Other operating income	7.1	335,421	265,742
Other gains and losses	8	219,762	175,811
Marketing expenses		(21,926)	(22,497)
Administration expenses		(1,646,708)	(1,967,531)
Other expenses	7.2	(2,857,082)	(746,492)
Finance costs	9	(50,214)	(49,608)
PROFIT BEFORE TAX	10	19,595	572,636
Income tax credit (expense)	11	848,882	(249,367)
PROFIT AND TOTAL COMPREHENSIVE			
INCOME FOR THE YEAR		868,477	323,269

There were no items of other comprehensive income that arose during the current year (2014:Nil)

Statement of Financial Position

at 31 December 2015

	NOTES	2015 K'000	2014 K'000
ASSETS			
Non current assets			
Property, plant and equipment	13	13,896,164	10,017,930
Intangible assets	14	95,143	97,879
Investments	15	459,659	207,034
Deferred tax asset	12	817,079	-
Loan due from a related party	20	3,090,111	1,790,806
Total non current assets		18,358,156	12,113,649
Current assets			
Inventories	16	608,005	368,499
Trade and other receivables	17	1,821,375	1,437,987
Amounts due from related parties	20	841,869	747,712
Cash and cash equivalents		2,140,409	1,549,145
Total current assets		5,411,658	4,103,343
TOTAL ASSETS		23,769,814	16,216,992
EQUITY AND RESERVES			
Capital and reserves			
Issued capital	18	194	194
Amount pending allotment of shares	19	2,824,924	1,654,806
Revaluation reserve		349,300	393,749
Retained earnings		3,109,067	2,172,207
Total equity		6,283,485	4,220,956
Non current liabilities			
Borrowings	22	9,341,755	5,502,406

		2015	2014
Retirement benefit obligation	23	1,847,305	1,743,379
Capital grants and contributions	25	1,301,377	1,263,804
Deferred tax liability	12	-	768,922
Total non current liabilities		12,490,437	9,278,511
Current liabilities			
Trade and other payables	26	1,454,185	1,296,066
Amounts due to related parties	20	242,441	130,491
Finance lease obligations	24	-	6,138
Borrowings	22	1,715,580	420,136
Retirement benefit obligation	23	137,317	135,841
Capital grants and contributions	25	86,485	73,636
Current tax liabilities	11	1,308,768	596,630
Bank overdraft	27	51,116	58,587
Total current liabilities		4,995,892	2,717,525
Total liabilities		17,486,329	11,996,036
TOTAL EQUITY AND LIABILITIES		23,769,814	16,216,992

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 5. The financial statements on pages 8 to 61 were approved by the Board of Directors and authorised for issue on 15 June 2016 and were signed on its behalf by:

CHAIRMAN

MANAGING DIRECTOR

Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital	Amount Pending Allotment of Shares	Revaluation reserve	Retained earnings	**Total**
	K'000	K'000	K'000	K'000	**K'000**
Balance at 1 January 2014	194	1,654,806	438,198	1,780,555	**3,873,753**
Total comprehensive income for year	-	-	-	323,269	**323,269**
Deferred tax on revaluation	-	-	23,934	-	**23,934**
Amortisation of revaluation reserve	-	-	(68,383)	68,383	**-**
Balance at 31 December 2014	194	1,654,806	393,749	2,172,207	**4,220,956**
Total comprehensive income for year	-	-	-	868,477	**868,477**
Conversion of Government loans to equity (Note 22)	-	1,085,321	-	-	**1,085,321**
Conversion of Government grants to equity (Note 25)	-	65,910	-	-	**65,910**
Conversion of Government loans to equity	-	18,887	-	-	**18,887**
Deferred tax on revaluation	-	-	23,934	-	**23,934**
Amortisation of revaluation reserve	-	-	(68,383)	68,383	**-**
Balance at 31 December 2015	194	2,824,924	349,300	3,109,067	**6,283,485**

Statement of Cash Flows

for the year ended 31 December 2015

		2015	2014
	NOTES	K'000	K'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after tax		868,477	323,269
Adjustments for:			
- Income tax (expense) credit	11	(848,882)	249,367
- Interest income	7	(6,949)	(4,094)
- Finance costs recognised in profit and loss	9	50,214	49,608
- Net exchange losses recognised on borrowings	22	3,959,338	579,637
- Loss on disposal of property, plant and equipment		314	56
- Depreciation of non current assets	13	353,703	295,948
- Amortisation of intangible assets	14	7,730	7,730
- Amortisation of capital grants and contributions	25	(83,769)	(116,202)
- Impairment loss recognised on trade receivables	17	2,115,964	569,554
		6,416,140	1,954,873
Movements in working capital:			
(Increase) decrease in inventory		(239,506)	92,105
Increase in trade and other receivables		(2,499,352)	(821,667)
(Increase) decrease in amounts due from related parties		(94,157)	54,907
Increase in trade and other payables		177,006	288,177
Increase in deferred liabilities		105,402	250,769
Increase in amounts due to related parties		111,950	121,811
Increase in borrowings due from related party		(1,299,305)	(435,832)
Cash generated from operations		2,678,178	1,505,143
Interest paid		(50,214)	(49,608)
Income tax paid	11	(1,047)	(706)

	Note	2015	2014
Net cash generated by operating activities		2,626,917	1,454,829
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,928	647
Payment for property, plant and equipment	13	(4,234,179)	(2,981,676)
Payment to acquire investment	15	(252,625)	(69,177)
Payment for intangible asset	14	(4,994)	(24,209)
Interest received		6,949	4,094
Net cash used in investing activities		(4,482,921)	(3,070,321)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	22	(522,916)	(336,667)
Proceeds from capital grants and contributions	25	200,101	221,583
Proceeds from borrowings	22	2,783,692	1,910,676
Repayment of lease finance	24	(6,138)	(9,225)
Net cash generated from financing activities		2,454,739	1,786,367
Net increase (decrease) in cash and cash equivalents		598,735	170,875
Cash and cash equivalents at the beginning of the year		1,490,558	1,319,683
Cash and cash equivalents at the end of the year		2,089,293	1,490,558
COMPRISING OF:			
Bank and cash balances		2,107,428	1,489,473
Short term deposits		32,981	59,672
		2,140,409	1,549,145
Bank overdraft	27	(51,116)	(58,587)
		2,089,293	1,490,558

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

1. General Information

ZESCO Limited (the "Company") is a limited Company incorporated and domiciled in Zambia. The address of its registered office and principal place of business is shown in the report of the Directors on page 1. The principal activity of the Company continued to be the generation, transmission, distribution and supply of electricity locally and for export in the region.

2. Adoption of New and Revised International Financial Reporting Standards (IFRSs)

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognised in the Company's consolidated financial statements.

- Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 – 2013 Cycle

The application of amendments has had no impact on the disclosures or amounts recognised in the Company's consolidated financial statements.

2.2 Standards and Interpretations in issue, not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

Effective date	Standard, Amendment or Interpretation
January 1, 2018	**IFRS 9 Financial Instruments**
	The new standard modifies the classification and measurement of certain classes of financial assets and liabilities. The most significant changes are the expected loss model for the impairment of financial assets and to rationalise from four to two primary categories of financial assets. The Directors are currently evaluating the impact this new standard may have on the financial statements.
1 January 2018	**IFRS 15 Revenue from Contracts with Customers**
	FRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Directors are currently evaluating the impact this new standard may have on the financial statements.
1 January 2019	**IFRS 16 Leases**
	IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance. The Directors are currently evaluating the impact this new standard may have on the financial statements.
1 January 2016	**Amendments to IAS 16 and IAS 38 Clarification of**
	Acceptable Methods of Depreciation and Amortisation
	The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This amendment has no significant impact on the company.
1 January 2016	**Amendments to IAS 1 Disclosure Initiative**
	The amendments to IAS 1 will give some guidance on how to apply the concept of materiality in practice. This amendment has no significant impact on the company.
1 January 2016	**Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations**

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The Directors are currently evaluating the impact this new standard may have on the financial statements.

