



ZESCO

Integrated Report

2023

About this Report

The information in this report has been prepared to provide stakeholders with an overview of our strategy, business model, performance and governance practices, as well as our risks and opportunities.

The matters to covered in this report was determined based on whether the matter could substantially affect our ability to create value. It was informed by inputs from various stakeholders within and outside ZESCO and was refined through engagement with executive management and the Board of Directors.

Report Approval

The Board acknowledges its responsibility to ensure the integrity of this report and confirms that it addresses all material matters and provides a balanced overview of the Company and its prospects. The Board has therefore approved the 2023 Integrated Report for publication.



Mr. Vickson Ncube
Chairman



Eng. Victor B Mapani
Managing Director



Mrs. Rachael Inonge Zekko
Director Investment and Finance



Mrs. Matembo Lisimba
Director Legal Services and
Company Secretary

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Mission Statement

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



Vision

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



Values

Integrity

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

Customer Centricity

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

Innovation

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

Teamwork

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

Safety and Environmental Sustainability

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

Glossary

A	
ABSA	- Amalgamated Banks of South Africa
ADB	- African Development Bank
B	
bn	- Billion
BSA	- Bulk Supply Agreement
C	
CAIDI	- Customer Average Interruption Duration Index
CEC	- Copperbelt Energy Corporation PLC
CNMC	- China Nonferrous Metal Mining Corporation
D	
DBSA	- Development Bank of Southern Africa
E	
EBITDA	- Earnings Before Interest, Taxes, Depreciation, and Amortization
EIB	- European Investment Bank
ERB	- Energy Regulation Board
ERM	- Enterprise Risk Management
ESD	- Environmental Sustainability Department
ESI	- Electricity Supply Industry
EUR	- Euro
F	
FDI	- Foreign Direct Investment
G	
GBP	- British Pound
GDP	- Gross Domestic Product
GRZ	- Government of the Republic of Zambia
GWh	- Gigawatt hour
I	
IDC	- Industrial Development Corporation
IMF	- International Monetary Fund
IPP	- Independent Power Producer
IRP	- Integrated Resource Plan
ITPC	- Itezhi Tezhi Power Corporation Limited
J	
JICA	- Japan International Cooperation Agency
K	
K	- Zambian Kwacha
KGL	- Kafue Gorge Lower
KGLP	- Kafue Gorge Lower Power Station
KGRTC	- Kafue Gorge Regional Training Centre
kV	- Kilovolt
KWh	- Kilowatt hour
L	
LASF	- Local Authorities’ Superannuation Fund
LIBOR	- London Interbank Offered Rate
M	
MW	- Megawatts
MWac	- Megawatts Alternating Current
N	
NAPSA	- National Pension Scheme Authority
O	
OHL	- Overhead Line
OPPPi	- Office for Promoting Private Power Investments
P	
PPA	- Power Purchase Agreement
R	
REA	- Rural Electrification Authority
S	
SAPP	- Southern African Power Pool
SAIDI	- System Average Interruption Duration Index
SAIFI	- System Average Interruption Frequency Index
SDG	- Sustainable Development Goal
SDF	- Skills Development Fund
SHEQ	- Safety, Health, Environment, and Quality
T	
TEVETA	- Technical Education, Vocational and Entrepreneurship Training Authority
U	
USD	- United States Dollar
Z	
ZAM	- Zambia Association of Manufacturers
ZANACO	- Zambia National Commercial Bank
ZAR	- South African Rand
ZMW	- Zambian Kwacha
ZNFU	- Zambia National Farmers Union
ZRA	- Zambezi Revenue Authority



At A Glance

Group Revenue 38%▲ K28.3 bn 2022K20.5 bn	Net Profit Margin 1972%▲ -140% 2022-7%	Generation 68%▲ 19,514GWh 202211,615 GWh
Operating Profit/ Loss 6605%▲ (K30.3) bn 2022-K0.5 bn	Return on Capital Employed 1189%▼ -18.8% 2022-1.5%	Customer Base 7%▲ 1,281,453 20221,202,924
Net Assets 698%▲ K98.3 bn 2022K12.3 bn	Interest Cover -2270%▼ -5.54x 20220.26x	Customer/ Employee ratio 5%▼ 186 2022178
Current Ratio -28%▼ 0.20x 20220.28x	Debt Level 38%▲ K54.8 bn 2022K20.5 bn	Head count (annual average) 2%▲ 6,885 20226,760
Gearing 27%▲ 82% 202227%	EBITDA 880%▼ -100% 202216%	Connections backlog 63%▲ 22,258 202260,000



Chairman’s Report



Mr. Vickson Ncube
Chairman

Dear Stakeholder,

In this statement let me take the opportunity to share some reflections on the year 2023 and direction ZESCO must take in the years ahead.

The year 2023 is the first year during which the ZESCO Ten year Strategic Plan was in operation. In the plan the Board and Management established five pillars:

- Customer satisfaction, financial sustainability, expanded infrastructure, effective maintenance, and human capital development.
- As a backdrop to the efforts of the Board and Management is the need for the re-establishment of credibility of ZESCO in the eyes of all its stakeholders, key among them creditors and customers.
- Obligations to IPPs were putting a huge pressure on the Corporation’s liquidity thereby negatively impacting both its investments and operations.

Our Performance

When I assumed the Chairmanship at the end of 2021, ZESCO faced numerous challenges. Our first priority was to develop a strategic plan that would serve as a guiding compass, helping us navigate financial hurdles, customer service issues, maintenance backlogs, asset development, and human capital growth. Over the past few years, we have embarked on a comprehensive turnaround journey, successfully addressing critical issues such as legacy debt from Independent Power Producers (IPPs), connection backlogs, and retail tariff adjustments.

Debt Management

The Board and Management endeavoured to arrest the debt situation through debt re-negotiations, payment plans for the legacy debt, write offs and a commitment to paying invoices as they fall due.

Debts with IPPs moved from USD 1.7 billion as at 31 December 2022 to USD 637 million as at 31 December 2023. ZESCO is engaged with various Government entities to address inter – institutional indebtedness (debt – swaps). The Corporation, with the support of its holding company, Industrial Development Corporation is in discussion with the Government on how best to deal with on-lent loans.

Customer Support and Engagement

Our commitment to customer service remains a cornerstone of our operations. The Board and Management are fully aware that the customer confidence is the lifeline to ZESCO’s sustainability and growth. In 2023, we invested in digital platforms to enhance customer engagement and facilitate easier interactions. One notable initiative was converting illegal connections into legal ones through an amnesty program. This approach prioritized ethical engagement over punitive measures, helping to build trust and increasing our customer base.

Office Infrastructure

Most of our Lusaka-based offices were rented facilities, incurring escalating costs that strained our resources and complicated human capital management. In 2023, we internally financed the acquisition of Malaiti House (formerly known as Mukuba Pension House), financed internally, allowing us to consolidate our offices and improve operational efficiency while reducing rental expenses.

Vandalism Challenges

The rampant theft of assets—especially copper components from transformers and cables—has become a serious threat to national security and service continuity, affecting vital facilities like healthcare centers. We call upon commercial entities, particularly smelting firms purchasing copper, to stop fueling this illicit trade. To combat vandalism, we have implemented measures including:

- Intruder alarm systems,
- Deployment of smart Advanced Metering Infrastructure (AMI) meters to reduce customer evasion,
- Funding initiatives like Youth Action Against Vandalism (YAAV),
- Extensive awareness campaigns via electronic and print media.

Governance

To support operation efficiency, the Board approved several key policies in 2023, including:

- Transfer Pricing Policy
- Treasury Policy
- Tax Policy
- Enterprise Risk Management (ERM) Policy
- Communication Policy

Electricity Management

We continue to explore avenues to mitigate load shedding and secure energy supply:

- Export claw-back arrangements,
- Import options, such as the 200MW non-firm and 50MW firm power from EDM Mozambique, formalized through a Power Purchase Agreement in July 2023,
- Participation in the Day Ahead Market (DAM), averaging 30MW,
- Public awareness campaigns on energy efficiency at household and commercial levels.

Tariff Sustainability

Progress in tariff reform has been notable:

- Successful renegotiations with ITPC and Maamba have reduced monthly obligations significantly,
- The Energy Regulation Board (ERB) approved ZESCO’s multi-year tariffs for 2023–2027, bringing stability and attracting investment,
- Migration of customers drawing over 5,000kA to non-retail categories, with over 150MW under Power Purchase Agreements (PPAs) denominated in dollars, helping manage foreign exchange risks.

Asset Creation and Private Sector Participation

To support Zambia’s economic growth, ZESCO is actively developing critical generation projects, including the 788MW Luapula Hydro Power Project, 44MW West Lunga II Hydro Power Project, the rehabilitation of the 15MW Chishimba Falls Hydro Power, and the 240MW Kalungwishi Hydro Power Project. Additionally, we are advancing renewable energy initiatives with 50MW Solar PV Projects in Luapula and Southern Provinces.

We recognize that private sector participation is vital for the sector’s sustainable development. Private investments bring not only necessary capital but also efficiencies and innovation. We are committed to fostering partnerships that facilitate this participation, supporting projects that include the above generation initiatives and key transmission interconnectors, such as the Zambia-Tanzania-Kenya (ZTK) interconnector, the Malawi-Zambia interconnector, and national grid enhancements like the Lusaka West – Kabwe 330kV and Lundazi-Chama 132kV connections.

Our approach promotes a collaborative energy landscape where private sector involvement complements ZESCO’s efforts, ultimately resulting in a robust, diversified, and resilient power sector.

Looking Ahead

Our strategic vision remains aligned with the 10-year plan, emphasizing a transition toward renewable energy sources. The future holds a greener outlook, with plans to expand rooftop solar solutions, develop solar projects in small towns, and increase private sector participation in the energy value chain. Interconnection projects such as the Tanzania-Zambia interconnector will play a key role in securing regional energy stability.

We aim to position ZESCO as a leader in renewable energy, leveraging technological advancements and regional integration to ensure reliable, affordable power for all Zambians.

In Summary

In closing, I am confident that our strategic initiatives, supported by dedicated personnel and valued partnerships, will propel ZESCO towards greater sustainability and service excellence. I thank the shareholder, stakeholders, and staff for their ongoing support and commitment to our shared vision. As a government-owned entity, we recognize that we serve the people of Zambia; this fundamental understanding shapes our approach. Our business model emphasizes mutual support across all parts of ZESCO, with a focus on assisting the most vulnerable customers while striving for financial sustainability.



Mr. Vickson Ncube
Chairman

Managing Director’s Report



Eng. Victor Benjamin Mapani
Managing Director

Dear Stakeholder,

2023 has been a year of considerable challenge for ZESCO. The external environment—marked by severe drought conditions, declining water levels at Lake Kariba, and reduced water allocations at Kariba North Bank Complex from 20 billion Cubic Meters (BCM) to **15 BCM** - has significantly impacted our generation capacity and operational stability. These factors, coupled with rising costs, currency fluctuations, and inflationary pressures, have constrained our financial performance and posed substantial headwinds to achieving our strategic objectives.

Despite these difficulties, this year has also reinforced the importance of resilience, strategic reform, and our commitment to rebuilding a sustainable foundation for the future. Our focus has remained on addressing these immediate challenges while laying the groundwork for recovery and growth through key reforms and investments.

While the road ahead remains demanding, I believe these challenges present an opportunity for us to accelerate reforms, improve operational efficiencies, and implement innovative solutions that will ultimately strengthen Zambia’s energy sector for the long term.

Financial Performance and Resilience

2023 has been a year of significant change and challenge. A notable development has been the erosion of our gross profit margin, which declined sharply from 57% in 2022 to 23% in 2023. While this margin was comparatively high in 2021 at 58%, the downward trend reflects increased external pressures, commodity price volatility, and currency fluctuations that continue to impact our profitability margins.

Our cash flows and debt management also experienced notable shifts, reflecting both our strategic investments and the external economic landscape:

- **Operating Cash Flow:** After peaking at approximately K4.4 billion in 2020, operating cash flow declined to K3.9 billion in 2022 and further to K2.1 billion in 2023. The reduction is partly due to persistent working capital challenges and external pressures, underscoring the need for ongoing operational efficiencies.

- **Capital Expenditure (CAPEX):** Our investment in infrastructure remained steady, with CAPEX at K17.2 billion in 2020, dropping to around K4 billion in 2021 and 2022 as we focused on consolidating investments. However, in 2023, we increased this to K4.6 billion, aligning with our strategy to accelerate network expansion and renewable energy projects.

- **Debt Drawdowns:** While our total debt levels increased to over K6.1 billion in 2023, these are not new borrowings but are phased disbursements of existing debt tied to project milestones. These drawdowns reflect the ongoing investment in critical infrastructure projects and are part of our strategic capital deployment plan. The systematic release of funds ensures that projects are financed in line with their progress and remains a key element in managing our overall debt portfolio responsibly

- **Interest Paid:** Interest expenses increased sharply from K795 million in 2020 to around K1.8 billion in 2022, and further to K5.5 billion in 2023. The increase in interest expenses to K5.5 billion in 2023 primarily reflects the scheduled debt servicing that has become due as project moratoria expire. Many of our energy projects operate under debt arrangements with initial moratoria periods, which have now concluded, leading to higher interest obligations. This scheduled interest payment is part of our prudent debt management and reflects the ongoing commitment to their financing arrangements.

- **Debt Repayment:** Our debt repayment activity was significant, with repayments of K2.6 billion in 2020, rising to K4.2 billion in 2021, then fluctuating in 2022 before reaching K5.4 billion in 2023, driven by scheduled repayments and refinancing efforts. Similarly, the increase in debt repayments to K5.4 billion in 2023 is driven by scheduled contractual repayments on existing debt portfolios, which are now due as project-related moratoria phases end. This regular servicing of debt is an integral part of our financial discipline and ensures that we remain on track with our repayment obligations across our infrastructure projects.

Overall, external pressures have impacted our margins and cash flows, but our strategic investments and debt management initiatives position us well for sustainable growth. Our focus remains on balancing investment with operational efficiency and financial discipline to deliver value to our stakeholders

Strategic Investment for Growth

Looking ahead, ZESCO’s future remains firmly rooted in our long-term strategic vision, as outlined in our 10-year plan. Our investments will be guided by a clear commitment to building a resilient, sustainable, and self-reliant energy sector that supports Zambia’s socioeconomic development.

Our focus will be on expanding generation capacity through renewable sources—including hydro, solar, and emerging clean technologies—and strengthening our transmission and distribution infrastructure to enhance grid stability and regional interconnection. We will also prioritize operational efficiencies and asset management to optimize existing facilities and reduce costs.

Central to our strategy is fostering private sector participation, which will accelerate project delivery and bring innovation and efficiency to our operations. Collaborations with local, regional and international partners will be key to unlocking new investment opportunities and ensuring Zambia’s energy future is both secure and affordable.

Further, we will leverage regional interconnection projects to enable Zambia become a regional energy hub, facilitating cross-border power trade, improving energy security, and boosting economic integration across Southern Africa.

Our approach remains disciplined—embodying a rigorous evaluation of

investments to ensure that every project delivers sustainable value, manageable risk, and aligns with our purpose of powering Zambia’s growth and prosperity. We are confident that, guided by our strategic plan, Zambia’s energy sector will be transformed over the next decade, unlocking new opportunities and driving inclusive growth for all.

Tariffs: The Key to Sustainable Investment and Financial Stability

Tariffs are the foundation upon which Zambia’s energy sector can attract the much-needed investment to expand and modernize infrastructure. Moving towards cost-reflective tariffs is crucial in creating a stable, predictable environment that encourages both local, regional and international investors to commit capital to Zambia’s energy projects.

Why are cost-reflective tariffs critical?

Firstly, they enable ZESCO to generate sustainable revenue streams that adequately cover operational costs, asset amortization, and provide appropriate returns on investments. This financial stability is essential for reaching financial close on new projects, especially when developing bankable Power Purchase Agreements (PPAs). When tariffs reflect the true cost of generation and distribution, lending institutions and financiers gain confidence in the project’s viability, making financing more accessible and reducing the risk premium attached to investments.

Impact of non-cost-reflective tariffs

Historically, tariffs that were set below full cost recovery have contributed to accumulated liabilities, including the non-amortization of invoices from Independent Power Producers (IPPs). This has led to high current liabilities and constrained cash flows, hampering our capacity to invest in new capacity and maintain existing infrastructure.

Progress through Multi-Year Tariff Framework

Encouraging developments have been made with the introduction of the multi-year tariff framework, which establishes predictable, stable tariff levels over several years. The recent approval of multi-year tariffs by the Energy Regulation Board (ERB) for 2023 to 2027 is a significant milestone. This multi-year framework provides certainty to investors, supports project financing, and enhances ZESCO’s attractiveness as a reliable partner for project developers and financiers. It ensures that tariffs are aligned with the actual costs of production and infrastructure amortization, ultimately enabling ZESCO to operate sustainably.

A Path Towards Sustainable Growth

The adoption of multi-year tariffs offers hope—creating a stable environment conducive to investment, reducing the risk premiums associated with projects, and facilitating the growth of bankable PPAs. This, in turn, accelerates Zambia’s capacity to develop new, cleaner energy sources and enhances energy security for the nation.

In conclusion, advancing towards full cost-reflective tariffs is fundamental to ensuring Zambia’s energy sector is both financially sustainable and capable of attracting the significant private and public investments necessary for our future growth. With this momentum, we are confident that Zambia can unlock its full energy potential, powering economic development and improving the quality of life for its citizens.

Taxation: A Fundamental Pillar of Our Contribution and Zambia’s Economic Development

Taxation is at the core of ZESCO’s role as a responsible corporate citizen and a vital contributor to Zambia’s national development. In 2023, our tax contributions exceeded K1 billion, underscoring our commitment to supporting the economic and social progress of our country.

Tax revenues generated by ZESCO are fundamental in funding infrastructure, healthcare, education, and public services—crucial elements that drive Zambia’s growth ambitions. As a state-owned enterprise, fulfilling our tax obligations is not only a legal requirement but also a moral duty, reinforcing our social license to operate and strengthening our relationship with the people.

The importance of taxes in Zambia’s broader economic agenda cannot be

overstated. They provide the financial resources necessary for infrastructure development, social programs, and economic diversification. Our transparency reflect our integrity and dedication to supporting Zambia’s vision of becoming a middle-income country.

By diligently fulfilling our tax obligations, ZESCO actively contributes to a stable macroeconomic environment that attracts investment, sustains public services, and fuels economic growth. We remain committed to improving our tax processes, compliance and ensuring our contributions continue to support Zambia’s uplifting of its citizens and attainment of national development goals.

Looking Ahead: Our Outlook

As we look to the future, ZESCO remains committed to executing its comprehensive 10-year strategic plan, which is designed to position Zambia as a resilient, sustainable, and integrated energy hub. Our vision is To be an effective provider of reliable and environmentally sustainable electricity services to all our customers by 2031
We are actively developing a broad portfolio of projects that will realize this vision, including:

- **Major Hydro Power Developments:** Expanding our hydro generation fleet with new large-scale projects that harness Zambia’s abundant water resources efficiently and sustainably.

- **Renewable Energy Expansion:** Investing in solar photovoltaic farms and other renewables to diversify our energy mix, reduce reliance on fossil fuels, and support Zambia’s climate goals.

- **Transmission and Interconnection Infrastructure:** Upgrading existing networks and constructing regional interconnectors to facilitate cross-border power trade, improve grid stability, and unlock regional economic opportunities.

- **Innovative Technologies:** Exploring advanced storage solutions such as battery storage, and emerging low-carbon technologies, to enhance system flexibility and resilience.

- **Regional Collaboration and Integration:** Strengthening interconnections with neighbouring countries, which will enable Zambia to leverage regional energy resources, support load balancing, and boost regional economic development.

Key Projects Under Development Include:

- **788MW Luapula Hydropower Project:** Set to become one of the largest hydro developments in the region, this project will significantly boost Zambia’s renewable energy capacity and increase regional power interconnections.

- **44MW West Lunga II Hydropower Project:** A vital addition to our renewable portfolio, supporting Zambia’s move toward sustainable energy and providing reliable power to local communities.

- **Rehabilitation and Upgrading of the 15MW Chishimba Falls Hydropower:** Improving efficiency and output from this existing asset, ensuring continued reliability and maximizing resource utilization.

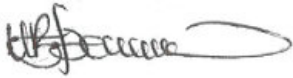
- **240MW Kalungwishi Hydro Power Project:** An upcoming project designed to diversify our generation mix and deliver affordable clean energy.

- **50MW Solar PV Projects in Luapula and Southern Provinces:** These solar plants will help reduce reliance on fossil fuels, while enhancing Zambia’s capacity for clean energy generation and climate resilience.

- **Regional Interconnection Projects,** such as the Zambia-Tanzania interconnector and the Malawi-Zambia interconnector, are progressing swiftly. These interconnectors will enhance regional electricity trade, improve energy security, and create new economic opportunities.

These projects serve as a testament to our unwavering belief in Zambia’s bright future. They will deliver not only increased capacity and reliability but also foster local employment, regional integration, and environmental sustainability. At ZESCO, we see these initiatives as stepping stones towards transforming Zambia into a regional energy leader—powered by renewable resources and driven by innovative, sustainable infrastructure.

Our future is promising, and with continued focus and disciplined execution, we are confident that Zambia will realize its full energy potential.



Eng. Victor Benjamin Mapani
Managing Director



Chief Financial Officer’s Report



Mrs. Rachael Inonge Zekko
Chief Financial Officer

We are confident that the operations of the Corporation will improve following the successful renegotiation of tariffs with IPPs in the year.

Further, the award of the five-year multi-year tariff adjustment by ERB will contribute towards improved financial performance.

Key Highlights

- Reduction of connection backlog from over **60,000** to **22,000**
- Completion and commissioning of all five units at KGL to increase generation capacity to **750MW**.
- 38%** increase in turnover mainly due to exchange gains on mining and export sales.
- 42%** depreciation of the local currency against the USD resulting in exchange losses on foreign-denominated liabilities and finance obligations.
- Borrowing costs owing to aggressive expansion and enhancement to transmission and distribution network.

Performance Overview

Revenue

The Group recorded a 38% increase in turnover from K20.5 billion to K28.35 billion mainly on account of increased revenues from mining customers induced by exchange gains.

Operating Expenses and Finance Costs

Operating expenses increased over the previous year due to the K15.9 billion impairment provision and exchange losses of K13.8 billion. Finance costs also increased on account of a rise in borrowings and the depreciation of the Kwacha. The loss in the year was compounded by administrative expenses of K5.4 billion and the loss on impairment of property, plant and equipment (PPE) amounting to K4.8 billion.

The initiatives employed by the CLT to achieve cost efficiency on items like administrative expenses, training and travel, continued; coupled with tariff renegotiations agreed with MCL (now Maamba Energy) and ITPC.

Summary of Profit For the Year ended 31st December 2023

	2023	2022	2021	2020	
	K' million	K' million	K' million	K' million	
REVENUE	28,308	20,549	22,002	18,477	38%
Cost of Sales	(21,817)	(8,900)	(9,138)	(9,501)	145%
GROSS PROFIT	6,492	11,659	12,864	8,976	-44%
Other Operating Income	5,908	459	811	638	1188%
Other Losses	(13,810)	(5,959)	8,746	(11,373)	132%
Marketing Expenses	(20)	13	(9)	(13)	57%
Administration Expenses	(5,089)	(3,427)	(4,7971)	(4,412)	49%
Other Expenses	(19,023)	(2,265)	(5,729)	(9,676)	740%
Finance Costs	(5,470)	(1,825)	(964)	(795)	200%
Impairment of Equipment	(4,763)	-	-	-	100%
Share of Profit of Associates	(39)	7	(26)	9	-694%
Share of Profit of a Joint Venture	18	6	(26)	(55)	212%
(LOSS) PROFIT BEFORE TAX	(35,797)	(1,358)	10,698	(16,702)	2535%
Income Tax Credit	(3,720)	(26)	(254)	744	14353%
LOSS FOR THE YEAR	(39,517)	(1,384)	10,444	(15,958)	2755%

Revenue

Revenues rose 38% from K20.5 billion (2022) to K28 billion (2023). This was mainly on account of the 4% and 24% increase in volume sales to domestic and export customers respectively. This was coupled with the 42% depreciation of the Kwacha, which favorably impacted mining and export sales.

Export sales increased mainly due to an additional 80MW and 30MW sold to Botswana and Zimbabwe Platinum Mine, despite volume sales to existing customers recording a 14% reduction.

A 2% reduction in volume sales to mining customers was recorded compared to the previous year, mainly due to the reduced uptake by KCM, CEC and Chambishi Mines.

Revenue by Category	2023	2022	2021	2020	+/-
	K' million	K' million	K' million	K' million	
Mining	12,726	9,242	11,839	3,485	38%
Residential	8,284	4,746	4,090	3,538	75%
Industrial and Agricultural	2,806	2,898	2,854	(92)	-3%
Exports	3,538	2,812	2,428	727	26%
Commercial	954	852	686	101	12%
IP Connectivity	-	-	105	-	0
Total	28,308	20,549	22,002	7,759	38%

Cost of Sales

The Corporation recorded an astronomical increase in the cost of sales, which rose to K13 billion mainly attributable to increased power imports and local purchases, higher local wheeling charges, maintenance and direct labour costs. The cost of local purchases shot up mainly on account of increased purchases from KGL following the commissioning of all five machines. Imports also increased because of the commencement of 170MW inflows from EDM and increased uptake from the SAPP-DAM to mitigate the power deficit. The cost was compounded by the depreciation of the Kwacha, which adversely affected the foreign currency denominated purchases and imports.

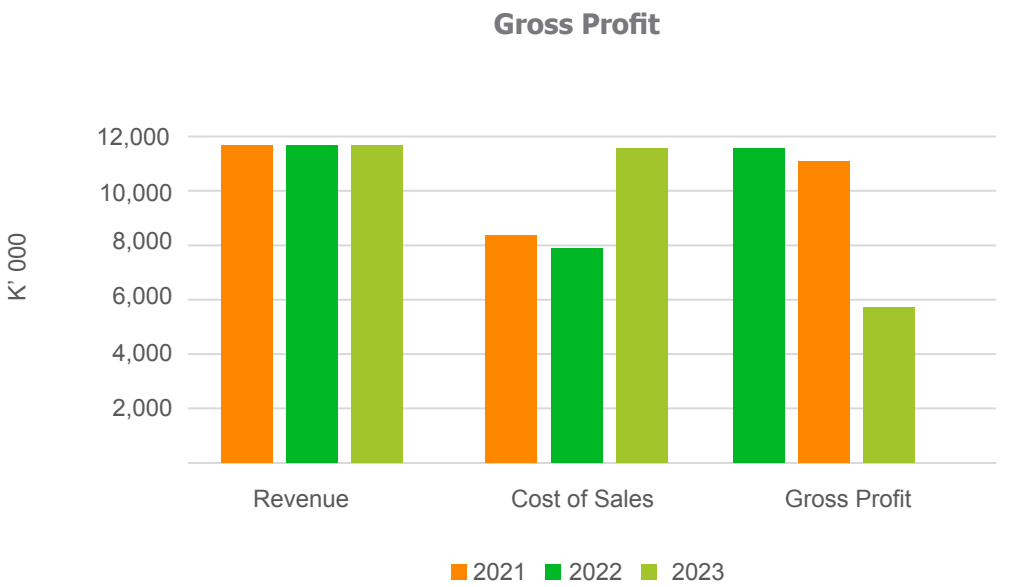
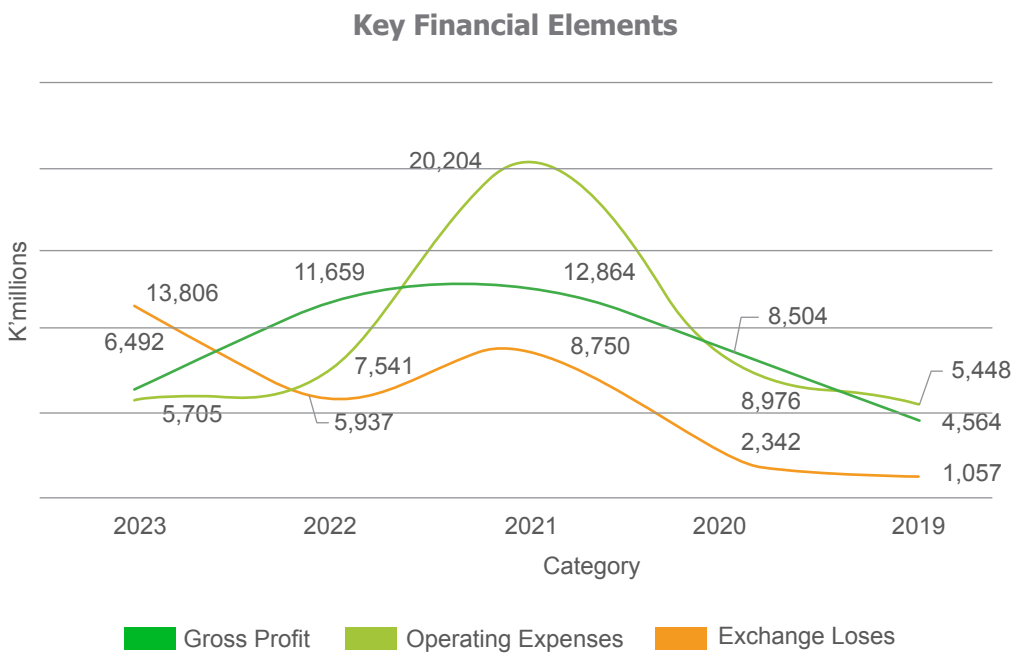
K' Million	2023	2022	+/-	%
Local Purchases	17,312	6,056	11,256	186%
Direct Labour Costs	1,270	1,122	148	13%
Maintenance Costs	1,105	900	205	23%
Power Imports	689	27	662	2454%
Generation Water Usage Costs	41	569	(528)	93%
Local Wheeling Charges	283	217	67	31%
Export Wheeling Charges	1,117	-	1,117	0
Total	21,817	8,890	12,926	145.4%

Gross Profit Margin

The 38% increase in revenue was lower than the increase in cost of sales (145%), therefore, resulting in an erosion of the Gross Profit Margin to 23% compared to 57% the prior year.

Operating Expenses and Profitability

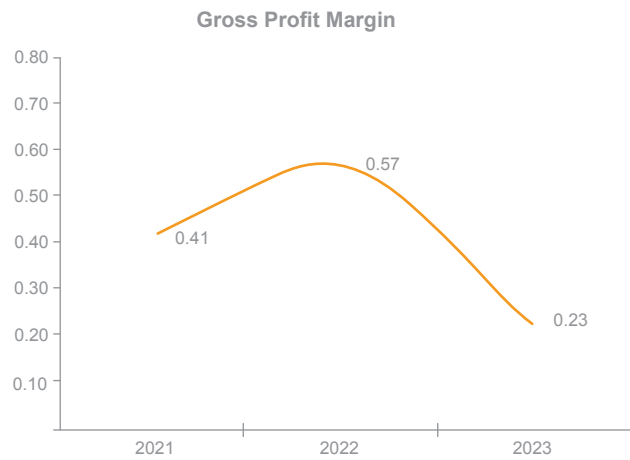
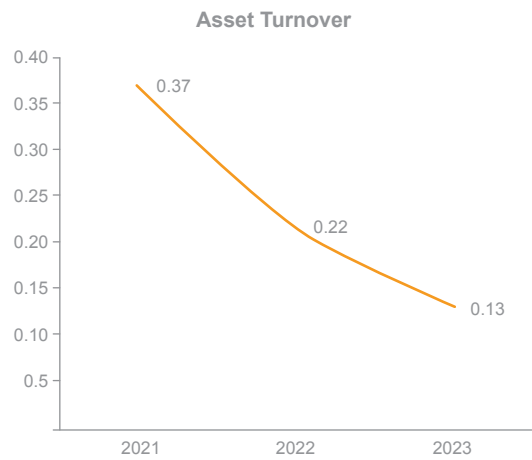
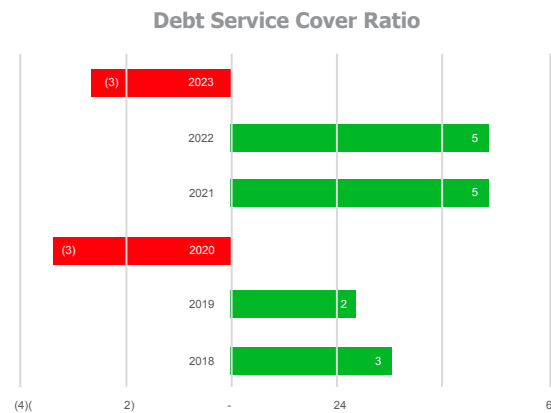
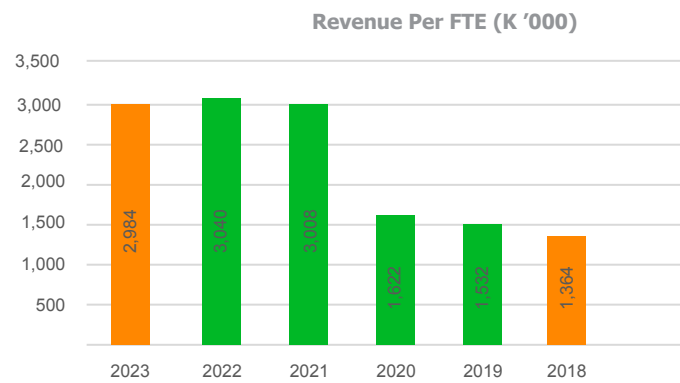
Total expenses during the year were significantly higher than the previous year by over 400% mainly on the back of provisions for bad debts, exchange losses, finance costs and the impairment of assets. The loss was compounded by the exchange loss as the Kwacha depreciated by 42%, closing at K25.7129/US\$. The operating loss increased by K38bn over the previous year’s operating loss. Further, the marginal share of Profits in the Joint Ventures was eroded by the losses in Associates.



Earnings Before Interest, Tax, Depreciation, and Amortization (EBIDTA) for the year dropped by 265% while the EBIDTA Margin fell to -52% mainly on account of the loss arising from increases in the Finance Costs and the Depreciation and Amortization Expense. This was further compounded by the provisions expense and exchange loss of K13.8 billion compared to exchange gains of K5.9 billion posted the prior year.