1 January 2016 **Amendments to IAS 27: Equity Method in Separate Financial Statements**

The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments also clarifies that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs. The Directors are currently evaluating the impact this new standard may have on the financial statements.

1 January 2016 **Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The Directors are currently evaluating the impact this new standard may have on the financial statements.

1 January 2016 **Annual Improvements to IFRSs 2012-2014 Cycle**

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 5 introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa).

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

These amendments in future periods will have no significant impact on the financial statements of the Company.

1 January 2016 **Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The Directors are currently evaluating the impact this new standard may have on the financial statements.

1 January 2016 **IFRS 14 Regulatory Deferral Accounts**

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

These amendments in future periods will have no impact on the financial statements of the Company.

3. Significant Accounting Policies

3.1. Statement of compliance

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

3.2 Basis of preparation

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company 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 IAS 17, 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.

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 Zambian Kwacha (K).

3.3 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 company's activities. Revenue is shown net of value-added tax (VAT), excise duties, discounts and rebates. The Company recognises revenue when the amount of revenue, and the associated costs incurred or to be incurred, can be reliably measured, it is probable that future economic benefits will flow to the company and when specific criteria have been met for each of the company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods

Sale of goods is recognised when significant risks and rewards of ownership have passed and the collectability of the related receivable is reasonably assured. Electricity revenue is recognised when electricity is consumed by the user except in the case of prepaid electricity which is recognised when purchased by the customer.

Sale of services

Sale of services is recognised in the reporting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

3.4 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.

3.5 Rental income

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

3.6 Fibre income

Fibre income is recognised on the accrual basis in accordance with the substance of the agreement. Connection fees are recognised on the date of activation of the service. Access charges are recognised in the period to which it relates.

3.7 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.

3.8 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; and

3.9 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.

3.10 Capital grants and contributions

Capital grants are not recognised until there is reasonable assurance that the Company 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 Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company 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.

3.11 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 Company'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 Company 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 Company intends to settle its current tax assets and liabilities on a net basis.

(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.

3.12 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:

Electricity generation:	
Dams and headrace tunnels	50 years
Other civil engineering works, buildings, plant and machinery	35 years
Diesel generation:	
Civil engineering works, buildings, plant and machinery	15 years
Transmission and distribution systems	15 - 25 years
Other buildings	45 years
Vehicles, furniture	3 - 8 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 Company'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 2014 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 Company.

An item of property 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.

3.13 Leases

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

3.13.1 Finance leases

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

3.13.1 Finance leases

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

3.13.2 Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.14 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 live. 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 In profit or loss when the asset is derecognised.

3.15 Impairment of tangible and intangible assets

At the end of each reporting period the Company 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 Company 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.

3.16 Financial instruments

Financial assets and financial liabilities are recognised when a Company becomes a party to the contractual provisions of the instrument.

i. Financial assets

The Company classifies its financial assets in the categories of receivables. Management determines the classification of its investments at initial recognition.

(a) Effective interest rate method

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

(b) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost less any impairment.

Receivables are stated after the deduction of amounts which, in the opinion of the Directors, are required for specific provision. Specific provisions are made against identified doubtful receivables.

(c) Impairment of financial assets

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

Objective evidence of impairment could include:

i. significant financial difficulty of the issuer or counterparty; or
ii. breach of contract, such as a default or delinquency in interest or principal payments; or
iii. it becoming probable that the borrower will enter bankruptcy or

financial re-organisation; or

iv. the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

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

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

d) Derecognition of a financial asset

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company 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 the statement of comprehensive income.

ii. Financial liabilities and equity instruments issued by the Company

Financial liabilities are classified as trade and other payables, other liabilities and amounts due to related parties.

Trade and other payables and other liabilities are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(a) Equity instruments

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

(b) Bank borrowings and overdrafts

Interest bearing and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the terms of the borrowings in accordance with company's accounting policy for borrowing costs.

(c) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

(d) Derecognition of financial liabilities

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

3.17 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.

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

3.18 Provisions

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

3.19 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 company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

(ii) Defined contribution plan

The Company 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 Company pays fixed contributions into a separate entity. The Company 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 also 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 Company's accounting policies which are described in note 3, the Directors are required 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.

4.1 Critical judgments in applying accounting policies

a) Income taxes

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

b) Impairment of trade receivables

The Company reviews its receivables to assess impairment on a regular basis. The Company's credit risk is primarily attributable to its receivables. In determining whether impairment losses should be reported in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(c) Provision for obsolete inventory

The Company reviews is 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 Company 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.

4.2 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.

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

The Company's management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Company has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2014 and the management has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives if the assets for the current or future periods.

(b) 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 Company. The Company's assessment of the Company's exposure to contingencies could change as new developments occur or more information.

(c) 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 Company's weighted average cost of capital adjusted to reflect the specific economic environment of the joint venture or associate.

(d) Actuarial valuation assumptions

Actuarial assumptions made in determining the present obligation of retirement benefits.

Mufumbwe Diesel Power Station - North Western Province

5. Revenue

	2015	2014
	K'000	K'000
Analysis of the Company's		
Mining	3,869,847	2,240,389
Residential	1,082,961	972,396
Exports	832,220	508,196
Industrial and agricultural	622,474	581,250
Commercial (retail outlets)	18,235	15,467
	6,425,737	4,317,698

6. Cost of Sales

Direct labour costs	678,859	585,027
Local purchases of power	641,948	379,302
Net import costs of power	510,993	36,393
Maintenance costs	440,123	278,779
Generation water usage costs	35,566	70,784
Local wheeling charges	70,198	50,202
Export wheeling charges	7,708	-
	2,385,395	1,400,487

The Company augments its sources of power supply with emergency power that is purchased at a premium as a result of the significant reduction in the generation of electricity at Kariba North Bank and Kafue Gorge Power Stations due to low water levels. During the year the Government disbursed a total of K352 million (2014: Nil) towards emergency power purchases. The receipts from Government are amortised to profit or loss to match the emergency power purchases charged to profit of loss.

7.1 Other Operating Income

Sundry income	177,554	87,364
Amortisation of capital grants and contributions (note 25)	83,759	116,202
Fibrecom income	65,827	56,268
Interest income	6,949	4,094
Rental income	1,332	1,814
	335,421	265,742

7.1 Other Operating Income

Sundry income	177,554	87,364
Amortisation of capital grants and contributions (note 25)	83,759	116,202
Fibrecom income	65,827	56,268
Interest income	6,949	4,094
Rental income	1,332	1,814
	335,421	265,742

7.2 Other Expenses

Provision for bad debts	2,377,365	675,667
Office and staff costs	290,910	13,608
Other expenses	188,807	57,217
	2,857,082	746,492

8. Other Gains and Losses

Net exchange gains	**220,076**	175,867
Loss on disposal of property, plant and equipment	**(314)**	(56)
	219,762	175,811

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 Company 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	Mid – market exchange rate	Average depreciation
Currency	as at	as at	during
	1 January 2015	31 December 2015	the year
US Dollar (1 US$ =)	K6.392	K10.994	72%

9. Finance Costs

	2015	2014
	K'000	K'000
These comprise of the following:		
Interest paid on long-term loans	40,620	41,594
Interest paid on overdraft	9,594	6,260
Interest on other loans (finance lease)	-	1,754
Finance charges	50,214	49,608

10. Profit Before Tax

	2015	2014
	K'000	K'000
Profit before tax is stated after crediting:		
Net exchange gains and losses (note 8)	220,076	175,867
Amortisation of capital grants and capital contributions	83,759	116,202
Interest income	6,949	4,094
and after charging:		
Employee benefits	1,315,740	1,288,023
Depreciation and amortisation (note 13 and 14)	361,432	303,678
Pension costs	79,199	76,285
Finance costs (Note 9)	50,214	49,608
Directors' fees		
- in connection with the management of the Company	11,017	13,203
- as Directors of the Company	755	3,889
Operating lease rental	6,314	4,933
Donations	1,688	2,400
Loss on disposal of property, plant and equipment	314	56

11. Taxation

	2015	2014
	K'000	K'000
Income tax charge at 35%		
Deferred taxation (note 12)	(1,562,067)	(54,980)
Under provision from prior years	645,054	-
Income tax charge	68,131	304,347
Income tax (credit) charge	(848,882)	249,367
2015 losses available until 2020	2,974,607	-
Included under current liabilities:		
Arising during the year	68,131	304,347
Under provision from prior years	645,054	-
Payable in respect of prior year	596,630	292,989
	1,309,815	597,336
Paid in year/period	(1,047)	(706)
Payable at end of year/period	1,308,768	596,630
Reconciliation of tax charge		
The total income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax	19,595	572,636
Applicable tax rate of 35%	6,858	200,423
Permanent differences:		
- Capital exchange gains	(874,477)	-
- Other disallowable items	18,737	48,944
	(848,882)	249,367

Subject to agreement with the Zambia Revenue Authority, the Company had estimated tax losses of K3.0 billion (2014: Nil) which are available for carry forward for a period of 5 years from the year in which they arose and for set off against future taxable profits. The cumulative tax losses comprise:

12. Deferred Tax

	2015	2014
	K'000	K'000
At beginning of year	768,922	847,836
Charge to equity	(23,934)	(23,934)
Credit to profit or loss for the year (Note 11)	(1,562,067)	(54,980)
At end of year	(817,079)	768,922

	Net Tax losses	Accelerated capital allowances	Revaluation surplus	Provisions and other	**Total**
2014					
At beginning of year restated	-	709,297	235,952	(97,413)	**847,836**
(Credit) charge to profit or loss	-	148,275	-	(203,255)	**(54,980)**
Charge to equity	-	-	(23,934)	-	**(23,934)**
At end of year	-	857,572	212,018	(300,668)	**768,922**
2015					
At beginning of year	-	857,572	212,018	(300,668)	**768,922**
(Credit) charge to profit or loss	(1,041,113)	284,014	-	(804,968)	**(1,562,067)**
Charge to equity	-	-	(23,934)	-	**(23,934)**
At end of year	(1,041,113)	1,141,586	188,084	(1,105,636)	**(817,079)**

Property, Plant and Equipment

	Civil engineering works and buildings	Generation plant, vehicles equipment	Transmission and distribution systems	Capital work in progress	**Total**
	K'000	K'000	K'000	K'000	**K'000**
Cost or valuation					
At 1 January 2014	219,119	756,324	4,928,398	3,510,632	**9,414,473**
Additions	36,327	128,403	18,025	2,798,921	**2,981,676**
Transfer of assets from Rural Electrification Authority	-	-	202,622	-	**202,622**
Transfers from Capital work in progress	-	-	824,582	(824,582)	**-**
Disposals	-	(2,823)	-	-	**(2,823)**
At 31 December 2014	255,446	881,904	5,973,627	5,484,971	**12,595,948**
Additions	5,201	73,386	-	4,155,592	**4,234,179**
Transfers from Capital work in progress	-	-	1,742,221	(1,742,221)	**-**
Disposals	-	(4,588)	-	-	**(4,588)**
At 31 December 2015	260,647	950,702	7,715,848	7,898,342	**16,825,539**
Cost	55,014	581,075	6,434,237	7,898,342	**14,968,668**
Valuation (1996)	51,779	177,987	1,281,611	-	**1,511,377**
Valuation (2001)	153,854	191,640	-	-	**345,494**
At 31 December 2015	260,647	950,702	7,715,848	7,898,342	**16,825,539**
DEPRECIATION					
	55,533	497,662	1,730,995	-	**2,284,190**
Charge for period	4,601	61,824	229,523	-	**295,948**
Eliminated on disposal	-	(2,120)	-	-	**(2,120)**

	Civil engineering works and buildings	Generation plant, vehicles equipment	Transmission and distribution systems	Capital work in progress	**Total**
	60,134	557,366	1,960,518	-	**2,578,018**
Charge for year	5,106	74,006	274,591	-	**353,703**
Eliminated on disposal	-	(2,346)	-	-	**(2,346)**
	65,240	629,026	2,235,109	-	**2,929,375**
CARRYING AMOUNT					
	195,407	321,676	5,480,739	7,898,342	**13,896,164**
	195,312	324,538	4,013,109	5,484,971	**10,017,930**

Transfers to ZESCO represent completed and commissioned projects that are transferred by Rural Electrification Authority to ZESCO at no consideration as a grant from the Government Republic of Zambia.

Certain land and buildings were revalued on the basis of open market value for existing use by independent valuers as at 31 March 1996 and 31 March 2001. Surplus on valuation was transferred to revaluation reserve.

Certain of the generation plant, civil works and transmission and distribution systems were revalued as at 31 March 1996 and 31 March 2001 on the basis of depreciated replacement cost by independent valuers. Surplus on valuation was transferred to revaluation reserve.

IAS16: Property, plant and equipment paragraph 31 requires that once the entity has adopted the revaluation model, as is the case for the Company, "revaluations shall be made with sufficient regularity". Best practice requires that "sufficient regularity" is of a period of not more than five years.

Accordingly the Company has not complied with this requirement, and the Directors commit to ensure this position is regularised as early as possible.

The Directors view is that the fair value of the property, plant and equipment can only be estimated once the revaluation is completed.

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

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

14.Intangible Asset

	2015	2014
	K'000	K'000
Cost		
At beginning of year	138,454	114,245
Acquisitions	4,994	24,209
At end of year	143,448	138,454
Accumulated amortisation		
At beginning of year	(40,575)	(32,845)
Amortisation expense	(7,730)	(7,730)
Balance at 31 December	(48,305)	(40,575)
Carrying amounts:		
At end of year	95,143	97,879

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

Oracle software	4 years
Business information system	20 years

Significant intangible assets.

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

Additions for the year included the cost of the upgrade to the Oracle software.

15.Investments

	2015	2014
	K'000	K'000
These represent the investment interest in the following companies at cost:		
Kafue Gorge Lower Power Development Corporation Limited	256,348	3,723
Itezhi tezhi Power Corporation Limited (ITTPC)	185,600	185,600
Elsewedy Electric Zambia Limited	11,351	11,351
Zambia Electrometer Limited	6,350	6,350
Kariba North Bank Extention Power Corporation Limited	10	10
	459,659	207,034
The movement in the investment during the year was as follows:		
Balance at beginning of year	207,034	137,857
Additions during the year	252,625	69,177
Balance at end of the year	459,659	207,034

Zambia Electrometer Limited

ZESCO Limited holds 40% shares in Zambia Electrometer Limited. The investment is carried at cost. The entity's shareholding remained unchanged at 1,000,000 shares. This is an associate of Zesco Limited.

Elsewedy Electric Zambia Limited

ZESCO Limited holds 40% shares in Elsewedy Electric Zambia Limited. The investment is carried at cost. The entity's shareholding remained unchanged at 2,000,000 shares. This is an associate of Zesco Limited.