	K' billion	K' billion	K' billion	K' billion
	2023	2022	2021	2020
EBITDA Margin				
Loss/Profit Before Tax	(36)	(1)	11	(17)
Add Back:				
Finance Costs	5	2	1	1
Depreciation and Amortisation Expense	2	3	2	2
Amortisation of Capital Grants and Contricutions	(0)	(0)	(0)	(0)
Exchange Losses	14	6	(9)	11
EBITDA	(15)	9	5	(3)
Revenue	28	21	22	18
EBITDA Margin	-52%	43%	21%	-15%

Group Financial Overview

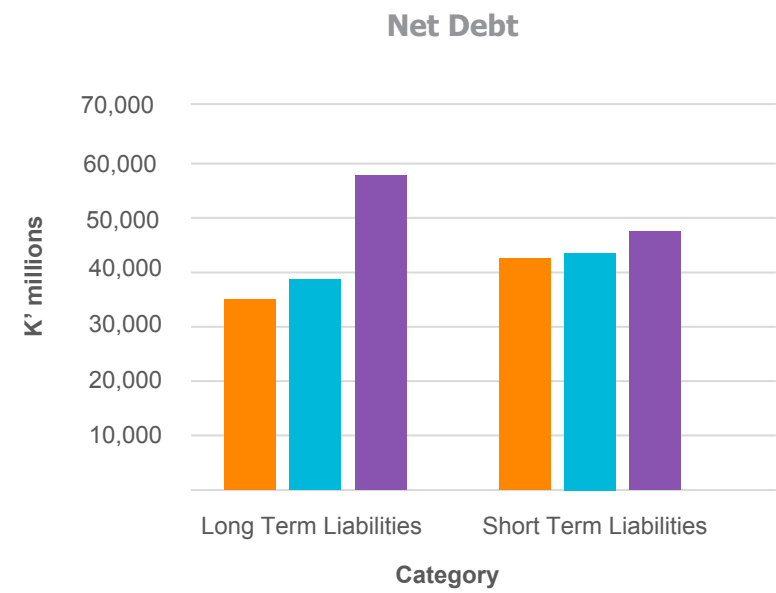


Cash flow, Net Debt and Balance Sheet

The group recorded a 45% decline in the cash and cash equivalents mainly due to the increase in trade receivables and the adjustment for the impairment loss recognized on trade receivables, while the net cash generated from operating activities decreased by over 104% over the two years to negative K154.2 million on account of movements in trade receivables, trade payables, deferred liabilities and amounts due to related parties.

The group's Net Debt increased by 35% due to foreign denominated obligations and the continued depreciation of the Kwacha over the period. Additional debt was contracted during the year to support the acquisition of materials for the dismantling of new connections backlog and support the completion of Kafue Gorge Lower.

The cash and cash equivalents on the other hand declined by 45% compared to 48% and 23% increments in Long and short-term liabilities respectively. The Group's Retained Earnings remained in the negative range and have seen a 333% decline from 2022. Trade Payables have seen an increase by 64% over the same period while the Non-Current Assets have increased by 140% or K117 billion, mainly on account of the revaluation of assets.



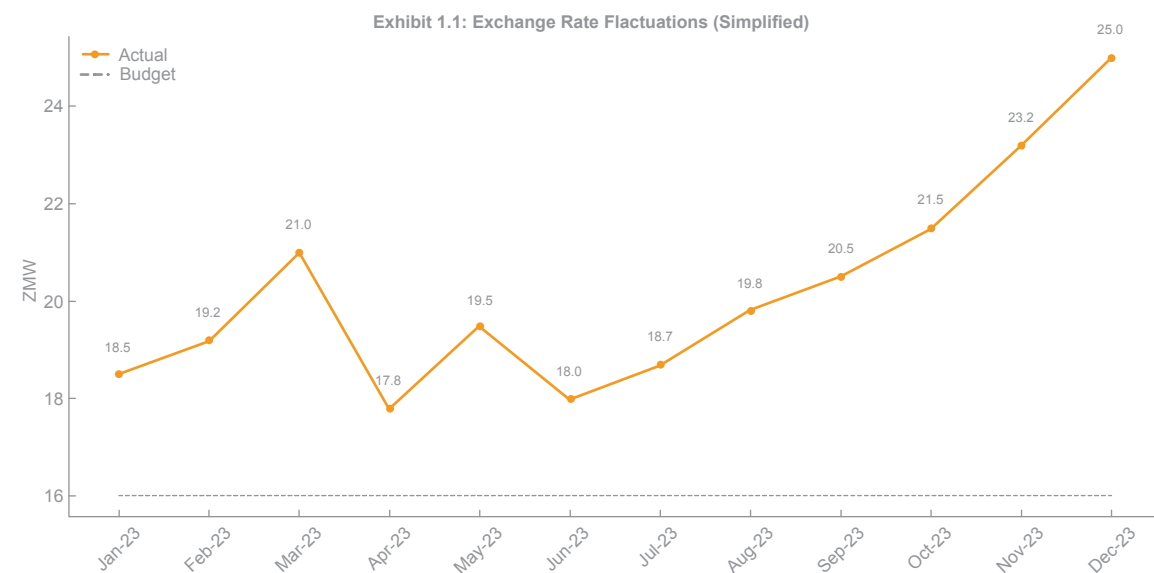
Current Liabilities increased by 23% from K41 billion (2022) to K50 billion (2023). The increase is attributed to the accumulation of trade payables on IPP purchases, which accounted for over 80% of the current liabilities.

Non-current Assets on the other hand increased by 48% while Net Assets reduced by 698% to K98.2 billion owing to the increase in non-current assets arising from the revaluation of assets during the year.

Factors affecting Overall Performance

The Group's Financial Performance was impacted by the following key issues:

- 42% depreciation of the Kwacha against major trading currencies.
- Constrained power generation in the key hydro power plants on the Zambezi and Kafue river basins owing to reduced rainfall due to the drought. To mitigate the resulting deficit, power was purchased from Mozambique and local IPPs.
- The reduction of the backlog of standard and non-standard connections from nearly 60,000 at the start of the year to below 22,000 at the end of the year.
- The revaluation of the Corporation's property, plant and equipment.
- The successful connection and commissioning of Lundazi and Chama districts of Eastern Province to the national electricity grid.
- The successful renegotiation of tariffs with ITPC, resulting in the reduction of ZESCO's indebtedness by over USD 450 million and reduction of total IPP debt to USD 637 million from USD 1,800 million.



Outlook

We are confident that the enhancements to the electricity market regulatory framework such as the open access regime and initiatives implemented by the CLT will yield improved operational and financial performance of the ZESCO Group and lead to sustained profitability in the coming years. These initiatives and support from the Government have assisted in ensuring a resilient performance in the wake of sustained economic and competitive pressures. The CLT and staff are committed to seeing these initiatives to their rightful conclusion as enshrined in the 10-Year Rolling Strategy for the period to 2032. The major outcomes, some of which are already being realized, include reduced debt levels to IPPs, improved average domestic sales tariffs leading to improved revenues, increased dollar-denominated revenue streams to assist mitigate exchange losses on various dollar-denominated outflows, including loan obligations, power purchases and payments to contractors and suppliers. Further, cost savings continue to be realized from austerity on among others training, foreign travel and computer applications.

Mrs. Rachael Inonge Zekko
Chief Financial Officer

Basin

There was an astronomical increase in the cost of sales for the period of K13 billion, or 145% decrease over 2021 mainly due to an increase in power imports, local purchases, local wheeling charges, maintenance and direct labour costs. The cost of local purchases increased mainly on account of increased purchases from Kafue Gorge Lower (KGL) following the commissioning of all five machines. Imports also recorded an increase due to the commencement of imports from EDM of 170MW and increased imports from the SAPP-DAM to mitigate the power deficit. The cost was compounded by the depreciation of the Kwacha which adversely affected purchases and imports as they are foreign currency denominated.



Corporate Governance

- Ownership
- Board Composition
- Corporate Leadership Team
- Change of Corporate Leadership Team;
- Change in Sub-Committee of the Board;

Corporate Governance Report

Corporate Governance and Best Practices

The Board of Directors of ZESCO Limited remains steadfast in its commitment to upholding the highest standards of corporate governance, which are fundamental to fulfilling its leadership responsibilities. The Board operates with integrity, adhering to principles of good governance, accountability, and transparency across all its activities.

Governance Framework and Compliance

- **Board Charter:** The Board subscribes to and actively promotes the principles of good corporate governance as outlined in internationally recognized codes and best practices, which are adopted and updated periodically.
- **Legal and Regulatory Compliance:** The Board ensures that ZESCO’s operations are conducted in strict compliance with applicable laws, regulations, and adopted corporate governance codes.

Key Governance Commitments

1. Culture of Ethical Conduct:

- The Board fosters a corporate culture grounded in **fairness, transparency, responsibility, and accountability** at all levels of the organization.
- Directors, management, and staff are required to uphold these principles in their respective roles.

1. Director Familiarization and Training and Board Performance and Evaluation:

- All Board members undergo periodic training and orientation to ensure they remain well-versed in corporate governance principles and best practices.
- In accordance with the ZESCO Board Charter, Article 28, the Board conducts an annual evaluation of its performance, as well as that of its committees. This assessment is benchmarked against the Performance Agreement with Stakeholders, the Board Charter, and the respective Committees’ Terms of Reference.
- The Board determines the evaluation methodology, which may include self-assessment, peer reviews, or an independent assessment by a qualified consultant. The primary objectives of this exercise are to: assess whether the Board and its Committees have fulfilled their responsibilities effectively; evaluate the adequacy of operations and decision-making processes; and measure the overall effectiveness of the Board and its Committees.

3. Disclosure and Transparency:

- ZESCO maintains full and timely disclosure of its corporate governance practices through its Annual Reports and other communication channels. The presence of an Integrity Committee in the corporation also ensures that integrity is upheld at the highest level.

4. Organizational Structure Alignment:

- The company’s organizational structure is designed to reflect and support sound corporate governance principles, ensuring clear accountability and effective oversight.

The Board remains dedicated to strengthening governance frameworks, enhancing stakeholder trust, and ensuring sustainable business performance. By adhering to these principles, ZESCO reinforces its commitment to ethical leadership, operational excellence, and long-term value creation for all stakeholders.

Board Composition

The Board comprises Non-Executive Directors (NEDs) drawn from diverse professional backgrounds, ensuring a broad range of expertise and independent oversight. The Managing Director, Mr. Victor B. Mapani, serves as the sole Executive Director (ED) on the Board. The following

Directors who held office during the year:

- **Mr. Vickson Ncube – Board Chairman**
- **Ms. Edinah Mwaala Mudenda – Member**
- **Ms. Chikonjiwe Mumba – Member**
- **Dr. Jolly Kamwanga – Member**
- **Eng. Charles Kaisala – Member**
- **Mr. Emmanuel Gardner – Member**
- **Eng. Victor B. Mapani – Ex-Officio Member and Managing Director**

This structure ensures a balance of independent governance and executive leadership in line with the best corporate governance practices

Board Committees

The Board delegates necessary authority to its committees to enable them to effectively carry out their respective mandates. However, such delegation to Board Committees or the Corporate Leadership Team (CLT) does not absolve the Board or its members of their overarching governance duties and responsibilities.

Board Committees for 2023:

- i. **Audit and Risk Committee**
- ii. **Investment and Finance Committee**
- iii. **Technical Committee**
- iv. **Human Capital and Development Committee**
- v. **Corporate Support and Legal Services Committee**

This structure ensures specialized oversight while maintaining the Board’s ultimate accountability.

Each Board Committee operates under formally approved Terms of Reference that define its mandate, composition, and operating procedures. To ensure transparency and accountability, Committee Chairpersons provide comprehensive reports to the full Board on a quarterly basis, maintaining full disclosure of activities, decisions, and recommendations.

This structured reporting framework enables the Board to maintain effective oversight while upholding the principles of good governance.

This structured reporting framework enables the Board to maintain effective oversight while upholding the principles of good governance.

Board Profiles

Mr. Vickson Ncube



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

Eng. Charles Kaisala



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

Ms. Edina Mwaala Mudenda



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

Mr. Emmanuel Gardner



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

Ms. Chikonjiwe Mumba



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

Eng. Victor B. Mapani



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

Dr. Jolly K. Kamwanga



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

Corporate Leadership Team

Eng. Wesley Lwiindi

Director Power Generation



Eng. Justin C Loongo

Director Transmission, Operations and Trade (TOT)



Eng. Gyavira M Bwalya

Director Planning and Projects



Eng. Peter Chamfya

Director Distribution and Customer Services



Mr. Maxwell Saya

Director Human Capital Development



Ms. Matembo Lisimba

Director Legal Services and Company Secretary



Mrs. Rachael Inonge Zekko

Director Investments & Finance



Ms. Wabei Mangwambwa

Director Audit & Risk



Environmental Sustainability

ZESCO acknowledges the need for environmental protection, cognisant of its dependence on natural resources to sustain its operations, in addition to the environmental and social impacts of its developmental projects. As such, the Corporate governance framework upholds the tenets of sustainable development, setting a stage for ZESCO to pursue its environmental and social stewardship obligations, alongside economic and business gains, while hinged on a low-carbon, climate-resilient pathway. Driven by collaborative efforts with communities, regulators and various stakeholders, the Corporation has leveraged its influence as a hallmark for positive change, creating lasting impacts, while embracing inclusivity, for the betterment of all. ZESCO, through its Environmental Sustainability Department (ESD), undertook the following activities during the period under review, as a continued commitment to sustainable development.

Environmental Efforts

Generation Projects

Kalungwishi 244MW Hydropower Scheme	The Zambia Environmental Management Agency (ZEMA) approved the Terms of Reference (ToRs) and Scoping reports for the Environmental and Social Impact Assessment (ESIA) studies for the Kabwelume 93MW and the Kundabwika 151MW Hydropower Stations and associated transmission line infrastructure.
Luapula 788MW Hydropower Scheme	ToRs for procurement of an EISA consultant for the Scheme, were updated to cover all the three sites and submitted to the Southern Africa Power Pool for consideration. This was following confirmation on the availability of funding for the ESIA from the African Development Bank.
Rehabilitation and Uprating of Chishimba Falls Small Hydropower Station in Kasama District (6MW to 15MW)	An Aquatic Assessment on the Luombe River in Kasama District was undertaken as the second phase of the Assessment, to establish aquatic behaviors during low tides (October) versus the high tides assessment conducted in July. This specialist study forms part of the ESIA for the Project. The Forestry Department in Kasama District was engaged to propagate 3,000 seedlings of indigenous trees to be planted in the first quarter of 2024 in degraded areas at the Hydropower Station. This is in a quest to meet the targeted 7000 trees balance to be planted from a total of 9000 indigenous trees.
Operational Efficiency at Kafue Gorge Lower 750MW Hydropower Plant	A feasibility study was undertaken by a consultant, upstream of the Itezhi-tezhi dam, on the Kafue River, for the proposed development of a reservoir on the Lunga River in Kasempa District. The study aimed to assess the possibility of increasing water storage to increase generation capacity of the Kafue Gorge Lower (KGL) Power Station. It was revealed that this option is not feasible as the inundation zone would affect agriculture and mining activities. The preferred option was to increase the storage capacity of the Itezhi-Tezhi reservoir.

Luapula 50MW Solar Project	Stakeholder engagement meetings were held with the Community and District Development Coordinating Committee (DDAC) Shang’ombo District, as part of the Scoping exercise for the Project. Baseline data collection for the ESIA was conducted for the preparation of an Environmental Project Brief for submission to ZEMA. Shangombo District Council approved acquisition of 5 Hectares of land for the development of the Project.
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Transmission projects

Kalungwishi 244MW Hydropower Scheme	The Zambia Environmental Management Agency (ZEMA) approved the Terms of Reference (ToRs) and Scoping reports for the Environmental and Social Impact Assessment (ESIA) studies for the Kabwelume 93MW and the Kundabwika 151MW Hydropower Stations and associated transmission line infrastructure.
Mozambique – Zambia 400kV Interconnector	The final Environmental Impact Statement (EIS) and Resettlement Policy Framework (RPF) were submitted to ZEMA and the Decision letter of Approval was issued by the Agency. Verification and assessment of the 97km line route in Zambia, from Chipata West substation to Chanida border was conducted, following the lapse of time. Rerouting in certain portions was deemed inevitable following developmental activities.
Zambia – Tanzania 330kV Interconnector	The World Bank (WB) convened a meeting, wherein it was agreed to update the EIS, Environmental and Social Management Plan (ESMP), Biodiversity Monitoring and Management Plan (BMMP) and Resettlement and Compensation Action Plan (RCAP), to align to the 2018 WB Environmental and Social Framework (ESF) standards. Safeguard instruments, including the Environmental and Social Commitment Plan (ESCP), Stakeholder Engagement Plan (SEP),Grievance Redress Mechanism (GRM), Labour Management Procedure (LMP) and Traffic Management Plan (TMP) were prepared as additional environmental and social risk management instruments. Terms of Reference for hiring a consultant to update the EIS, RCAP and ESMP were drafted by ZESCO and submitted to the Bank for review.
Zambia - Malawi 132kV Interconnector	The SAPP convened a meeting with the Financier, utilities (ZESCO and ESCOM) and the consultant, to facilitate resumption of the ESIA on the project. The ESIA Terms of Reference were then revised to accommodate the European Investment Bank (EIB) Environmental and Social standards.
Pensulo – Mansa 330kV Transmission Line Project	Verification of PAPs was undertaken on the 290km, 330kV line from Serenje through Milenge, Samfya and Mansa, due to the passage of time. A total number of Sixty-seven (67) PAPs have been captured from Pensulo to Mansa. Another Ninety-four (94) PAPs have been captured on the 65km, 132kV line, on the same project, from Mansa to Samfya.
Sesheke – Shango’mbo – Mongu 330kV Transmission Line	The dry season biodiversity assessment was carried out along the proposed routes, as a specialist study of the ESIA to understand the ecosystems and species dynamics, which tend to vary seasonally. This includes the vegetation identification and assessment, aquaculture assessment and avifauna assessment.
Reinforcement of Central Transmission Corridor 330kV Project	The final Environmental Impact Statement (EIS) and Resettlement Policy Framework (RPF) were submitted to ZEMA and the Decision letter of approval was issued by the Agency.
Southern Province Network Expansion 132kV Project	Five (5) Scoping meetings were held with District Development Coordinating Committees and four (4) community meetings in Mazabuka, Pemba, Choma, Kalomo and Monze Districts. The Scoping Report and ToRs were prepared and submitted to ZEMA for approval.
Copperbelt Province Network Expansion 132kV Project	Phase 1 Wayleave consent was acquired from four (4) traditional leaders, accounting for 80% of the wayleave on the Luanshya – Mpongwe 132kV, 80km, line route. RDA and WARMA have been engaged as the line will cross the Luanshya – Mpongwe Main Road at 2 points and the Kafulafuta and Mpongwe Rivers. Reconnaissance survey was conducted for the proposed 132kV OHL route between Masaiti and Mpongwe Districts. Sites for the proposed Luanshya 330/132kV, Daghammerskjold 132/33kV and Mpongwe 132/33kV substations have been identified, and land acquisition was initiated. Scoping meetings were conducted in Ndola, Luanshya, Masaiti and Mpongwe Districts as part of the ESIA and enable preparation of the Scoping Report and the ToRs for submission to ZEMA.

	Phase 2 Reconnaissance surveys were conducted for line routes and substation sites in eight (8) districts, namely; Ndola, Luanshya, Kitwe, Mufulira, Chambishi, Kalulushi, Chingola and Chililabombwe. ESIA scoping meetings with District Development Coordinating Committees (DDCC) was undertaken in Kitwe, Chingola, Chililabombwe, Mufulira, Kalulushi and Lufwanyama Districts.
Distribution Projects	
Sustainable Electricity Supply Southern Division (SESSD) Project	A meeting was held with KfW and the RCAP consultant, SRA, to discuss the management of social safeguards on the SESSD Project. The parties agreed to proceed to pay all the PAPs full compensation for the Firm and Optional components of the project, with priority assigned to the Firm components. The second draft EISs for Kabwe and Livingstone, and EPBs for the Mazabuka and Mongu sub-components were submitted to ZEMA for consideration and approval.
Lundazi-Lusuntha 33kV Interlink	The final EPB and Abbreviated Resettlement Action Plan (ARAP) were submitted to ZEMA for review and consideration.
L85 – Mungule 33kV Distribution Line Project	The final EPB and Abbreviated Resettlement Action Plan (ARAP) were submitted to ZEMA for review and consideration.
33kV Line to Green 2000 Farm under the Ministry of Agriculture in Luena Farm Block	Wayleave consent for the proposed powerline was granted byChief Chama. Baseline data collection and a socio-economic survey were conducted to facilitate preparation of the EPB and ARCAP.
11kV underground cable to Kasama Airport	Wayleave was acquired from Senior Chief Mwamba for an 11kV underground. Baseline data collection was conducted for the preparation of an EPB and subsequently submitted to ZEMA for approval.
Lusaka – Ndola Dual Carriage Way	ZESCO together with other service providers and AVIC International, the Contractor, carried out reconnaissance survey along the proposed route for the Dual Carriage Way. Powerlines requiring rerouting to pave way for the road construction were identified from the Ngwerere roundabout (0KM) at 6miles to Mpongwe turn-off (KM196) in Kapiri Mposhi. The lines identified are 33kV, 11kV and 0.4kV.

Social efforts

Socio-economic assessments were conducted to ascertain the impact of loss of properties and livelihoodsacross all the projects engaged in 2023. ZESCO engaged professional property valuers to carry out valuations of their affected structures, land, fruit trees and exotic trees of economic value, to determine compensation entitlements. The cut-off date was considered as the last day of the census of affected people and properties. No structure or field established in the project- affected area after that date would be eligible for compensation. The cut-off date after which no settlers or developers are eligible for compensation, was publicized among potentially affected people.

Valuation rates used for affected land were “market values” based on the restriction imposed by the projects as evidenced during property inspection and surveys. Buildings and structures were valued based on the Replacement Cost Method. PAPs received cash compensation and financial management trainingwas given.

Livelihood Restoration

Monitoring was done on projects undertaken to ensure that all PAPs previously paid had no further grievances.

Inspection of the livelihoods of PAPs was conducted and PAPs that were identified to be vulnerable and in need of special compensation where assisted.

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

Community Engagements

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

Southern Province Network Expansion 132kV Project: Courtesy calls were also paid to the Traditional Leadership; Chief Choongo, Chief Hamaundu, Chief Choma, Chief Sipatunyana, Chief Moonze and Chief Mwanachingwala. Wayleave consents were obtained from the mentioned Chiefs.

Luapula 50MW Solar Project: Stakeholder engagement meetings were conducted with His Royal Highness (HRH) Chief Mabumba of Milenge District and the local communities. Grievance Redress Mechanism (GRM) was rolled out to the various local stakeholders and affected communities.

Chipata-Lundazi-Chama 132kV Line Project: Courtesy calls were paid on their Royal Highnesses Chieftainess Mwasemphangwe, Chief Kapichila and two Senior Chiefs (Magodi and Kambombo) following resumption of the project works.

Monitoring

Throughout the year ESD monitored the projects being undertaken to ensure conformity and to check for non-conformitywith standards. Contractors that were found to be non-conformant were taken to task and required to take remedial action to ensure conformity.

Kabwe – Pensulo 330kV Transmission Line Project: Periodic joint site inspections were conducted preceded by a project review meeting for the project construction works. Some inspections revealed non-compliance with the expected SHERQ requirements. Corrective measures were communicated to the Contractor during review meetings and deadlines were given for the Contractor to address all non-conformities.

Electricity Service Access Project (ESAP): Environmental and social compliance monitoring was conducted for power lines (0.4kV and 11kV) that are currently being constructed by various contractors in Luapula, Muchinga and Northern provinces. The non-conformities observed during these inspections were brought to the attention of the contractors for corrective action.

Highlights From The Years Activities

ESD participated at the 2023 World Environment Day which falls on 5th June, under the theme “Beat Plastic Pollution” on invitation by the Ministry of Green Economy and Environment.



ESD-N Staff during the march past



ESD-S Staff preparing for the march past



Building Blocks to Financial Sustainability

Under the 10-year rolling plan, the corporation formulated five strategic objectives to achieve its vision and mission:

- To achieve customer satisfaction, build customer confidence, and foster loyalty.
- To establish financial stability by balancing the needs of our stakeholders.
- To expand our Generation, Transmission, and Distribution systems, guided by a clear Integrated Resource Plan.
- To enhance the maintenance program for our Generation, Transmission, and Distribution systems.
- To align human capital with business objectives, ZESCO has developed a 10-year rolling Strategic Plan. This plan aims to achieve transformative results and drive overall business performance. The plan is structured into four strategic focus areas, each with specific objectives that are crucial for ZESCO's success.

Corporate Performance Against Strategic Plan

All ZESCO operations are required to align with the commitments made in the Strategic Plan's Objectives, and the related initiatives. Reports from Directorates are required to demonstrate the alignment to the Strategic Plan (the Plan) initiatives by reporting on progress relating to actions being taken to achieve the targets (outputs and outcomes) for initiatives. This is the basis upon which the ZESCO's Corporate Performance is measured. The following are the notable performance highlights for each of the Areas of Strategic Focus as at the end of Quarter Three (Q3).

Improved Customer Services

The primary responsibility of ZESCO Limited is to cater to the needs of its customers by making customer centrality to be at the core of its business dealings. ZESCO's obligation is to ensure that the customers have electricity that is of good quality and is reliable. Therefore, the Strategic Objective of the Area of Strategic Focus on Improved Customer Satisfaction (ICS) is **'To achieve customer satisfaction, win customer confidence and loyalty.'** To achieve this Strategic objective, ZESCO committed to implement initiatives that aim to achieve the following Specific Objectives.

1. To connect customer with the regulatory prescribed timelines
2. To simply on-boarding using technology
3. To enhance system for monitoring customer experience
4. To have an effective communication strategy
5. To improve customer service
6. To provide more user friendly e-platforms in interacting with ZESCO

Achieve Financial Stability:

To achieve financial stability the Corporation focused on the following objectives;

The Specific Objective **'To reduce debt sustainable levels'** has five (5) initiatives, validated in the Table below.

Initiatives	Validate	Owner	Status
1). Refinance IPP and Emergency power debt with more affordable long-term finance.	✓	I&F	Ongoing
2). Engage government for debt swaps on all debts owed.	✓	I&F	Ongoing
3). Negotiate with Government on conversion of On-lent Loans to Equity.	✓	I&F	Ongoing
4). Finalise Tariff re-negotiations with Independent Power Producers (IPPs)	x	BD	Completed
5). Restructure government guaranteed long-term debt through refinancing of expensive debt and extension of tenure	✓	I&F	Ongoing

Over the years, ZESCO Limited (ZESCO) has been contracting debt for various projects. The debt is classified into three (3) different categories, namely Government Guaranteed, Commercial and On-lent Loans. To Achieve Financial Stability through reducing debt to sustainable levels, ZESCO continued to service its debt.

The company's exposure to exchange rate fluctuations remains high, which further increases its debt servicing costs. As of September 2023, 84% of the total debt stock is denominated in foreign currency.

a) Independent Power Producers (IPPs) and Emergency Power Debt

Having completed the implementation of the initiative to **'Finalise Tariff Re-negotiations with IPPs'**, ZESCO continued with its commitments to reduce the IPPs and Emergency Power debt by debt-servicing. Hence, there was a reduction in outstanding debt to IPPs by the end of Q3 by **USD 760 million** after making timely payments totalling **USD 92.750 million**, Maamba Collieries Limited (MCL), Itezhi-Tezhi Power Corporation (ITPC), Ndola Energy, and Karpower. The original of **USD 1.8 billion** debt has been significantly reduced by the tariff re-negotiations. The combined efforts of tariff re-negotiations, consistency in paying off all current invoices and ensuring that all arbitration awards are paid as per agreed schedules resulted in the debt reduction from USD 1.7bn to USD 1.2bn in 2023.

Additionally, during the period under review, the debt reconciliation process with Ndola Energy Company Limited (NECL) was successfully completed.

b) Achieving cost reflective tariffs: Five (5)-year multi-year for the tariff:

At the beginning of 2023, ZESCO applied to ERB for a five (5) year multi-year tariff from 2023 to 2027. This application was made in accordance with the Multi-Year Tariff Framework (MYTF), which governs the determination of electricity tariffs in the country.

i) Tariff Approval and Conditional Approval:

ZESCO's application to revise tariffs was approved for the year 2023, and conditional approval was granted for the years 2024, 2025, 2026, and 2027. However, these conditional approvals were subject to ZESCO meeting the Directives or Orders issued by the ERB Board. In Q3 2023, ZESCO managed to formally submit to ERB a report providing an update of the implementation of the directives.

ii) Reviewing the Tariff Model:

In collaboration with ZESCO, the ERB started reviewing the Tariff Model in Q3 2023 to align it with the Multi-Year Tariff Framework. This process is important to ensure that tariff determinations are fair and in line with the long-term goals set by ZESCO.

iii) Implementation and Positive Impact:

The new tariffs, as approved by the ERB, were implemented in May 2023. Since then, they have had a positive impact on ZESCO's cashflows. The revised tariffs are expected to provide a stable revenue stream for ZESCO, which will support the utility's operations, expansion, and improvement of electricity services in the country. Figure below shows impact of new tariffs on domestic sales.

Expanded Power Network Infrastructure

The Corporation has continued developing portfolios of high priority projects to increase transmission and distribution networks capacities and also enhance the national power generation energy mix, in alignment with national Integrated Resource Plan (IRP). As at Q3 2023, the Projects with a total of 4,592MW of Renewable energy and 1599MW of Hydropower are in preparation in readiness for the Procurement Process to commence. ZESCO's need for increased generation, transmission and distribution capacities is responding to the ever-anticipated increased economic activities.

Effective Maintenance Regime for Generation, Transmission and Distribution systems:

The development of, and adherence to, routine and planned maintenance schedules for plant and equipment is being implemented, including requisite regular inspections. The related KPIs that measure the performance of effective maintenance are being reported by business units responsible for the operations and maintenance of various plant and equipment in the organization.

Optimised Human Capital:

In this area of strategic focus, ZESCO Limited made a commitment that it will efficiently manage its human capital through transparent processes that ensure that staff are qualified, skilled, experienced and correctly placed to achieve the company's objectives. The successful implementation of the Strategic Plan is dependent on how ZESCO manages and improves its human capital. Therefore, the Strategic Objective of Optimising Human Capital (OHC) is '**To align human capital to business objectives**'. The Human Capital and Development (HCD) Directorate is the overall owner of the OHC Area of Strategic Focus.

To optimise ZESCO's human capital, the Strategic Plan further committed to implementing initiatives that address issues of sub-optimal organisational structure, capacity building and lack of an active appraisal system, and operational efficiencies in view of the continued use of manual human capital processes and insourcing of non-core business services. Hence, the following are the Specific Objectives that are supporting the strategic objective

To align human capital to business objectives.

- Align organizational structure to business needs,
- To enhance capacity building, and
- To Improve operational efficiency:



The objective of the ZTK Interconnector is to facilitate trading in electricity in the region and promote power systems stability by effectively connecting the SAPP with the East African Power Pool (EAPP). Once completed this project will enable the Zambian section of the ZTK corridor to transfer at least a 500MW firm power and will secure power supplies to northern Zambia.

During the period under review, the following progress on specific issues was made.

- Implementation of the Project Implementation Unit (PIU) was approved
- The draft Inter-Utility Memorandum of Understanding (IUMoU) between ZESCO and TANESCO was approved and sanctioned by the Attorney General
- The terms of reference (ToRs) and composition of the Tanzania-Zambia (TAZA) Interconnector Joint Technical Committee was approved
- The World Bank granted a “no-objection” for procuring the Environmental and Social Safeguards consultant (ESIA consultant) financed by CIG Zambia
- The shortlist of the Technical Consultants was submitted to the World Bank for a “No-Objection” decision
- The 6th JTC meeting between ZESCO and TANESCO was held from 11 to 15 December 2023 in Dar es Salaam, Tanzania

Mozambique - Zambia Interconnector

This project aims to provide a direct connection between Mozambique and Zambia, this will shorten the power transfer route as opposed to the existing scenarios where the importation of power from Mozambique requires passing through three countries power gets in Zambia.

The Environment and Social Impact Assessment for the Project has been concluded, and the final Environmental Impact Statement (EIS) and Resettlement Policy Framework (RPF) were approved by ZEMA in the year under review. Furthermore, the utilities ZESCO and EDM have appointed a Joint Technical Committee for the project.

Currently the Government of the republic of Zambia is pursuing financial close for the project and has planned engagements with development financiers to facilitate the financing of the project.

Malawi – Zambia Interconnector

This project aims to provide a high voltage interconnection between Zambia and Malawi. Currently the two utilities are interconnected using distribution lines. The project will improve the transmission transfer limit capacity and improve the power trade potential.

The two utilities ESCOM and ZESCO, have agreed to financially support some aspects of the Environmental and Social Impact Assessment (ESIA) studies for the project. The partnership agreement for the full funding of the full feasibility studies was action in 2023, with Swed fund and the European Union.

Zimbabwe Zambia Botswana Namibia (ZIZABONA) Interconnector

This ZIZABONA transmission projects consists of the development, construction of operation of the new transmission infrastructure in Zimbabwe, Zambia, Botswana and Namibia. This project will facilitate the creation of the western Transmission corridor for the SAPP and decongest the central corridor, thereby improving power trade in the region.

Currently the project is procuring consultants to update the initially undertaken feasibility report and ESIA related studies. Furthermore, the Projects is exploring the interest from a private developer and other development financiers for the project.

Effective Maintenance Regime for Generation, Transmission and Distribution systems

The development of, and adherence to, routine and planned maintenance schedules for plant and equipment is being implemented, including requisite regular inspections. The related KPIs that measure the performance of effective maintenance are being reported by business units responsible for the operation and maintenance of various plant and equipment in the organization.

Optimised Human Capital

The successful implementation of the Strategic Plan is dependent on ZESCO's human capital. Under the focus area, “To align human capital to business objectives”, ZESCO committed to manage its human capital through an efficient and transparent process that ensures staff are qualified, skilled, experienced and correctly placed.

To optimise ZESCO's human capital, Corporate Leadership committed to implementing initiatives that address issues of sub-optimal organisational structure, capacity building and lack of an active appraisal system. In addition, digitalisation was embraced to address operational inefficiencies arising from the continued use of manual human capital processes. The following were some achievements under the objective:

- Organisation structure approved with establishment of 8,300.
- Commenced with internal engagements to undertake Skills Audit based on completed job descriptions.
- Short & long-term training interventions.
- Performance Management System for Non-Represented Staff implemented.
- The hiving-off of Lusaka and Ndola Clinics to KGL were completed, while that of Mechanical Workshops is yet to be finalised.