Itezhi tezhi Power Corporation Limited (ITTPC)

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

Kafue Gorge Lower Power Development Corporation

Zesco Limited holds 100% shares in Kafue Gorge Lower Power Development. The investment is carried at cost. The entity acquired 1,000,000 shares. This is therefore a subsidiary.

Kariba North Bank Extention Power Corporation

Zesco Limited holds 100% shares in Kariba North Bank Extension Power Corporation. The investment is carried at cost. The entity's shareholding remained unchanged at 10,000,000 shares. This is therefore a subsidiary.

These financial statements are for the parent company only and are prepared in accordance with IAS 27 Separate financial statements. The subsidiaries, associates and joint ventures will be consolidated in the group financial statements.

16. Inventory

	2015	2014
	K'000	K'000
Materials	517,174	334,427
Goods in transit	81,271	9,646
Fuel and lubricants	8,995	22,707
Spares	7,427	7,484
	614,867	374,264
Allowance for obsolescence	(6,862)	(5,765)
	608,005	368,499

The cost of inventories recognised as an expense during the year was K176 million (2014: K173 million).

Inventories are disclosed net of provision for obsolete stock amounting to K6.9 million (2014: K5.8 million).

17. Trade and Other Receivables

	2015 K'000	2014 K'000
The balance comprises:		
Gross trade receivables	4,316,413	1,831,347
Allowance for doubtful debts	(2,802,448)	(686,484)
	1,513,965	1,144,863
Other		
Staff receivables	105,019	130,409
Other receivables	649,286	348,209
Allowance for doubtful debts	(446,895)	(185,494)
	307,410	293,124
Total trade and other receivables	1,821,375	1,437,987
The movement in allowance for doubtful trade receivables is as follows:		
Balance at beginning of year/period	686,484	116,930
Impairment losses recognised on trade receivables	2,115,964	569,554
At end of the year	2,802,448	686,484
The movement in allowance for doubtful debts for other receivables is as follows:		
Balance at beginning of year/period	185,494	120,064
Impairment losses recognised on other receivables	261,401	65,430

The average credit period on sales of services is 30 days. Trade receivables over 90 days are provided for based on estimated irrecoverable amounts from the sale of services, determined by reference to past default experience.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Company has not recognised an allowance for doubtful debts because there has been no significant change in credit quality and are still considered recoverable.

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Directors believe that there is no further credit provision required for doubtful debts.

Penalties are charged for late payment on mining customers. Performance of trade debtors are reviewed by management on an ongoing basis.

	2015	2014
	K'000	K'000
At end of the year	446,895	185,494
Ageing of past due but not impaired trade receivables		
30 - 60 days	24,900	33,449
60 - 90 days	407,424	150,383
Over 90 days	1,045,003	702,850
	1,477,327	886,682
Age of impaired trade receivables		
30 - 60 days	215,673	72,873
60 - 90 days	487,901	105,067
Over 90 days	1,824,108	508,544
	2,527,682	686,484

Included in trade receivables are balances with a carrying amount of K24 million (2014: K273 million) which are past due at the reporting date for which the Company has not provided for as they are due from Government and the amounts are considered recoverable.

18. Share Capital

Authorised		
200,000,000 ordinary shares of K0.002 each	400	400
Issued and fully paid		
96,894,542 ordinary shares of K0.002 each	194	194

19. Amounts Pending Allotment Of Shares

Shares pending allotment (a)	21	21
Shares pending allotment (b)	1,654,785	1,654,785
Shares pending allotment (c)	1,170,118	-
	2,824,924	1,654,806

a. The amount was received from Zambia Industrial and Mining Corporation Limited (In Liquidation) in 2003.
b. The amount was received 4 February 2013 from the Ministry of Finance as a recapitalisation to fund the development of Kafue Gorge Lower Hydro Power Station (US$ 186 million) and Distribution development projects (US$69 million) and K276 million for the development of small hydro power stations and the Zambia power rehabilitation project.

The Government as shareholder, has confirmed that no repayment will be required for these amounts. However, the requirement is for the funds to be utilised on the intended projects as set out above. In accordance with IAS 32 paragraph 16, the funds fall to be treated as share capital.

c. The Government as shareholder, on the 28 December 2015 approved the conversion of on-lent loans in ZESCO Limited to equity amounting to US$156 million or K1.1 billion.

20. Related Party Transactions

The Company is owned and controlled by the Government of the Republic of Zambia. During the year the company carried out transactions with related parties as detailed below:

	2015	2014
	K'000	K'000
(i) Trading transactions		
The effect on the results for the year of these transactions is as follows:		
Gross revenue	420,841	135,761
Cost of sales	(232,542)	(144,269)
Trading impact on Company	188,299	(8,508)
(ii) Year end balances		
a) Amounts due from related parties		
Itezhi tezhi Power Corporation Limited (ITTPC) incorporated in Zambia	557,532	285,216
Government of the Republic of Zambia	181,873	418,001
Kariba North Bank Extention Power Corporation incorporated in Zambia	99,997	43,063
Zambia Electrometer Limited, incorporated in Zambia	2,467	1,432
	841,869	747,712
(b) Amounts due to related parties		
Kariba North Bank Extention Power Corporation Limited	170,076	115,094
Elsewedy Electric Zambia Limited	65,880	15,275
Zambia Electrometer Limited	6,485	122
	242,441	130,491

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts due from related parties. These amounts are as a result of the trading activities of the Company.

Kariba North Bank Extension Power Corporation Limited and Kafue Gorge Lower Corporation are subsidiary companies, while Itezhi Tezhi Power Corporation is a joint venture investment with 50% shareholding. Elsewedy Electric Zambia Limited and Zambia Electrometer Limited are associates.

	2015 K'000	2014 K'000
(c) Loan due from a related party		
At beginning of year	1,790,806	1,354,974
Net exchange gain	1,293,402	226,430
Amounts disbursed during the year	20 999	194,306
Reclassification of interest receivable	(15,096)	
Interest receivable	-	15,096
At end of the year	3,090,111	1,790,806
(d) Key management personnel remuneration		
Key management remuneration	11,017	13,203
Directors fees	755	3,889
	11,772	17,092

The borrowing is a term loan facility of USD315.6 million to Kariba North Bank Extension, the subsidiary. The loan does not bear any interest and is repayable on demand. The loan amount is secured on property, plant and machinery of the project and is denominated in United States Dollars.

21. Operating Lease Commitments

Rental expense on leasehold building		
Operating lease payments represent rentals payable by the Company for the building used as the Company's customer service centres.		
Minimum lease payments paid under operating leases recognised as an expenses in the year.	6,314	4,933
At the reporting date, the Company had no outstanding commitments under non-cancellable operating leases.		

22. Borrowings

	2015 K'000	2014 K'000
The movement on loan is as follows:		
At beginning of year	5,922,542	3,830,039
Reclassification of balances to grants (note 25)	-	(61 143)
*Reclassification of loans to equity	(1,085,321)	-
Borrowings arising during the year	2,783,692	1,910,676
Net exchange losses	3,959,338	579,637
Repayments made during the year	(522,916)	(336,667)
	11,057,335	5,922,542
Balance at end of the year		
The borrowings are repayable as follows:		
On demand or within one year	1,715,580	420,136
Loans payable within 2 years	1,299,784	666,295
Loans payable within 3-5 years	3,429,561	2,042,736
Loans payable over 5 years	4,612,410	2,793,375
	9,341,755	5,502,406

* The reclassification of loans was done on the 1 January 2015 as cabinet approved the conversion of on-lent loans in ZESCO Limited to equity amounting to US$156 million or K1.1 billion.