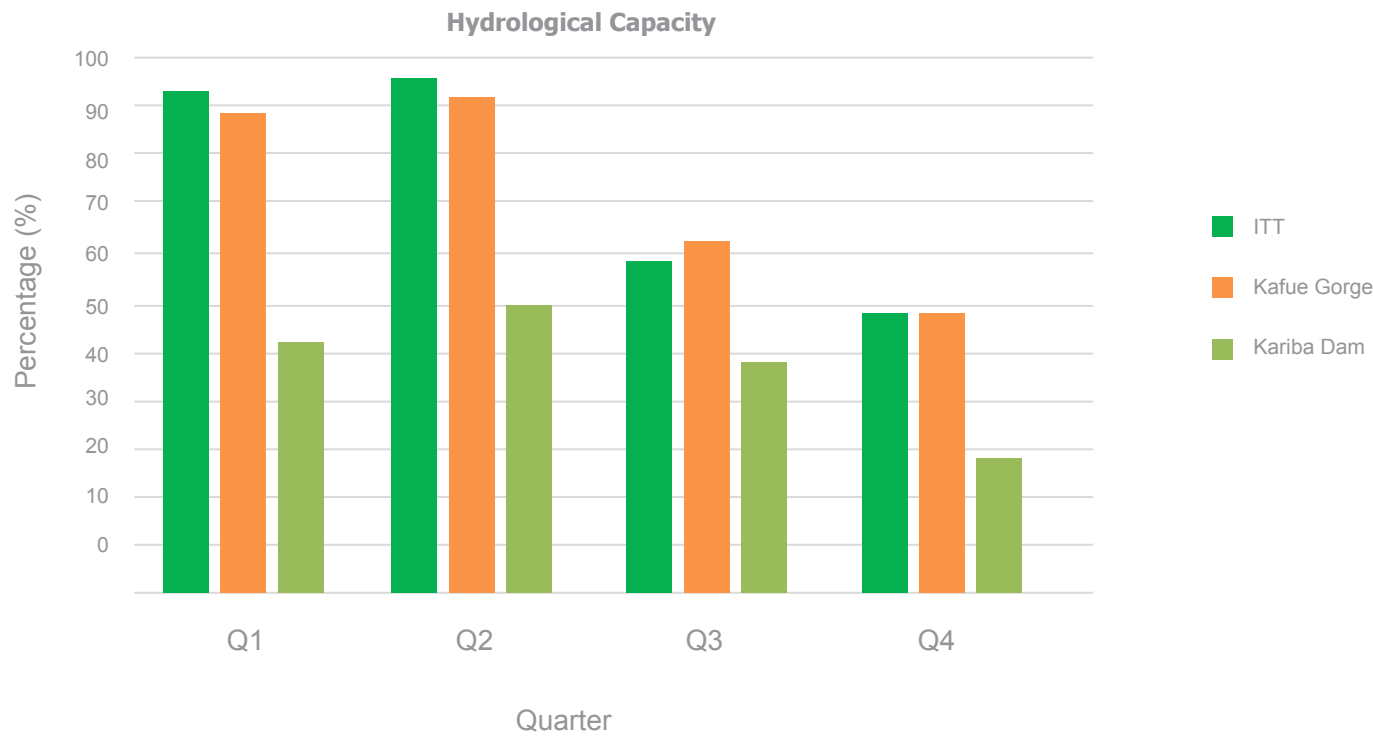


Operational Sustainability

We employ numerous methods of evaluating whether we can maintain existing practices without risking future potential resources. We understand that sustainable operations demand that the Corporation adequately meets its present needs and those of its customers and stakeholders without compromising its ability to meet future needs of its stakeholders. ZESCO places great value on the natural resources such as water, marine life and the general ecology around its power stations. This entails operating with minimal or no harm to the environment, which remains one of our major objectives.

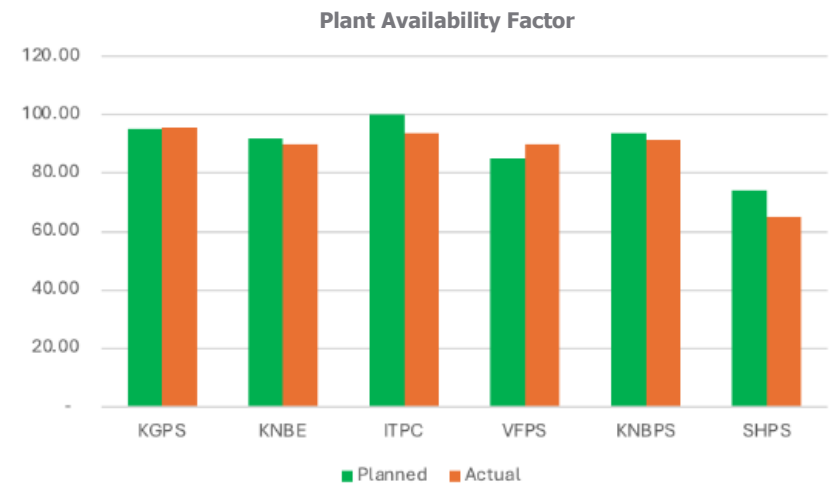
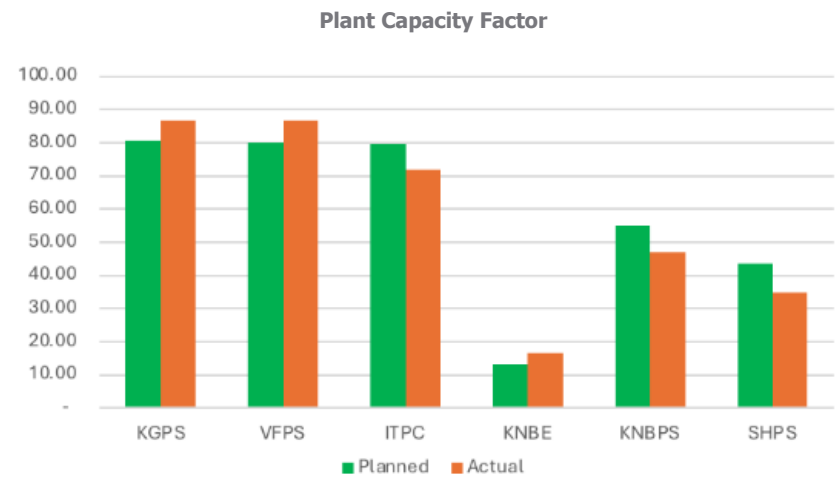
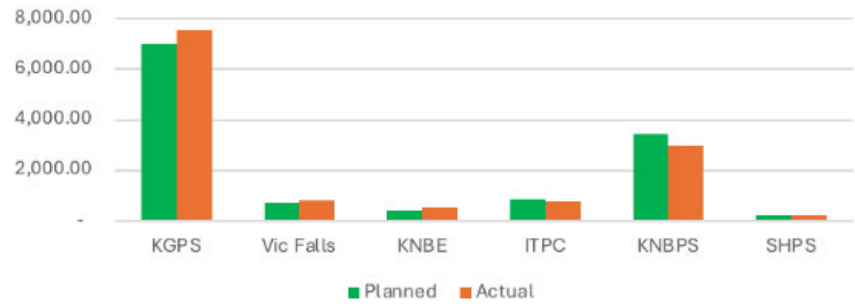
Generation System Performance

The Generation segment performed favorably, with a total output of 15,397GWh, exceeding the budgeted 12,383GWh by 0.09%. This is an improvement from the 1% surplus recorded in 2022.



Power Station Maintenance

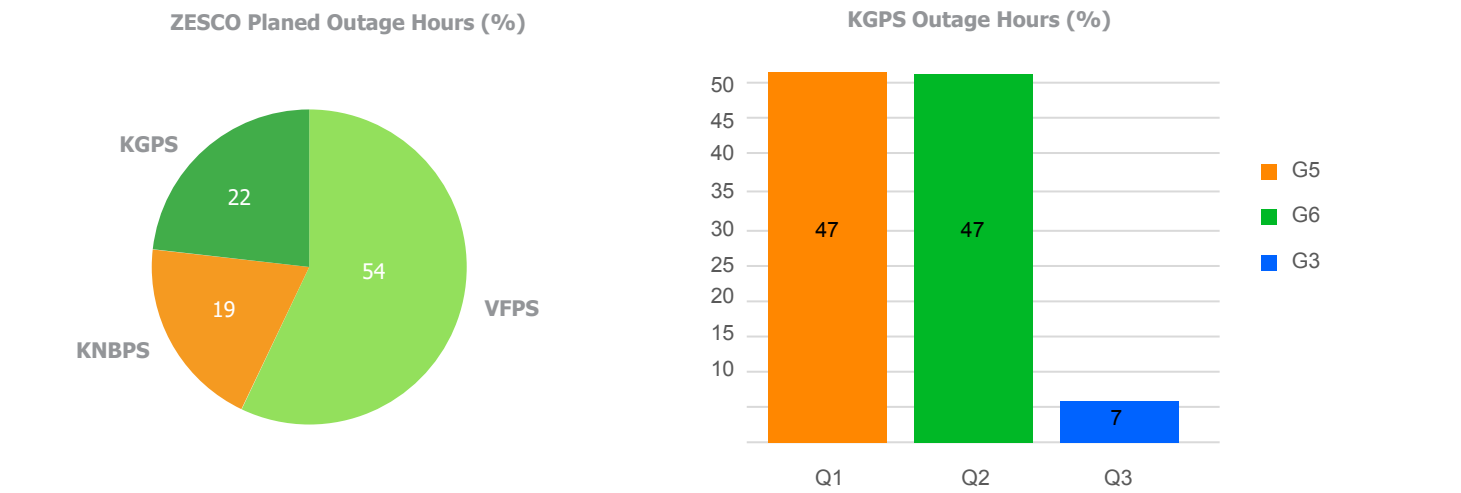
During the year, all the power stations experienced periodic shutdowns to facilitate maintenance. The work conducted include routine annual and quarterly maintenance.



Maintenance work at many of the small hydro power stations was disrupted during the year, resulting in the failure to exceed their targeted plant availability, except for Shiwang'andu and Lunzua

Planned Outages by Power Station

Planned outages are mainly used to undertake scheduled maintenance, replacement and installation of parts, control system upgrades, and desilting of water ways. Commissioning, reliability, inspection and guarantee tests are also scheduled. Below are the graphical representations of the planned outage hours in the major stations during the year.



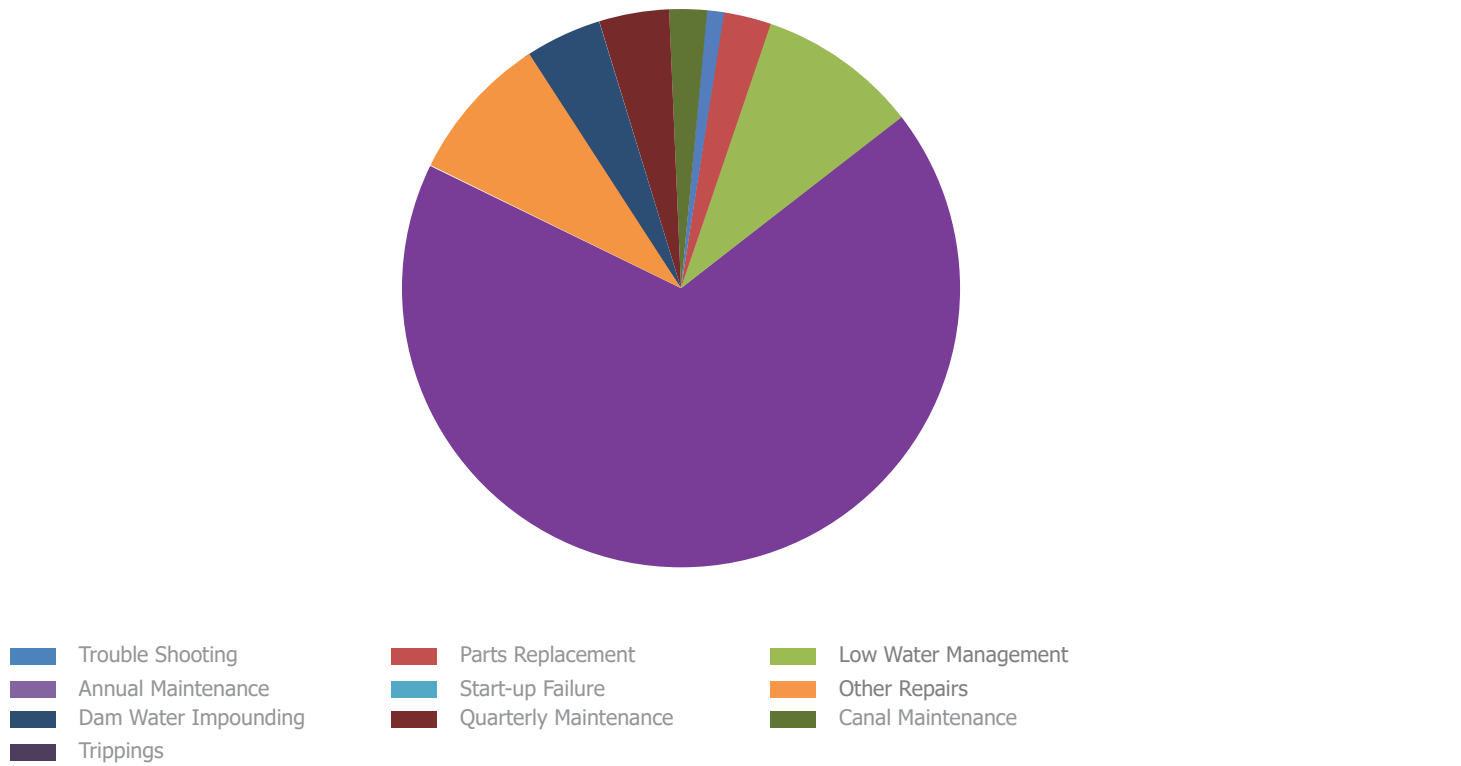
At KGPS, machines G5 and G6 accounted for 94% of the planned outage hours, with the time evenly distributed between them. The remaining 7% of outage hours were attributed to machine G3. These planned outages primarily covered annual maintenance activities and low water management protocols. Notably, the station recorded no unplanned outage hours during the reporting period.

At the KNBE Complex, 97% of the outages were attributed to G1, while the remaining 2% was shared between G2 and G3, primarily due to annual maintenance activities. Machines G5 and G6 equally shared their proportion of outage hours. In total, 140 hours were lost due to unplanned outages.

At ITT, approximately 570 hours of outages were recorded, with G1 accounting for 41% and G2 contributing 59% of the total downtime.

At VFPS, unit A3 accumulated 60% of the outage hours recorded at the station, resulting from tripping incidents during annual maintenance tests. The same machine was responsible for 73% of the unplanned outage hours, mainly due to emergency bearing inspections and repairs.

At the small hydro power stations, planned outages were carried out at Musonda, Chishimba, and Shiwang’andu.



Transmission System Operational Performance

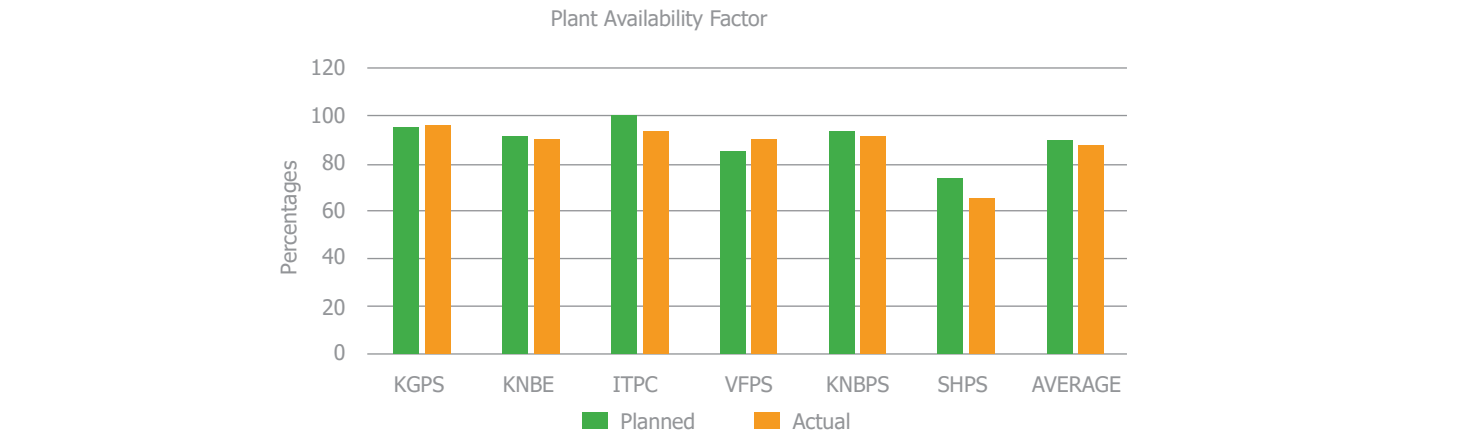
ZESCO’s transmission system consists of infrastructure used for the evacuation of electricity to bulk supply points that deliver power to large industrial and mining customers as well as ZESCO’s distribution system for subsequent supply to various domestic customers. It is also interconnected to the SAPP.

The asset base stood at over 10,000km of high voltage overhead transmission lines in the voltage class 66-330kV and 147 substations with a combined transformation capacity of over 8,200MVA.

System Stability and Security

The performance of the transmission system was generally stable for most of the year. Intermittent outages resulted from internal and external system disturbances. A few equipment trip-outs were also experienced during the year.

The Average Equipment Availability Index (AEAI) for transmission lines was 99.5%, a marginal drop from 99.62% the previous year, while that of power transformers dropped from 99.33% to 98.6%. The deviation arose from the intensified scheduled annual transformer and lines maintenance, particularly in the last quarter of the year. The AEAi per quarter for both transmission lines and power transformers is shown below.



The protection, control and metering infrastructure was satisfactory during the year under review. The National Control Center NCC was also functional and available. Transmission plant and equipment underwent scheduled maintenance, recording an average compliance of 96.7% of the annual planned schedule. Other maintenance activities undertaken were preventive, corrective and condition-based, which are expected to improve power supply security and reliability.

Voltage Level / Fault Type	No Faults	Q1	Q2	Q3	Q4
88kV	-	-	-	-	-
66kV	-	-	-	-	-
33kV	4,793	1,803	1,104	231	1,655
11kV	24,453	8,974	5,309	4,027	6,143
MV Faults	45,169	4,459	12,162	9,023	9,525
Service Faults	186,215	67,867	43,846	30,453	44,049
Transformer Faults	1,245	453	400	141	251
Transformer Vandalised	128	40	41	27	20
Switchgear	174	49	35	52	38
HT Cable Faults	595	159	154	151	131

Distribution System Performance

The Corporation sold 7,441.80GWh and recorded an energy loss of 1,005GWh (11.9%), which translated to a revenue loss of K1.05 billion calculated at an average rate of K1.04/kWh.

Demand Side Initiatives

The Corporation has continued with initiatives to promote energy efficiency and monitor power quality with a view to achieving ZS387 compliance requirements, deploy advanced metering infrastructure including smart meters, meter data management system (MDMS), and integrate back-end systems (BES) to MDMS on the distribution network.

Diesel Generation Performance

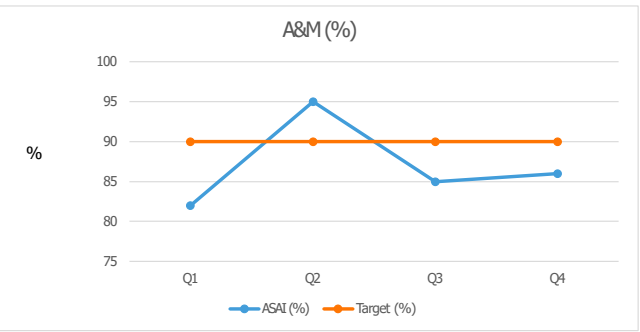
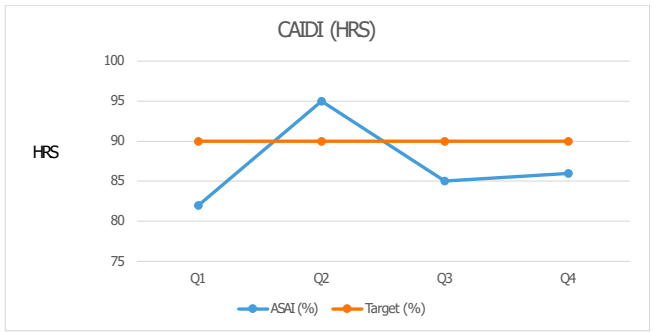
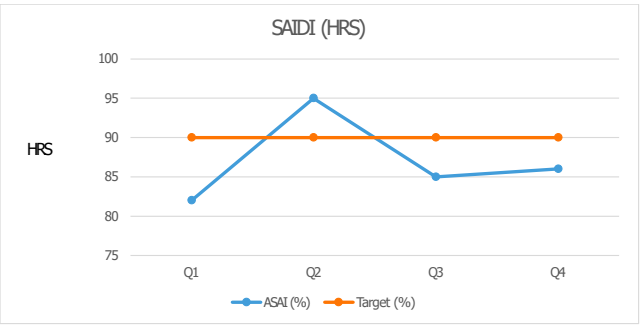
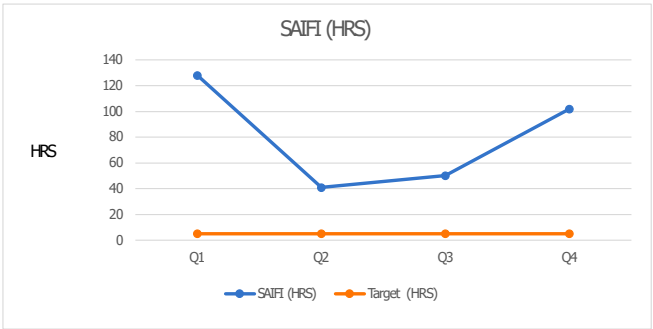
Electricity supply to certain remote districts continues to rely on diesel power stations. The number of these stations has decreased to three, with two of them supplemented by power imports from Malawi. By the end of 2023, a total of 7,756 customers were supplied with electricity from these diesel stations.

Diesel Generations Performance	2020	2021	2022	2023
Generation (GWh)	3.07	1.51	2.4	1.94
Cost (K'millions)	11.55	6.2	15.95	14.46
Sales (K'millions)	3.3	5.37	5.7	1.49
Sales as a % of cost	28.4	86.6	35.7	10.30

Distribution System Reliability Indices

The reliability of the distribution system during the year under review was as depicted in the indices below. The distribution network reliability was evaluated based on the performance targets set by the ERB. A summary of the performance is detailed in the following table and charts.

KPIs	Target	Q1	Q2	Q3	Q4	Annual 2023
SAIFI	5.5 Times	128	41	50	102	80
SAIDI	821 HRS	10	4	6	7	7
CAIDI	57 HRS	15	10	14	15	14
A&M	Below	82	95	86	86	87



Distribution System Maintenance KPIs

D&CS recorded an improvement in distribution maintenance KPIs. The directorate took advantage of the ongoing load management to increase maintenance activities on the distribution network.

	Emergency Maintenance Rate (Target ≤25%)	% Planned Works Target (>75%)	% RM Schedule Compliance (Target >95%)	% Monthly Schedule Compliance Target (≥75%)	Work Order Closure Target (>95%)	Backlog Control Index Target (2-4 Crew Weeks)
Q1	37%	63%	55%	53%	61%	1.5
Q2	31%	69%	60%	59%	67%	1.5
Q3	24%	76%	67%	66%	72%	2.1
Q4	28%	72%	77%	72%	84%	4.1
Annual 2023	31%	69%	60%	60%	67%	1.7

New installation and outstanding standard backlog

	1 st QTR	2 ND QTR	3 RD QTR	4 TH QTR	Annual 2023
New Installation	25,865	19,621	22,872	21,695	90,053
Customer Base	1,217,402	1,237,023	1,259,895	1,281,590	1,281,590
Outstanding Std Backlog	5,267	6,679	18,757	20,728	20,728

Major Internal Activities to Improve Distribution System Operations

Enhancements to the operational performance of the distribution system through maintenance continued in the year. These involved rehabilitation of switchgear and transformers, network reinforcement and expansion.

Some of the notable works carried out to improve the performance of the system and extend the life of equipment are tabulated below.

Location	Objective	Details
The Lusaka Transmission & Distribution Rehabilitation Project (LTDRP)	To increase the capacity and improve the reliability of the electricity transmission and distribution system in the Lusaka Area	Includes upgrading the existing 88kV to 132kV transmission networks, constructing new 132kV transmission lines, constructing and/or upgrading various 132/33/11kV substations, constructing new 33kV lines, replacing and/or upgrading 33kV and 11kV cables and constructing new 11kV switching stations
Bauleni Substation	Refurbishment of equipment	Replacement of 11kV switchgear
Itawa Water Works Substation	Refurbishment of equipment	Replacement of switchgear and control panels.
Converter 66/11kV substation	Expansion of capacity	Through the introduction of a 33/11kV 10MVA transformer
TID rollover	Complaint to STS Token identifier	Token identifier is contained in the STS compliant token. It identifies the date and time of the token generated and is used to determine if the token has already been used. After every 31 years, the TID counter rollovers to zero and the meter key must be changed to prevent old tokens from being used again.
Advanced Metering Infrastructure (AMI)	Accurate billing and timely bill production	AMI is an important part of the Smart Grid ZESCO envisages to fully deploy. With AMI deployment, ZESCO will automate the meter reading process, billing, and timely production of bills for maximum demand customers. By the end of 2023, 4,284 meters had been installed in Lusaka, translating to about 28% of the target
SESSD Project	Accurate billing and timely bill production	AMI is an important part of the Smart Grid ZESCO envisages to fully deploy. With AMI deployment, ZESCO will automate the meter reading process, billing, and timely production of bills for maximum demand customers. By the end of 2023, 4,284 meters had been installed in Lusaka, translating to about 28% of the target



Major Internal Activities to Improve Distribution System Operations

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Some of the notable works carried out to improve performance of the system and extend the life of equipment include the following:

Location	Objective	Details
The Lusaka Transmission & Distribution Rehabilitation Project (LTDRP)	Lusaka Area whose overall objective is to increase capacity and improve reliability of the electricity transmission and distribution system	Includes upgrading of the existing 88kV to 132kV transmission networks, constructing new 132kV transmission lines, constructing/upgrading of various 132/33/11kV substations, constructing new 33kV lines, replacing/upgrading of 33kV and 11kV cables and constructing new 11kV switching stations.
Bauleni Substation	Refurbishment of equipment	The replacement of 11kV switchgear
Itawa Water Works Substation	Refurbishment of equipment	Replacement of switchgear and control panels in progress.
Converter 66/11 kV substation	Expansion of capacity	Through the introduction of a 33/11kV 10MVA Transformer
TID rollover	Complaint to STS Token identifier	Token identifier is contained in the STS compliant token. It identifies the date and time of token generated and is used to determine if the token has already been used. After every 31 years, the TID counter rollovers to zero and the meter key must be changed to prevent old tokens from being used again.
Advanced Metering Infrastructure (AMI)	Accurate billing and timely production of bill.	An Advanced Metering Infrastructure (AMI) is an important part of the Smart Grid which ZESCO Limited envisages to fully deploy as a step-by-step undertaking. With AMI deployment, ZESCO will automate meter reading process, billing, timely production of bills for maximum demand customers. By the end of the year 2023, 4,284 Meters were installed in Lusaka about 28% of the target.
SESSD Project	Sustainable Electricity Supply in Southern and Central Regions	The ZESCO Procurement Committee (ZPC) paper for award of Contracts to Contractors was approved on 30 October 2023. Pre-award Contract discussions were held with the winning Bidders on 06 and 07 November 2023 for Transmission & Distribution Substations, Transmission & Distribution lines and Access component. The Lead financier KfW gave the No Objection to the draft Contracts on 15 December 2023.

We have also continued building capacity to maintain distribution transformers internally at the Lusaka and Ndola Transformer Workshops thereby making maintenance cheaper and reducing transformer faults lead time. A total of 416 distribution transformers were received at the Lusaka and Ndola Transformer Workshops compared to 422 received in 2022. 244 distribution and power transformers were repaired compared to 293 the previous year. 311 Transformers were tested for external clients in the period under review compared to 544 in 2022.

Social and Community Sustainability

Construction of Chasunta Secondary School

ZESCO has a policy of contributing to the enhancement of social infrastructure in the vicinity of its operations, alongside the expansion of its operations. In line with the Corporation’s policy and in an effort to support the government’s agenda of increasing access to education, ZESCO through the Kafue Gorge Lower Power Corporation Limited, constructed Chasunta Secondary School and staff houses to serve the surrounding communities’ educational needs.

SDG



TARGET

- 4.1: Ensure all girls and boys complete free, equitable, and quality education
- 4.5: Eliminate gender disparities in education
- 4.a: Build and upgrade education facilities

IMPACT

- 1. The school provides educational opportunities for 500 students (250 girls and 250 boys), promoting inclusivity and equity
- 2. By building a school in this area, ZESCO contributed to reduction in barriers to education, such as distance and lack of infrastructure in the area

Graduate and Management Trainee Female Mentorship

In 2023, ZESCO reinforced the assignment of female mentors to management trainees and graduates across the various professions. This deliberate effort aimed to promote gender equality and empower women within the organization, reshaping values, behaviors, and norms to foster a culture of inclusivity and diversity.

SDG



TARGET

- 5.1: End all forms of discrimination against women
- 5.5: Ensure women's full and effective participation and equal opportunities for leadership

IMPACT

- 1. Promoting women's empowerment and leadership
- 2. Encouraging diversity and inclusion
- 3. Breaking down gender stereotypes

Commissioning of the 750MW Kafue Gorge Lower Hydropower Station

On 25 March 2023, ZESCO commissioned the 750MW KGL hydropower station – a USD 2 billion power project that increased Zambia’s installed electricity generating capacity by 38%.

SDG



TARGET

- 7.2: increase the global percentage of renewable energy

IMPACT

- 1. By increasing Zambia’s renewable energy capacity, the project increased energy access to more households and promoted access to clean energy
- 2. The hydropower station enhanced the country’s capacity to generate clean and sustainable energy

SDG



TARGET

9.1 develop sustainable, resilient and inclusive infrastructure

IMPACT

1. Renewable energy infrastructure:The hydropower station is a significant addition to Zambia's renewable energy infrastructure, enhancing the country's capacity to generate clean and sustainable energy

2. Industrial growth: Reliable energy supply from the hydropower station is projected to stimulate industrial growth by providing the necessary power for manufacturing, processing, and other industrial activities

SDG



TARGET

IMPACT

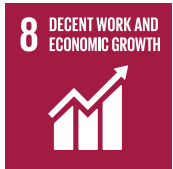
By generating clean energy, the hydropower station helps reduce reliance on fossil fuels, contributing to climate change mitigation

Employee Engagement

The Human Capital and Development directorate in collaboration with the two unions—POGAWUZ and NESAWU—carried out employee engagement sessions in Solwezi, Chingola, Mufulira, Kitwe and Ndola. During these engagements, management introduced the Payroll and Human Capital Management System(PHCMS), the Performance Management System and sensitized staff on the conditions of service. The PHCMS has streamlined employee processes, enhancing employee experience and efficiency while the PMS was introduced to ensure fairness and recognition of employees' contribution. The sensitization on the conditions of service aimed to:

- 1. Informing employees about their rights, benefits, and responsibilities.
- 2. Clarify management expectations and policies.
- 3. Promote transparency and understanding.
- 4. Enhancing job satisfaction and engagement.

SDG



TARGET

8.5: Full employment and decent work with equal pay

8.8: Protect labour rights and promote safe working environments

IMPACT

1. Employee awareness and understanding of the terms and conditions of their employment

2. Streamlined employee processes, resulting in enhanced employee experience and efficiency

3. Fairness and recognition of employees' contribution

9.1 develop sustainable, resilient and inclusive infrastructure

1. Renewable energy infrastructure:The hydropower station is a significant addition to Zambia's renewable energy infrastructure, enhancing the country's capacity to generate clean and sustainable energy

2. Industrial growth: Reliable energy supply from the hydropower station is projected to stimulate industrial growth by providing the necessary power for manufacturing, processing, and other industrial activities

Tax Compliance and Accountability

ZESCO recognizes the importance of fulfilling its tax obligations as a vital aspect of being a responsible and law-abiding institution. By meeting our post registration tax obligations, we demonstrate our commitment to the well-being of the communities and the country in which we operate. The corporation has continued to thrive towards excellence in its tax obligations which includes submission of accurate returns, payment of taxes on time and participation in stakeholder engagements with Government to influence policy pronouncements.

The Board of Directors is responsible for ensuring that sound tax management and policies are put in place. Management has developed and operationalised tax policies.

Our Approach

Ensuring tax compliance involves accurately preparing and submitting tax returns, paying taxes in a timely manner, and treating all transactions from a tax perspective.

Tax planning and savings have been a major activity for ZESCO to enable an increase in cash flows as well as maximisation of shareholder's wealth.

Internalisation of Tax Services

Most tax services were internalised to enable ZESCO have a broad view and mitigate tax risks that would adversely affect the Group.

Stakeholder Engagements

ZESCO works with various stakeholders including Zambia Revenue Authority (ZRA), Ministry of Finance (MoF) and the Ministry of Energy in a collaborative, transparent and compliant manner. This includes engaging on interpretation of the tax law to avoid being at variance with the law. The group also engages MoF for policy submissions, changes, requests for tax exemptions as well as facilitation of debt swaps to enable any settling of pending liabilities.

Tax Agency

Furthermore, the corporation was appointed as a Tax Collecting Agent to collect taxes on behalf of ZRA from ZESCO suppliers and contractors. Further, ZESCO ensures tax compliance through requests for tax clearance on every payment made to local suppliers.

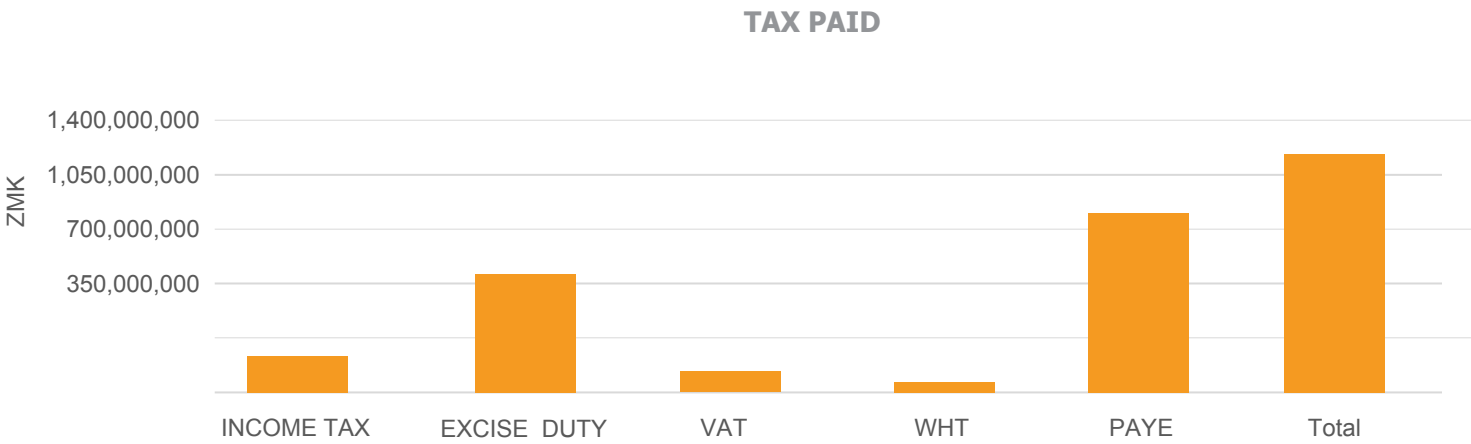
Tax Updates and CPD

To keep abreast with evolving tax regulations, ensure compliance and accurate reporting, the company facilitates tax training and updates for key staff.