The borrowings are due to the following

:		2015	2014
		K'000	K'000
I	Industrial Commercial Bank of China	2,987,099	1,336,830
II	China Exim Bank	2,942,964	1,775,710
III	Nordea Stanbic Bank	726,040	173,762
IV	India Exim Bank	520,344	225,774
V	China Exim	481,384	-
VI	Standard Chartered Bank	439,744	-
VII	Zambia National Commercial Bank Plc	360,855	321,793
VII	Standard Bank	325,061	189,003
IX	Stanbic Bank	316,013	172,803
X	Bank of China	310,980	232,477
XI	African Development Bank	282,775	-
XII	GRZ/Agence Francaise De Development	259,402	54,908
XII	Stanbic Bank	251,851	188,274
XIV	Sinohydro Corporation Limited	109,936	-
XV	Barclays Bank Zambia Plc	99,764	79,143
XVI	Development Bank of Southern Africa Bank 1	98,493	80 633
XVII	European Investment Bank	92,882	-
XVIII	Standard Chartered Bank	82,364	68,413
XIX	CNMC Industrial Zone Development	65,200	42,648
XX	European Investment Bank 2	53,314	39,079
XXI	GRZ/World Bank Facility 2	51,822	58,663
	Balance carried forward	10,858,287	5,039,913

:		2015	2014
	Balance brought forward	10,858,287	5,039,913
XXII	GRZ/International Development Association		
	- Kafue Muzuma	51,781	70 314
XXIII	GRZ/World Bank	46,918	76 888
XXIV	GRZ/Japan International Cooperation Agency	38,020	113 260
XXV	Nigeria Trust Fund	31,437	-
XXVI	European Investment Bank	18,778	-
XXVII	GRZ/International Development Agency	12,114	65 578
XXVIII	GRZ/International Bank for Reconstruction and Development	-	185 952
XXIX	GRZ/European Investment Bank 1	-	151 292
XXX	GRZ/India Exim Bank	-	144 247
XXXI	GRZ/Nordic Development Fund	-	32 925
XXXIII	Development Bank of Southern Africa Bank 4	-	20 135
XXXIII	GRZ/African Development Bank	-	14 304
XXXIV	Citi Bank Zambia Limited	-	7 382
XXXV	Development Bank of Zambia	-	352
		11,057,335	5,922,542

Summary of the arrangements:

I. Industrial Commercial Bank of China

This is a US$285 million loan facility obtained from Industrial Commercial Bank of China on 30 May 2011 to finance the Pensulo-Msoro-Chipata West 330 KV and Pensulo-Kasama 330 kV Transmission lines. Interest is 2.5% Margin plus LIBOR (Screen Rate), the Loan will be repaid over 10 years. The loan is denominated in United States Dollar and the balance at the reporting date was US$272 million or K3 billion.

II. China Exim Bank

This is a US$315.6 million loan facility was obtained from China Exim Bank in October 2008 with tenure of 15 years. Interest is computed at LIBOR plus 2% per annum. The facility is secured by receivables from Copperbelt Energy Corporation and Chambeshi Mining Company. The loan is denominated in United States Dollar and as at reporting date, the loan balance was US$268 million or K3 billion.

III. Nordea Stanbic Bank

This is a US$133million 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 payable semi-annual. The loan facility is in United States Dollar and the balance at the reporting date was US$66 million or K726 million.

IV. India Exim Bank.

This is a US$63.39 million facility obtained from India Exim bank on 9 June 2012. The loan was obtained to finance the connection of Luangwa to the national grid. The loan will be repaid in seven equal installments. The interest rate is LIBOR plus 5.5%. The facility is in United States Dollar and the balance as at the reporting was US$47.3 million or K520 million.

V. 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 was US$43.78 million or K481 million.

VI. Standard Chartered Bank

This is a US$40 million loan facility obtained from Standard Chartered Bank by ZESCO Limited on the 15 September 2015. The Loan facility was obtained towards the financing of the purchase of assets associated with ZESCO's generation, transmission and distribution assets. The borrower shall repay each loan in full on the termination date (the date falling six months after the date of this agreement). The loan is in United States Dollars and at the reporting date the balance was US$40 Million or K439.7 Million.

VII. Zambia National Commercial Bank Plc.

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

VIII. Standard Bank of South Africa

This is a US$29.5 million facility obtained from Standard bank of South Africa. The loan was obtained to finance the connection of Northwestern Province to the National grid. The interest rate is LIBOR plus 5% per annum. The loan is to be repaid over a period of 7 years with a 2 years grace period. The facility is in United States Dollar and the amount as at the reporting date was US$29.6 million or K325 million.

IX. Stanbic Bank

This is a US$30 million Letter of Credit facility obtained from Stanbic Bank (Z) Limited meant to finance importation, mobilisation and installation of equipment by Elsewedy of Egypt. The Letter of Credit agreement was finalised on the 1 August 2013 for a period of 70 months, with a grace period of 15 months. The repayment will be US$545,455 in equal installments of 55 months. The Letter of Credit was secured against the Company's receivables. The facility is in United States Dollar and the balance at reporting date was US$28.7 million or K316 million.

X. Bank of China

This is a US$43.9 million loan facility obtained from Bank of China on 20 May 2011. The loan was obtained to finance the extension of fibre network to other parts of the country. The facility is for duration of 6 years. The interest rate is LIBOR plus 3% per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$28.3 million or K310 million.

XI. African Development Bank

This is a US$30 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. The loan facility is in United States Dollars and the balance at the reporting date was US$25.7 million or K282.78 million.

XII. GRZ/Agence Francaise De Development

This is a US$34.4 million loan facility obtained from the International Development Association on 18th December 2012 by the Government of the Republic of Zambia and on-lent to ZESCO to finance the construction of Itezhi Tezhi hydro Power Station. Interest is computed at 1.5% semi annum and the loan (principal plus interest) will be repaid over 25 years including 5 years grace period. The loan is denominated in United States Dollar. The total draw downs in the year under review were K54.9 million and the balance at the reporting date was US$23.6 million or K259 million.

XIII. Stanbic Bank Limited

This is a US$30 million Letter of Credit facility obtained from Stanbic Bank (Z) Limited meant to finance importation, mobilization and installation of equipment by Elsewedy of Egypt. The Letter of Credit agreement was finalized on the 1st of August 2013 for a period of 70 months, with a grace period of 15 (Fifteen) months. The repayment will be US$545,455 in equal installments of 55 months. The Letter of Credit was secured against the Company's receivables. The facility is in United States Dollar and the balance at reporting date was US$22.9 million or K251.8million.

XIV. Sinohydro Corporation Limited

This is a US$ 10 million facility (Bridging finance) obtained from Sinohydro Corporation Limited by ZESCO Limited on the 17 September 2015. The facility was obtained for the purpose of rehabilitation and upgrading works at the Musonda Falls Hydropower Station. The tenure of the facility is from the date when the agreement came into effect to the date when the funds are available to the employer from the financial institutions but six months considered. Funds and Interest shall be repaid at once after the employer obtains financing. The interest is charged at 7% per annum. The balance at the reporting date was US $ 10 Million or K109.9 million.

XV. Barclays Bank Zambia Plc

This is a letter of credit facility of US$15 million from Barclays Bank Plc Limited obtained on 7 November 2012, with tenure of 75 months and is repayable in $333,333 equal instalments over 55 months. The facility is secured by company's receivables deposited in Barclays Bank Accounts. The facility is in United States Dollar and the balance at reporting date was US$9.08 million or K99.8 million.