The company officially received recognition from ZRA through its commitment towards tax compliance in the year and was commended for being a good partner in handling taxes.

Taxes Paid in The Year

A total of K1.349 billion was paid in taxes during the year; an increase of 15% K200 million from the previous year. Taxes paid are spread as per table below;



Customer Focus

Our customers continue to be important to the success of our business. It is for this reason that we strive to ensure that we deliver efficiently, effectively and with excellence (3E), as demonstrated by placing as Pillar number one the Customer Satisfaction Agenda in the corporation’s Ten Year Rolling Strategic Plan. Despite the economic value derived from our customers, we also endeavour to improve the customer experience which includes considering the customers economic situation. Initiatives have been developed that help cushion the customers’ bills whilst still being able to do the same activities. We value our customers feedback as that is our bedrock to continuous improved service delivery.

Advanced Metering Infrastructure (AMI)

Implementation of the AMI infrastructure and a meter data management system (MDMS), along with the related business process changes, will improve overall customer satisfaction and increase operational efficiency in line with the company’s goal of Financial Sustainability and Customer Satisfaction. The goal is to provide customers with tools to view their bills and usage data, enabling informed decisions about the amount of energy they use and related cost of services. Integration with other legacy systems such as Distribution SCADA also entails that the AMI will also be used as a tool for faults reporting as the meter has the capability to report all events defined as Alarms such as Power Down, Power up, phase sequence errors, missing voltage, missing neutral, to mention but a few.

During the 2023, the AMI Smart Metering Project saw the company install 5,028 smart meters, representing 33% of the target 15,000 post-paid customers. The growth was largely driven by smart meters installation in Lusaka for the maximum demand customers.

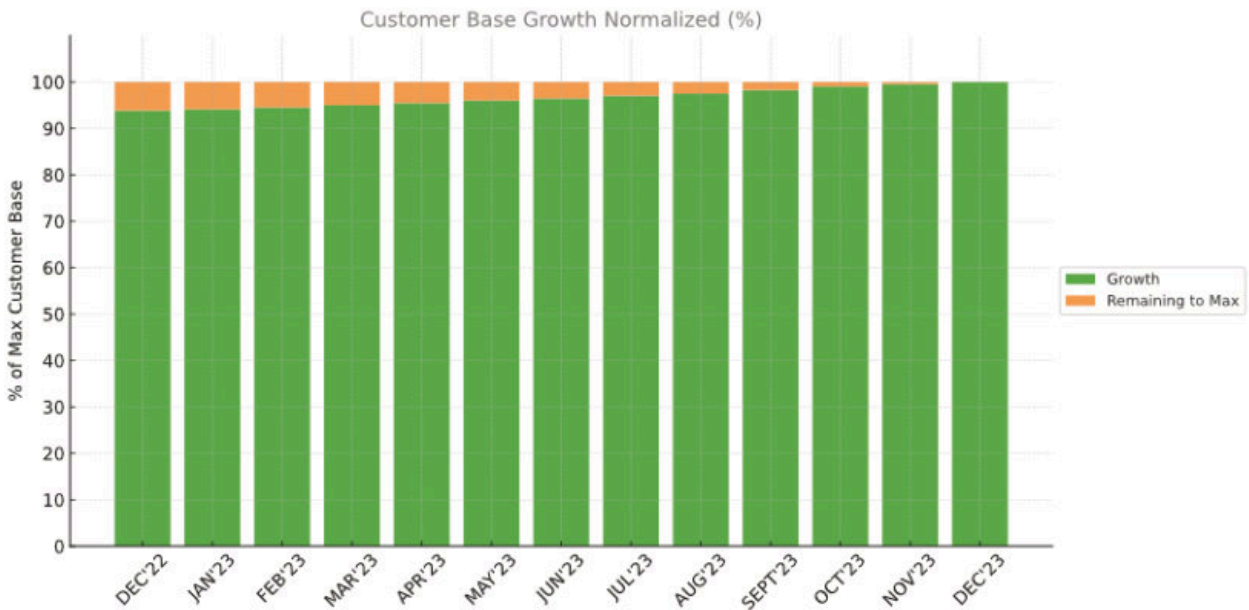
The Smart Meter platform will also help the utility monitor among other things its distribution losses, provide a dual data flow to predict network load profiling, improve revenue collection thereby bringing about improved quality of service to the customer.

Electricity Services Access Project (ESAP)

The year under review saw the sustained support by the Bilateral partners to the government’s drive of universal access to electricity. The Electricity Services Access Project (ESAP) was extended with further funding. Consequently, a total of 2,737 customers were connected under the Subsidy program. This was a 3.4% contribution towards to the total customer connections for the year.

Customer Base Growth

The corporation connected a total of 78, 612 customers during the period under review, representing an 11% increase from 70,102 carried out in 2022 . This increase saw the customer base grow from 1,202,983 as at end of 2022 to 1,281,590 as at end of 2023, representing a 7% growth in the customer base. This annual growth rate was significantly higher than the average 5% customer base growth. Below is the Customer Base Growth Trend for the year 2023:



Digitalisation Journey

The Corporation continued its journey of achieving financial stability by introducing and implementing various initiatives as part of the overall customer satisfaction agenda. This is in line with one of its core values which puts innovation at the core. One such initiative was the enhancement of the USSD code *3600# code which saw the introduction of several self-service options on our USSD code. Most significantly, the innovation will allow customers to vend directly with the corporation on comfort of their mobile phones using the most basic phone available on the market. The Virtual Customer Service Centre concept was introduced with the corporation commencing the development of online customer connection application option through the Web.



Enhancing Our Human Capital Asset

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

Highlights	Improvements
- Turnover per employee of K4.1m increased compared to K3.1m in 2022. - The wage bill as a percentage of total turn over decreased from 9.56% to 9.15% in the previous years. - Successful launch of the Management Trainee Programme in 2023 as part of succession planning and talent management.	- Graduate Assessment Programme expansion in scale and pass rate compared to 2022. - Increase in the Training Sponsorships of staff development through partnerships with ZTC and KGRTC.
Lowlights	Challenges
Number of terminations reduced from 46 in 2022 to 3 in 2023.	- Unreconciled NAPSA Contributions between 2000 and 2004 negatively affected employees claiming the NAPSA Partial withdrawal - Gender Representation Gap: Only 20% of executive and senior management are women, below the 50% SADC target.

Optimizing the Human Capital Base

ZESCO's strategic objectives are driven by its employees, who are crucial to achieving the company's goals. As outlined in the 10-year rolling strategy, the organization prioritizes efficient human capital management, ensuring that qualified, skilled, and experienced staff are correctly placed to drive key objectives. This approach enables ZESCO to maximize its workforce's potential and achieve its strategic vision.

The Workforce

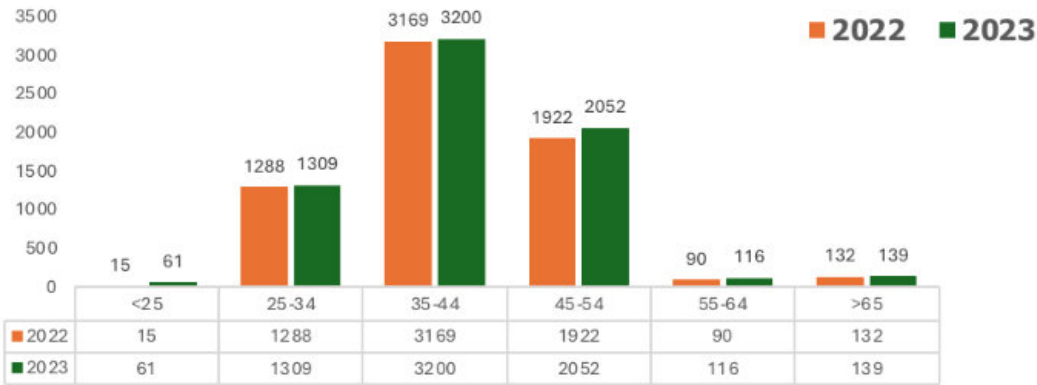
The Labour strength increased from 6,765 in 2022 to 6,877 in 2023 as at the end of 2023 translating into an increase of 112 employees (1.66%) percentage increase. The focus of the increase was on technical personnel in response to strategic area of focus number 3 which is effective Maintenance.

Staff Headcount	2022	2023
As at 1 January	6,765	6,616
Add: New Permanent Employees	162	136
New Contract Employees	137	266
Contract Renewals	30	234
Reinstatements	12	3
Less: Resignations	9	15
Deaths	23	26
Dismissals	35	72
Early Retirements	8	23
Normal Retirements	76	73
Medical Discharges	15	18
Disciplinary Discharge	8	3
Redundancies	211	87
Expired Contracts	49	17
Mutual Separation	0	50
Voluntary Separation	0	1
Termination	46	3
As of 31 December	6,616	6,877

Human Capital Profile

From 2022 and 2023 the predominant age group in the workforce has been employees aged between 35 and 44 years. However, this group’s percentage share of the workforce has decreased from Forty-Eight (48) to Forty-Five (45). Conversely, the percentage share of employees aged Twenty-Five (25) and under increased from Zero point Two (0.2) to One Point Six (1.6).

Distribution Age



Staff Distribution

The table below shows the distribution of employees across the respective Directorates as of December 2023. Most employees come from Distribution and Customer Services representing 63% and the lowest representation is coming from the Directorate of Human Capital and Development with the representation of 1.3%.

Table 1: Staff Establishment by Directorate for the year 2023

Directorate	Number	Percentage
Company Secretariat	808	12%
D&CS	4,303	63%
Human Capital and Development	95	1.30%
Planing and Projects	168	2.40%
Transmission,OPs & Trade	867	12.60%
Power Generation	636	9%
Total	6,877	100%

Table 2: Staff Establishment by Category

Category	M	F	Total	M	F
Executive Management	23	4	27	85%	15%
Senior Management	309	103	412	75%	25%
Middle Management	1269	743	2,012	63%	37%
Unionised	3,617	809	4,426	81%	19%
Total	5,218	1,659	6,877	75%	25%

ZESCO has continued to embrace a deliberate set of policies and practices that support the representation of women in areas which they have been previously underrepresented such as Engineering. This is in line with the Equal Employment Opportunity Commission (EEOC), whose main purpose is to eliminate employment discrimination based on factors such as gender or religion.

Graduate Assessment Program

The Graduate Assessment Program continued in the year 2023 and 118 employees underwent both technical and non-technical Graduate Assessment (GAP). Out of the 118 graduates who were invited for the interviews, 100 passed the Graduate Assessments and 18 failed the Assessments. In the year 2022, 29 graduates were assessed. Out of 29, 18 Passed and 11 failed the assessments.

Years	Passed	Failed	Total
2023	100	18	118
2022	18	11	29
Total	118	29	147

Human Capital Development Strategic Partnerships

ZESCO Training Centre (ZTC)

The Training Centre remains a strategic partner in supporting staff development through generic and tailored training for both ZESCO and non-ZESCO staff. During the 2023 Financial Year under review, a total of 98 in-service employees were sponsored to study on a full-time basis. Out of 98 employees, 19 were pursuing Cable Jointing and Termination, 24 Studied Electrical Fitting and 55 studied Overhead lines.

Course	2022	2023
Cable Jointing and Termination	27	19
Electrical Fitter	19	24
Overhead Lines and Construction	63	55
Total	109	98

Kafue Gorge Regional Training Centre (KGRTC)

The strategic partnership between ZESCO and the Kafue Gorge Regional Training Centre (KGRTC) to develop skills and competencies in energy technologies for the sub-Saharan region has continued. The Centre was established in 1989 with its core business being hydropower training, conferences, and accommodation by ZESCO and was eventually ceded to a Board of Trustees between 1997 and 2000.ZESCO retains the chairmanship of the Board as a key stakeholder and provides a grant to cater for over half of the Centre’s budget through hiring of the facility and grants for staff emoluments.

During the year, a number of training courses were conducted for ZESCO staff by the Centre, and these ranged from On-Campus courses, demand driven and catalogue courses. The courses offered range from core trainings such as hydropower plant operations, control room operations and reliability centered maintenance. Other non-core courses are provided such as AutoCAD techniques, skills for green jobs, contracts management, and procurement and contracts management.

In 2023, ZESCO's Staff Development allocation of K4,385,540 supported the training of 360 employees across various courses, enhancing their skills and knowledge. Additionally, 20 training contracts were proposed, with 6 successfully implemented, further expanding employee development opportunities. This investment in staff development can lead to improved job performance, increased productivity, and better organizational outcomes.



Staff Development

ZESCO invests in its staff through various development initiatives, including full sponsorship, paid study leave, and short courses, to ensure employees have the right skills for their present and future roles. By supporting staff development, ZESCO aims to enhance performance, future-proof its workforce, and attract and retain top talent, ultimately driving organizational sustainability and growth. This commitment to employee growth and development can lead to improved productivity, job satisfaction, and overall performance.

In 2023, the organization supported employee development through various initiatives. 27 employees were on paid study leave, while 122 received permission to study, likely with flexible work arrangements. Additionally, 42 students were sponsored by ZTC, potentially gaining financial support and future employment opportunities. These efforts demonstrate the organization's commitment to upskilling and reskilling its workforce, attracting and retaining top talent, and staying ahead of industry demands. By investing in employee education and development, the organization can enhance performance, productivity, and growth.

Mode of Study	No of Employees
Paid Study	27
Unpaid Study Leave	2
Permission to Study	122
Sponsored (ZTC)	42

A total of 2,447 employees participated in short courses and workshops, enhancing their skills and knowledge in areas such as technical skills, soft skills, and compliance. This training initiative demonstrates ZESCO's commitment to employee development, likely leading to improved job performance, increased productivity, and better organizational outcomes. By investing in its workforce, ZESCO can drive business success and achieve its strategic objectives.

Staff Wellness

A total of 2,447 employees participated in short courses and workshops, enhancing their skills and knowledge in areas such as technical skills, soft skills, and compliance. This training initiative demonstrates ZESCO's commitment to employee development, likely leading to improved job performance, increased productivity, and better organizational outcomes. By investing in its workforce, ZESCO can drive business success and achieve its strategic objectives.

	2022	2023	Diff (+/-)
Average Daily Attendance	93	70	-23
Man Hours Lost (Days)	116,905	90,568	-36017
	(14,613)	(11,321)	(4,502)
ART Membership	727	428	292
No of Deaths	23	26	-3
Medical Financial Assistance (Abroad)	0	0	0
Medical Financial Assistance (In-Country)	2	0	2



Innovations & Development

In line with the Corporations 10-Year Rolling Strategic Plan and commitment to operational excellence, ZESCO made significant strides in digital transformation during the 2023 financial year. The focus of these efforts was to leverage Information and Communication Technology (ICT) as a catalyst for innovation, enhanced service delivery and ensuring that we provide an Efficient, Effective and Excellent service across our value chain and to our customers

Internally, ZESCO digitized all strategic processes in the year under review to improve its operations and enhance customer experience for its customers

In the year under review, ZESCO implemented, developed and deployed the following in-house systems

1. ZESCO Fleet Master System (ZFMS)

ZESCO developed and deployed the Fleet Master System to streamline vehicle onboarding, maintenance scheduling, and inventory management, thereby improving operational efficiency, reducing downtime, and lowering fleet-related costs.

2. Migration and Upgrade of the Prepaid System (3E/EVG to IPMP)

To address the Time Token Identifier (TID) rollover risk and ensure service continuity, ZESCO successfully migrated its prepaid metering system to the Integrated Prepaid Metering Platform (IPMP), resulting in improved revenue assurance and system performance.

3. IPMP Oracle Hardware Refresh

ZESCO replaced obsolete Oracle hardware supporting the prepaid platform to reduce system vulnerability and strengthen cybersecurity, while also improving infrastructure stability and service reliability.

4. Value-Based Meeting System (VBMS)

The VBMS was introduced as a secure cloud-based meeting platform hosted on ZESCO’s private infrastructure, enabling efficient meeting scheduling, document distribution, and archival — reducing operational costs and improving governance.

5. Contract Management System

ZESCO implemented a contract management platform to digitize the contract lifecycle, automate reporting and reminders, and ensure timely execution and compliance across business units.

6. Renewable Energy Management System (REMS)

REMS was developed to support the management and tracking of renewable energy contracts and project data, ensuring better coordination of green energy initiatives and improved access to key project information.

7. ZESCO Quality Management System (ZQMS)

The ZQMS was introduced to digitize, organize, and secure key business documents — making them easily retrievable, editable, and shareable, and strengthening company-wide quality assurance processes.

8. Enterprise Risk Register (ERM)

ZESCO launched an enterprise risk register to provide a centralized platform for identifying, assessing, and managing organizational risks, thereby enhancing strategic decision-making and risk governance.

9. Project Monitoring and Evaluation Management System

This system was developed to monitor project performance, track progress against defined targets, and provide timely insights into implementation challenges — supporting informed resource allocation and impact evaluation.

10. Performance Appraisal Management System

ZESCO implemented a digital performance management system to support employee evaluations, feedback, and development planning ensuring transparency and alignment of staff performance with strategic goals.



Customer-Facing Innovations

In addition to internal process improvements, ZESCO deployed digital platforms aimed at improving customer access and satisfaction.

11. Call Center Interactive Voice Response (CCIVR)

ZESCO introduced an automated voice response system to provide customers with 24/7 access to billing, account information, and fault reporting reducing the burden on call centre staff and enhancing the overall customer experience.