XVI. Development Bank of Southern Africa

This is a ZAR210.4 million loan facility obtained from Development Bank of South Africa Bank on 22 July 1998. The loan was obtained to finance the Power Rehabilitation Projects. The duration of the loan is 20 years including a grace period of 5 years. The loan facility has a fixed interest rate of 15.25% per annum. The loan facility was converted to equity by the Government of Zambia, resulting in a nil balance as at 31 December 2015.

XVII. European Investment Bank

This is a EUR 50 million loan facility from the European Investment Bank (EIB) by the Government of the Republic of Zambia on the 10 December 2012. The facility was obtained for the purpose of financing the Itezhi-Tezhi Hydro Power plant, Mumbwa Substation and Lusaka West - Mumbwa Transmission Line Project. The facility shall be settled over a period of twenty five (25) years including a grace period of five (5) years. The interest is charged at 1.2% per cent per annum. The loan facility is in Euros and the balance at the reporting date was US$8.45 million or K92.8 million.

XVIII. Standard Chartered Bank

This is a letter of credit facility of US$15 million from Standard Chartered Bank PLC, incorporated in Zambia with tenure of 84 months or 7 years, is repayable in equal instalments of US$178,571 in 84 months. The drawings will be made over 55 monthly instalments. The letter of credit is in United States Dollar and the balance at the reporting date was US$7.5 million or K82.4 million.

XIX. CNMC Industrial Zone Development

The facility was obtained as capital contribution in 2009 on the Chambishi line from CNMC Industrial Zone Development who contributed 40% of the total project costs of US$27.8 million (i.e. US$11.1 million). It is to be paid in 180 equal instalments of US$61,778 per month. There is no interest on this amount and there is no security attached to the agreement. The balance at the reporting date was US$5.9 million or K65.2 million.

XX. European Investment Bank 2

This is a EUR7.5 million loan facility obtained from European Investment Bank by ZESCO Limited on 12 July 2005 to finance the Kariba North Bank Power Station Rehabilitation and Uprating Works under Power Rehabilitation Projects. The interest rate is 3.3% per annum. The loan facility is secured against Kansanshi receivables. The loan facility is in Euro and the balance at the reporting date was EUR4.4 million or K53 million.

XXI. GRZ/World Bank Facility 2

This is a US$10 million loan facility obtained from World Bank by Government of Republic of Zambia on 21 March 2010. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 20 year period including a grace period of 5 years. The loan will have a 2% interest charge per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$4.7 million or K51.8 million.

XXII. GRZ/International Development Association-Kafue Muzuma

This is a US$11 million loan facility obtained from the International Development Association on 6 December 2012 by the Government of the Republic of Zambia and on lent to ZESCO to finance the Kafue Muzuma Transmission Project. Interest shall be computed at 2% per annum and the loan (principal plus interest) will be repaid over 20 years including 5 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was US$4.7 million or K51.8 million.

XXIII. GRZ/World Bank

This is a US$16 million loan facility obtained from World Bank by Government of Republic of Zambia on 9 February 2009. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 20 year period including a grace period of 5 years. The loan will have a 2% interest charge per annum. The loan facility is in United States Dollar and the balance at the reporting date was US$4.3 million or K46.9 million.

XXIV. GRZ/Japan International Cooperation Agency (JICA)

This is a Yens 5 billion loan facility obtained from JICA by Government of Republic of Zambia on 1 November 2010. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 15 year period including a grace period of 5 years. The interest is charged at 0.05% per annum. The loan facility is in Japanese Yen and the balance at the reporting date was Yens 416.4 million or K38 million.

XXV. Nigeria Trust Fund

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

XXVI. European Investment Bank

This is a EUR 22 Million loan facility obtained from the European Investment Bank (EIB) by the Government of the Republic of Zambia on the 4 of December 2012. The Government agreed to on-lend to ZESCO Limited on the terms and conditions set forth in the finance contract. The purpose of the facility was to finance the Kafue-Livingstone transmission Line project. The loan facility shall be repaid to the Government in equal semi-annual installments beginning five (5) years after the signature date of the on-lending loan and ending ten (10) years after the date of such agreement. The interest is charged at one and half percent (1.5%). The loan facility is in United States Dollar 1.7 Million or K18.79 Million.

XXVII. GRZ/International Development Association

This is a US$105 million loan facility obtained from the International Development Association on 3 October 2013 by the Government of Republic of Zambia and on lent to ZESCO to finance the Lusaka Transmission and Distribution Rehabilitation Project. Interest is computed at 1.5% semi-annum and the loan (principal plus interest) will be repaid over 30 years including 10 years grace period. The facility is guaranteed by the Government of Republic of Zambia. The loan is denominated in United States Dollar. The loan balance at the reporting date was US$1.1 million or K12.1 million.

XXVIII. GRZ/International Bank for Reconstruction and Development

This was a facility obtained by the Government of Zambia and then on lent to ZESCO for the Power Rehabilitation Project. This facility was converted to equity by the Government of Zambia as at 31 December 2015, hence the NIL balance.

XXIX. GRZ/European Investment Bank 1

This was a EUR16 million loan facility obtained from European Investment Bank by Government of Republic of Zambia on 14-August 1998. The loan was on-lent to ZESCO to finance the Rehabilitation of Victoria Falls Power Station under Power Rehabilitation Project. The loan facility was converted to equity as at 31 December 2015, hence the NIL balance.

XXX. GRZ/India Exim Bank

This was a US$50 million loan facility obtained from INDIA EXIM Bank by Government of Republic of Zambia on 6 January 2010. The loan was lent to ZESCO to finance the construction of Itezhi Tezhi Hydro Power Station. The loan facility was converted to equity as at 31 December 2015 by the Government of Zambia, resulting in a NIL balance at year end.

XXXI. GRZ/Nordic Development Fund

"This was an unsecured facility obtained by the Government of Zambia from Nordic Development Fund in September 2000 and then on lent to ZESCO for the Supervisory Control and Data Acquisition for the Lusaka Distribution System. The amount lent to ZESCO was EUR6, 082,686.75 with an annual interest rate of 5% payable in semi-annual instalments beginning in 2009 and ending in 2039. The loan facility was converted to equity by the Government of Zambia as at 31 December 2015.

XXXII. Development Bank of Southern Africa 4

This was a US$21 million loan facility obtained from Development Bank of Southern Africa Bank on 29 August 2005. The loan was obtained to finance the rehabilitation works at Victoria Falls Power Station. This facility is for duration of 15 years, with Interest charge at LIBOR plus 3.3% per annum. The loan facility was converted to equity by the Government of Zambia as at 31 December 2015.

XXXIII. GRZ/African Development Ban

This was an unsecured facility obtained from the Government of Zambia from African Development Bank in May 1990 and then on lent to ZESCO for rehabilitation of Kafue Gorge Power station. The loan facility was converted to equity by the Government of Zambia as at 31 December 2015.

XXXIV. Citi Bank Zambia Limited

This was a US$51.7 million letter of credit facility obtained from CITI Bank Zambia Limited on 9 August 2011. The letter of credit was for 36 months with a grace period of 12 months. The letter of credit was fully paid off as at 31 December 2015.

XXXV. Development Bank of Zambia

This was a USD$562,000 loan facility obtained from Development Bank Of Zambia on 27 November-2008, to finance the development of Shiwan'gandu mini hydro power station. The repayment period was 60 monthly equal instalments with a 12 month grace period. The loan has no interest charges. The loan was fully paid off by 31 December 2015.

Breach of loan agreements

During the current year, the Company was non-compliant with the submission of audited financial statements for the year ended 31 December 2014 to the lenders within 180 days after the financial year end on the following facilities: Standard Chartered Bank LC, China Exim Bank, Bank of China and Nordea Stanbic loan. The lenders did not request accelerated repayment of loan and the terms of the loans were not changed. Management has further reviewed the settlement procedures and to ensure that such circumstances do not occur.

23. Retirement Benefit Obligation

(i) Defined contribution plan

Defined contribution plans are a pension plan under which the Company pays fixed contributions into the National Pension Scheme Authority, which is a defined contribution plan. The Company 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 Company's contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate. The Company has no further obligation once contributions have been paid.

The total expense recognised in the profit or loss of K52 million (2014 - K42 million) represents contributions payable to these plans by ZESCO.

(ii) LASF defined benefit plan

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

The Company operates a defined benefits pension scheme which is funded by the payment of contributions to a separately administered fund called the Local Authorities' Superannuation Fund ("LASF"). This fund administers 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 2012 was carried out and showed a deficit of K723 million. These deficits are not the latest actual valuation attributed to individual member organizations as the valuation was performed three years ago. Accordingly updated information on the actuarial deficit is not available to enable the entity to account for the plan as a defined benefit plan. On this basis the Company has opted to account for the plan as if it were a defined contribution plan.

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

The total cost of pension contributions during the year was 27 million (2014: K 33 million).

(iii) Long service retirement benefit

Employee benefits obligation comprises liabilities for retirement benefits. The movements on the account during the year were as follows:

	2015	2014
	K'000	K'000
At beginning of the year/period	1,879,220	1,628,451
Current service cost	399,426	501,369
Reversal of Gratuity Provisions	(30,467)	-
Benefits paid during the year/period	(263,557)	(250,600)
At 31 December	**1,984,622**	1,879,220
Disclosed in the financial statements as:		
Non-current	1,847,305	1,743,379
Current	137,317	135,841
	1,984,622	1,879,220

24. Finance Lease Obligations

The Company entered into finance lease arrangements with Stanbic Bank and Barclays Bank for motor vehicles finance. The average term of the finance leases entered into is 36 months.

The Company's obligations under the finance leases are secured by the lessors' title to the leased assets.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 5% (2013: 5%) per annum.

	2015	2014
	K'000	K'000
Current finance lease obligations	-	6,138
Non current finance lease obligations	-	-
	-	6,138

Amounts payable under finance leases		
Minimum lease payments:		
Within one year	6 138	12 592
Less future finance charges	(6,138)	(6,454)
Present value of minimum lease payments	-	6 138

Analysis of movements in finance lease obligations		
At the beginning of the year/ period	6 138	15 363
Net exchange loss	-	-
Repayments during the year/ period	(6,138)	(9,225)
At end of the year/ period	-	6 138

25. Capital Grants and Capital Contributions

	Capital Grants	Capital Contributions	Total
	K'000	K'000	K'000
At 1 January 2014	130 652	837 642	968 294
Additions during the period	11 395	210 188	221 583
Reclassification from borrowings (note 22)	61 143	-	61 143
Transfer of assets from Rural Electrification Authority	202 622	-	202 622
Amortisation of capital grants and contributions	(39,157)	(77,045)	(116,202)
At 31 December 2014	366,655	970,785	1,337,440
Additions during the year	11 998	188,103	200 101
Reclassification to equity	(65 910)	-	(65 910)
Adjustment	(10)	-	(10)
Amortisation of capital grants and contributions	(22,200)	(61,559)	(83,759)
At 31 December 2015	290,533	1,097,329	1,387,862

Maturity analysis:

	2015	2014
	K'000	K'000
Non-current	1,301,377	1,263,804
Current	86,485	73,636
Total	1,387,862	1,337,440

26. Trade and Other Payables

Trade payables	754,434	311,968
Sundry payables and accrued expenses	388,436	321,100
Employee related accruals	311,315	662,998
	1,454,185	1,296,066

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. No interest is charged on trade payables. The Company ensures that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

27. Bank Overdraft

Barclays Bank Zambia Plc	33,739	38,516
Zambia National Commercial Bank Plc	17,069	18,530
Standard Chartered Bank Zambia Plc	308	1,541
	51,116	58,587

Barclays Bank Zambia Plc

An overdraft banking facility amounting to K50 million. The overdraft was agreed in April 2014 with a 12 month tenor with interest payable monthly at three month LIBOR plus 3%. The facilities are repayable strictly on demand. The amount drawn as on 31 December 2015 under this facility is K34 million (31 December 2014: K39 million).

Zambia National Commercial Bank Zambia Plc

An overdraft banking facility amounting to K25 million. The overdraft was agreed in November 2014 with a 12 month tenor with interest payable monthly at three month LIBOR plus 3.75%. The facilities are repayable strictly on demand. The amount drawn as on 31 December 2015 under this facility was K17 million (2014: K19 million). The facility is secured against unlimited collections held in the bank accounts from time to time.

Standard Chartered Bank Zambia Plc

An overdraft banking facility amounting to K10 million. The overdraft was agreed in November 2014 with a 12 month tenor with interest payable monthly at three month LIBOR plus 5%. The facilities are repayable strictly on demand. The amount drawn as at 31 December 2014 under this facility was K0.3 million (2014: K1.5 million).

28. Financial instruments

Capital risk management

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

The capital structure of the Company consists of cash and cash equivalents, interest bearing liabilities and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

Gearing ratio

The Company 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 Company has a gearing ratio of 64% (2014: 58%) determined as the proportion of net debt to equity.

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

	2015 K'000	2014 K'000
Debt (i)	11,108,451	5,928,717
Equity (ii)	6,283,485	4,220,956
Total debt and equity	64%	58%

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

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

Significant accounting policies

	2015 K'000	2014 K'000
Categories of financial instruments		
Financial assets:		
- Amounts due from related parties	841,869	747,712
- Trade and other receivables	1,561,573	1,388,810
- Bank and cash	2,140,409	1,549,145
	4,543,851	3,685,667
Financial liabilities:		
- Amounts due to related parties	242,441	130,491
- Trade and other payables	1,205,632	735,607
- Bank overdraft	51,116	58,587
	1,499,189	924,685

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 financial statements.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

Financial risk management objectives

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

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company 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 Company's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

The Company 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 Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	Financial assets		Financial liabilities	
	2015	2014	**2015**	2014
	K'000	K'000	**K'000**	K'000
United states dollar ($)	3,727,062	2,249,182	10,867,510	5,581,822
Japanese yen (JPY)	-	-	38,019	113,260
Swedish Kron (SEK)	-	-	-	33,643
South Africa rand (ZAR)	1,936	18,196	98,493	157,096
Euro	-	-	53,313	36,721

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 sets out the impact on current profit before taxation of an incremental 5% parallel fall or rise in all yield curves during the year:

		Scenario 1	Scenario 2
		5% increase in variable interest rates	5% decrease in variable interest rates
At 31 December 2015			
Profit before tax	19,595	20,575	18,615
At 31 December 2014			
Profit before tax	572,636	601,267	544,004

Interest rate risk management

The Company is 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 Company'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 Company. The Company is exposed to credit risk in respect of trade and other receivables. As at the financial period end the Company had trade receivables which were due from the Company's customers.

The Company's maximum exposure to credit risk is analysed below:

	2015	2014
	K'000	K'000
Amounts due from related parties	3,931,980	2,538,518
Bank and cash balances	2,140,409	1,549,145
Trade and other receivables	1,561,573	1,437,987
	7,633,962	5,525,650

The maximum exposure to credit risk for trade receivables at the reporting date by key customer sector was:

Mining	3,507,694	1,054,652
Domestic customers	224,558	255,026
Exports	221,350	189,714
Government and relented entities	208,869	172,125
The Local authorities and water utilities	113,480	90,895
Industrial and related sectors	37,431	67,246
Agriculture and related sectors	3,031	1,689
	4,316,413	1,831,347

Liquidity risk management

The Company 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.

The following table below details the company'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.

Year ended 31 December 2015

	1 - 3 months	3 months to 1 year	Above 1 year	**Total**
	K'000	K'000	K'000	**K'000**
Financial liabilities				
- Trade and other payables	-	1,205,632	-	**1,205,632**
- Bank overdraft	51,116	-	-	**51,116**
- Amounts due to related parties	-	-	242,441	**242,441**
	51,116	1,205,632	242,441	**1,499,189**
Financial assets				
- Amounts due from related parties	-	841,869	-	**841,869**
- Loan due from related parties	-	-	3,090,111	**3,090,111**
- Trade and other receivables	-	1,561,573	-	**1,561,573**
- Bank and cash balances	-	-	-	**2,140,409**

	1 - 3 months	3 months to 1 year	Above 1 year	**Total**
	-	2,403,442	3,090,111	**7,633,962**
Period ended 31 December 2014				
Financial liabilities				
- Trade and other payables	-	735,607	-	**735,607**
- Bank overdraft	58,587	-	-	**58,587**
- Amounts due to due related parties	-	-	130,491	**130,491**
	58,587	735,607	130,491	**924,685**
Financial assets				
- Amounts due from related parties	-	747,712	-	**747,712**
- Loan due from related parties	-	-	1,790,806	**1,790,806**
- Trade and other receivables	1,388,810	-	-	**1,388,810**
- Bank and cash balances	-	-	-	**1,549,145**
	1,388,810	747,712	1,790,806	**5,476,473**

Fair value measurements

The information set out below provides information about how the Company 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 Stock 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 Company considers relevant and observable market prices in its valuations where possible.

Fair value of the Company'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.

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	K'000	K'000	K'000	K'000
Financial assets				
Loans and receivables:				
- Amounts due from related parties	841,869	841,869	747,712	747,712
-Trade and other receivables	1,561,573	1,561,573	1,161,750	1,161,750
Total	2,403,442	2,403,442	1,909,462	1,909,462
Financial liabilities				
- Borrowings	9,341,755	9,341,755	5,502,406	5,502,406
- Trade and other payables	1,205,632	1,205,632	718,048	718,048
- Bank overdraft	51,116	51,116	58,587	58,587
Total	10,598,503	10,598,503	6,279,041	6,279,041

	Fair value hierarchy as at 31 December 2015			
	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	-	-	841,869	841,869
-Trade and other receivables	-	-	1,561,573	1,561,573
Total	-	-	2,403,442	2,403,442
Financial liabilities:				
Financial liabilities held at amortised cost:				
- Amounts due to related parties	-	-	242,441	242,441
- Trade and other payables	-	-	1,205,632	1,205,632
- Bank overdraft	-	-	51,116	51,116
Total	-	-	1,499,189	1,499,189

Fair value hierarchy as at 31 December 2014

	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	-	-	747,712	747,712
-Trade and other receivables	-	-	1,388,810	1,388,810
Total	-	-	2,136,522	2,136,522
Financial liabilities:				
Financial liabilities held at amortised cost:				
- Amounts due to related parties	-	-	130,491	130,491
- Trade and other payables	-	-	735,607	735,607
- Bank overdraft	-	-	58,587	58,587
Total	-	-	924,685	924,685

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.

29. Capital Commitments

	2015	2014
	K'000	K'000
Authorised by the directors but not contracted for	**5,280,643**	5,774,993

The funds required to meet the capital commitments will be generated from borrowings and trading activities of the company

30. Contingent Liabilities

There were no known material contingent liabilities at 31 December 2015 and 31 December 2014.

31. Events After The Reporting Date

Subsequent to the reporting date, due to poor rain patterns in the recent past, the Company has experienced severe challenges in the generation of electric power following the consequent low water levels at power stations. The Company with full Government support has taken a number of measures to cushion the impact of the power shortages, such as importation of emergency power.

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

FIVE YEAR FINANCIAL RECORD

Income statement	**Year ended 31 December 2015**	Year ended 31 December 2014	Period ended 31 March 2013 Restated	Year ended 31 March 2012	Year ended 31 March 2011
Revenue	6,425,737	4,317,698	3,024,896	2,614,239	2,106,895
Profit/(loss) before taxation	19,595	572,636	531,723	429,313	294,854
Current taxation	848,882	(249,367)	(220,169)	(122,798)	38,061
Prior years tax adjustment	-	-	(658,768)	-	-
Profit (loss) for the year	868,477	323,269	(347,214)	306,515	332,915
Statement of financial position					
Non current assets	18,358,156	11,344,727	6,754,659	5,817,680	4,513,944
Net current assets	415,766	1,385,818	1,820,123	639,346	186,184
Deferred liabilities	(1,847,305)	(1,743,379)	(1,256,033)	(949,533)	(653,256)
Borrowings	(9,341,755)	(5,502,406)	(2,773,422)	(2,017,456)	(1,065,449)
Capital grants and contributions	(1,301,377)	(1,263,804)	(848,242)	(804,200)	(688,377)
Deferred income tax	-	-	-	234,090	192,264
Net assets	6,283,485	4,220,956	3,697,085	2,919,927	2,485,310
Financed by:					
Share capital	2,825,118	1,655,000	1,655,000	276,725	148,623
Reserves	3,458,367	2,565,956	2,042,085	2,643,202	2,336,687

Income statement	Year ended 31 December 2015	Year ended 31 December 2014	Period ended 31 March 2013 Restated	Year ended 31 March 2012	Year ended 31 March 2011
Shareholders' funds	6,283,485	4,220,956	3,697,085	2,919,927	2,485,310
Ratios Analysis					
Net profit margin	13.5%	7%	(11%)	12%	16%
Return on Capital employed (ROCE)	0%	5%	6%	8%	9%
Current ratio	1.1	1.5	2.0	1.5	1.32
Quick ratio	0.96	1.37	1.82	1.27	1.19
Interest cover	1.39	12.54	34.92	52.72	29.39
Debt/equity ratio	178%	190%	130%	102%	69%
Gearing ratio	64%	58%	45%	41%	30%
Debtor days	103	122	148	123	97
Asset turnover	0.34	0.32	0.32	0.39	0.48

Detailed Operating Statement

for the year ended 31 December 2015

	2015	2014
	K'000	K'000
REVENUE	6,425,737	4,317,698
COST OF SALES	(2,385,395)	(1,400,487)
GROSS PROFIT	4,040,342	2,917,211
Other Income	335,421	265,742
OPERATING EXPENSES		
Provision for doubtful debts	2,377,365	675,667
Pension, gratuity & GLA Provisions	400,044	495,185
Remuneration - Represented	392,764	338,747
Remuneration - Non Represented	367,108	342,371
Depreciation and amortisation	361,433	303,678
Administration	144,642	147,452

	2015	2014
External services	98,751	108,199
Pension Payments (LASF, NAPSA, ZSIC)	79,199	76,285
Transport costs	78,552	54,304
Other operating expenses	53,315	43,926
Travel and accommodation	48,804	47,087
Insurance costs	42,357	28,236
Maintenance of buildings and premises	33,874	36,483
Maintenance of tools, machinery and equipment	26,626	12,791
Training costs	16,547	15,823
Stock adjustments	2,703	5,209
Audit fees	1,191	1,188
Directors costs	755	3,889
Exchange gains	(220,076)	(175,811)
TOTAL OPERATING EXPENSES	4,305,954	2,560,709
EARNINGS BEFORE INTEREST AND TAX	69,809	622,244
FINANCE COSTS	(50,214)	(49,608)
PROFIT BEFORE TAX	19,595	572,636

Notes

Notes

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