12. Corporate Website Upgrade

The ZESCO corporate website was redesigned and redeployed with an enhanced user interface and upgraded infrastructure improving site performance and enabling easier access to customer services and information.

The following statistics from our Omni channels show a total of 5,266,368 user interactions. The USSD is the most preferred platform by our customers with 5,018,584 user interactions in the period under review.

Item no	Platform	Totals
1	Corporate Website	172,528
2	WhatsApp	75,256
3	USSD	5,018,584
4	Mobile App	50,510
5	Self Service on Call	1,314,010



Stakeholder Engagement

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

For a power utility like ZESCO, stakeholder engagement is critical due to the essential role electricity plays in national development and daily life. Thus, key areas of importance include:

Public Service Mandate

As a state-owned enterprise, ZESCO must maintain transparent and inclusive communication with government bodies, regulators and the public to ensure alignment with national priorities.

Community Impact

Electricity infrastructure projects can affect communities through land use, resettlement or environmental impact. Proactive engagement ensures concerns are addressed and social license to operate is maintained.

Customer Relations

engaging with residential, commercial, and industrial customers helps ZESCO understand needs, improve service delivery, and build satisfaction.

Regulatory Compliance

Regular interaction with regulatory authorities supports compliance and enables smoother approvals for projects and tariff changes.

Infrastructure and Investment

Large-scale projects require collaboration with financiers, contractors, and stakeholders to manage expectations and reduce risks.

Sustainability and Innovation

As the energy sector evolves, stakeholder engagement helps ZESCO transition to cleaner technologies and align with Zambia's sustainability goals.

These engagements are guided by our core values and Code of Ethics, ensuring ethical conduct and sustainable operations. To structure our interactions effectively, we categorize stakeholder relationships into:

- Collaborate – Partnering for shared goals
- Involve – Actively engaging to shape outcomes
- Consult – Seeking input to inform decisions



Overview of Stakeholder Engagement and Impact Assessment

The following analysis outlines key stakeholder groups that have a significant impact on our ability to create and sustain value. It highlights the importance of engaging closely with these stakeholders, the intended outcomes of such engagement, the frequency of interaction and the methods used. In addition, we have conducted an internal assessment to evaluate the effectiveness and quality of our current stakeholder engagement practices with each group.

Our Stakeholders are as follows:



Frequency and Engagement Methods

Frequency

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

Capital(s) contributed or impacted



Expected Output and Outcome	What are their Interests?
Why should we work closely with these? The government is crucial as it shapes the legislative, regulatory, and business environment, and provides capital, policy support, and other critical resources. • Alignment and support for ZESCO's strategic objectives • Minimal interference in day-to-day operations. • Provision of government financial guarantees when necessary • Policy support through enactment and effective implementation	• An organizational strategy aligned with the objectives of the Republic of Zambia (GRZ). • Strong organizational performance, reflected in key performance indicators (KPIs). • Return on investment (ROI) and consistent dividend payments. • Sound institutional governance and accountability. Expanded access to electricity for all citizens.
Our Response	

- President Hakainde Hichilema visited Kariba North Bank Hydro Power Station (January 8, 2023) to assess challenges and identify solutions for Zambia's electricity crisis
- The Corporation facilitated the commissioning of Kafue Gorge Lower Hydropower Station, activating its fifth and final generator unit to reach 750 megawatts capacity (March 24, 2023)
- ZESCO, in collaboration with the government, reinstated the electricity connection subsidy under the electricity Service Access Project (ESAP) on August 28, 2023, targeting 8,300 new connections
- ZESCO signed a System Operations Agreement with GreenCo electricity Services Limited on October 12, 2023, for the integration of a 25MW solar photovoltaic plant in Sesheke District into the national grid
- ZESCO entered into an MoU and Joint Development Agreement with MASDAR (Abu Dhabi Future electricity Company) on January 19, 2023, to develop up to 2GW of renewable electricity capacity in Zambia, starting with 500MW of solar projects

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

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





Frequency and Engagement Methods

Frequency

Monthly and quarterly

- Personal meetings
- Conferences and industry forums
- Annual and quarterly reports
- Dedicated “Projects and Investment” page on our website



Capital(s) contributed or impacted



Expected Output and Outcome	What are their Interests?
-----------------------------	---------------------------

- Why should we work closely with these?**

To secure access to financial capital essential for project execution and business growth

Expected Output and Outcome

 - Project Financing,
 - Corporate financing
 - Financial support and Partnerships
- Strong institutional governance and oversight
 - Robust financial performance and profitability
 - Adequate liquidity and risk management
 - Clear strategy for sustained financial growth
 - Responsible and transparent utilisation of funds

 Our Response

- Regular and transparent reporting on company performance and financial health
- A dedicated relationship management team to ensure responsive and strategic communication.
- Maintained an up-to-date portal with current investment opportunities, project milestones, and financial disclosures.
- ZESCO participated in an investor roundtable organized by Invest Africa in March 2023, where Chariot Transitional electricity and Total Energies presented plans for a USD 500 million renewable electricity project.
- On November 27, 2023, ZESCO signed a 10-year electricity Supply Agreement with First Quantum Minerals (FQM) to supply 100% certified renewable electricity, primarily hydroelectricity, to FQM’s mining operations.

 Capital(s) Contributed Impact

Financial Capital – Provision of funding and credit facilities to support project development, operational expansion, and corporate sustainability.

Value to Stakeholder

Return on Investment (ROI) – Generating financial returns through effective utilization of funds, ensuring profitability and long-term value creation.

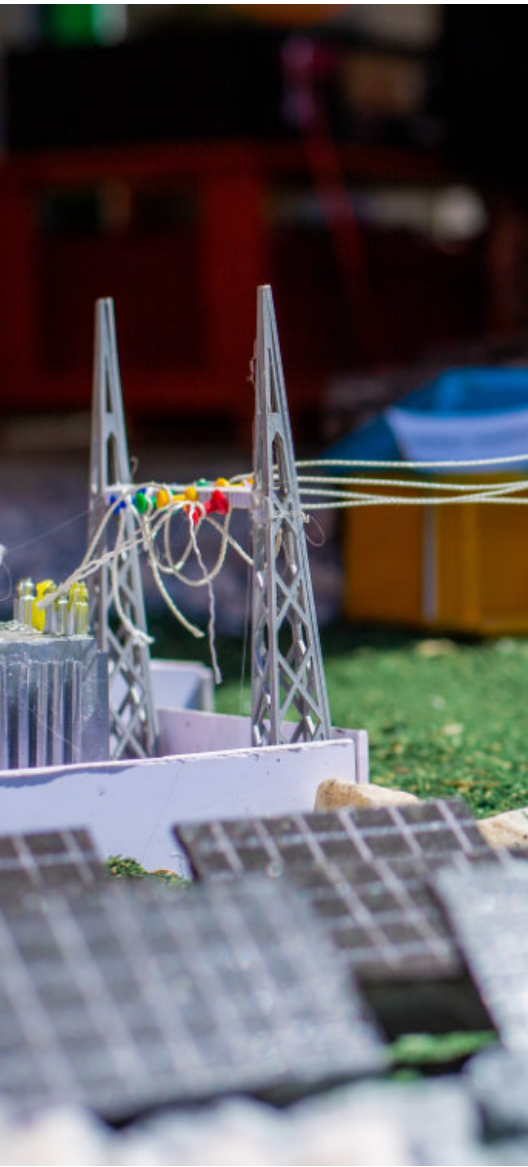


Frequency and Engagement Methods

Frequency

Regular and ongoing

- Electronic communications (emails, intranet updates)
- Internal bulletins and newsletters
- Safety meetings and briefings
- Staff broadcasts and announcements
- Training sessions and professional development workshops
- Team meetings and interactive workshops
- Integrity and ethics awareness programs



Capital(s) contributed or impacted



Expected Output and Outcome	What are their Interests?
-----------------------------	---------------------------

- Why should we work closely with these?**

To secure access to financial capital essential for project execution and business growth

Expected Output and Outcome

 - Cordial and constructive industrial relations
 - Increased productivity with a strong focus on strategic objectives
 - Strict adherence to the Corporation’s Code of Ethics and related integrity policies
 - Improved staff retention and employee satisfaction
 - Identification and reporting of unethical conduct
 - Detection of weaknesses in systems and processes, along with proposing remedial measures
- Personal development and career growth opportunities.
 - Re-skilling and continuous training programs.
 - Fairness, equity, and transparent treatment in the workplace.
 - Improved conditions of service and comprehensive employee welfare programs.

 Our Response

- Regular management and employee meetings to foster open communication.
- Employee sensitization programs to raise awareness on key issues.
- Workshops and training sessions aimed at identifying vulnerabilities in processes and systems.
- Occupational health initiatives to ensure employee well-being.
- Maintenance of safe and healthy working conditions.

 Capital(s) Contributed Impact

Financial Capital – Through their productivity and efficiency, employees contribute to the financial performance of the organization.

Social and Relationship Capital – Employees help build and maintain strong internal and external relationships, fostering collaboration and stakeholder trust.

Human and Intellectual Capital – Employees contribute their skills, knowledge, experience and innovation, which are critical to organizational growth and continuous improvement.

Value to Stakeholder

Return on Investment (ROI) – Generating financial returns through effective utilization of funds, ensuring profitability and long-term value creation.

Job Security: Ensures stability and confidence in their roles

Reward and Recognition: Motivates performance through fair compensation and acknowledgment of achievements

Education and Training: Enhances skills and knowledge for personal and professional development. Talent Management and Career Planning: Supports long-term career growth and aligns individual goals with organizational needs.

Suppliers



Frequency and Engagement Methods

Frequency

Engagement with suppliers is conducted on a regular basis through a variety of methods to ensure effective communication, transparency, and alignment with procurement objectives.

Engagement Methods

- Regular meetings and workshops
- One-on-one consultations
- Notices and updates published in relevant periodicals
- Procurement-related information shared via the ZESCO website's procurement page.
- Increased engagement and collaboration with local suppliers.
- Implementation of well-defined procurement policies and procedures.
- Development and adherence to annual procurement plans to enhance transparency and predictability.
- ZESCO committed to sourcing wooden poles from the Zambia Forestry and Forest Industries Corporation (ZAFFICO).
- ZESCO signed a decade-long electricity Supply Agreement with FQM.



Capital(s) contributed or impacted



Expected Output and Outcome

Why should we work closely with these?

Suppliers are critical partners who provide the raw materials, equipment, and services essential for ZESCO's operations. Establishing strong relationships with reliable suppliers ensures efficiency, continuity, and quality across the supply chain.

Expected Output and Outcome

- Establishment of credible and trustworthy partnerships in supply chain management
- Timely delivery of goods and services
- Assurance of high-quality products and services
- Securing repeat business and long-term supply contracts
- Timely payments and fair contractual terms
- Continuity of contracts and sustainability of their business operations

What are their Interests?

- Securing repeat business and long-term supply contracts
- Timely payments and fair contractual terms
- Continuity of contracts and sustainability of their business operations



Our Response

- Increased engagement and collaboration with local suppliers
- Implementation of well-defined procurement policies and procedures
- Development and adherence to annual procurement plans to enhance transparency and predictability
- ZESCO committed to sourcing wooden poles from the Zambia Forestry and Forest Industries Corporation (ZAFFICO)
- ZESCO signed a decade-long electricity Supply Agreement with FQM



Capital(s) Contributed Impact

Financial Capital – Through their productivity and efficiency, employees contribute to the financial performance of the organization.

Manufactured Capital – Through the provision of goods, materials, and equipment essential to operations

Social and Relationship Capital – By fostering reliable partnerships and supporting ethical supply chain practices

Financial Capital – Via cost-effective procurement that contributes to the organisation's financial performance

Value to Stakeholder

Ensuring business continuity through reliable delivery of goods and services.

Regulators



Frequency and Engagement Methods

Frequency

Regular engagements with primary regulators.

- Meetings
- Reports
- Hearings
- Emails
- Official correspondence (letters)
- Workshops

Capital(s) contributed or impacted



Expected Output and Outcome

Why should we work closely with these?

Regulators play a critical role in overseeing and guiding the electricity sector. They are responsible for ensuring compliance, issuing licenses for generation, transmission, distribution, and supply, and safeguarding sectorial integrity and consumer interests. Regulation is governed through a Key Performance Indicator (KPI) Framework, reviewed every three years.

Expected Output and Outcome

- Licensing of operations (generation, transmission, distribution, and supply)
- Compliance with the agreed KPI Framework.
- Submission of bi-annual and annual performance reports.
- Tariff applications and approvals

What are their Interests?

- Strong institutional governance.
- Sound financial and technical performance.
- Fair and equitable electricity tariffs.
- Environmental sustainability and climate responsibility.
- Transparency and accountability in operations.



Our Response

- Increased engagement and collaboration with local suppliers
- Signing of the 2023–2025 Key Performance Indicator (KPI) Framework
- ZESCO maintains a strong commitment to full compliance with all applicable regulatory requirements
- The Company actively cooperates with regulators during statutory audits, performance reviews, and inspections.
- On July 29, 2023, ZESCO and the ERB signed a new KPI framework, setting performance benchmarks across 11 thematic areas.
- In February 2023, ZESCO conducted a stakeholder engagement meeting in Kitwe to discuss its proposal for a 37% electricity tariff increase
- In April 2023, the ERB approved a multi-year tariff adjustment for ZESCO, covering the period from 2023 to 2027.



Capital(s) Contributed Impact

Financial Capital – Through their productivity and efficiency, employees contribute to the financial performance of the organization.

Natural Capital – Through oversight of environmental sustainability and resource usage

Financial Capital – By influencing tariff structures, investment approvals, and financial compliance.

Manufactured Capital – Via regulation of infrastructure standards and project approvals

Human Capital – Through regulatory frameworks that support training, safety, and operational competence

Social and Relationship Capital – By fostering public trust, transparency, and institutional governance.

Value to Stakeholder

- Ensuring compliance with laws, regulations, and industry standards.
- Promoting transparency and accountability
- Enabling fair competition and tariff regulation
- Supporting environmental sustainability
- Enhancing operational credibility and stakeholder confidence





Frequency and Engagement Methods

Frequency

- Media Releases:** As needed (event-driven, project milestones, crisis communication)
- Radio/TV Interviews & Programs:** Monthly or as required based on current topics
- Media Briefings/Press Conferences:** Quarterly or during major announcements
- Product Launches & Publicity:** As scheduled with project rollouts

Engagement Methods

- Radio and television interviews
- Participation in radio and TV discussion programs
- Facility tours for media personnel
- Face-to-face and telephonic engagements
- Media briefings and press conferences
- Issuance of media releases
- Product-related publicity and launches
- Media workshops and training sessions
- Distribution of printed informational materials



Capital(s) contributed or impacted



Expected Output and Outcome	What are their Interests?
Why should we work closely with them? (Including Radio Stations, Television Stations, Bloggers, and Vloggers). The media plays a critical role in enhancing ZESCO's visibility by disseminating information about its operations, projects, products, and services to the public and other stakeholders. Their involvement is essential for promoting and protecting the corporate image.	- Access to timely and accurate information on ZESCO's projects and key activities - Transparency and openness regarding the Corporation's performance - Newsworthy stories that attract audience interest and engagement - Content with public relevance and significance
Expected Output and Outcome - They help ensure accurate understanding and factual reporting of the Corporation's initiatives. - The media are instrumental in building and maintaining constructive relationships with other stakeholders. - Effective media engagement supports transparency, public trust, and positive stakeholder perceptions.	
Our Response	

The Corporation maintained proactive and strategic media engagement throughout 2023

Launched "Meet and Greet" media roadshows on television and radio as part of the TID sensitization campaign, conducting 22 engagements

Held Quarterly Media Briefings to update the public on operational performance, load management, and infrastructure projects

Organized Media Familiarization Tours to key electricity generation and transmission installations

Conducted Load Shedding and electricity Outage Briefings during peak crisis periods

Capital(s) Contributed Impact

Social and Relationship Capital: Strengthened relationships and more accurate, informed media reporting.

Value to Stakeholder

Dissemination of impactful and newsworthy stories about ZESCO

Coverage of issues and developments of public interest related to the Corporation



Frequency and Engagement Methods

Frequency

ZESCO engages its customers regularly and consistently, using a mix of proactive and responsive strategies.

Daily to Weekly: Customer Service Interactions via call centers, service centers, WhatsApp, and social media

As needed: Outage and maintenance notices

Monthly: Customer feedback surveys or satisfaction polls, Email or SMS updates on new services, tariffs, or service improvements

Quarterly: Community outreach activities in high-demand areas, Town hall meetings or customer forums



Capital(s) contributed or impacted



Expected Output and Outcome	What are their Interests?
Why should we work closely with them? Customers and clients are the primary consumers of ZESCO's products and services, forming the foundation for the Corporation's revenue growth. Maintaining strong relationships is essential for ensuring customer satisfaction, building loyalty, and enhancing the Corporation's public image.	- Access to safe, reliable, and affordable electricity - Transparency in decisions and activities that impact them - Timely and accurate information - Efficient and responsive service delivery - Promotion of integrity and accountability in service provision
Expected Output and Outcome - Provision of reliable support - Fostering a positive corporate image and public perception - Building and maintaining mutual trust and confidence - Real-time updates on faults, electricity restoration, and billing information	
Our Response	

ZESCO held a Consultative Resettlement and Compensation Action Plan (RCAP) Disclosure Meeting as part of the Lusaka Transmission and Distribution Rehabilitation Project (LTDRP)

The Corporation undertook a range of stakeholder engagement initiatives in 2023 aimed at improving customer satisfaction, enhancing service delivery, and fostering transparent communication

Held consultative meetings with large electricity consumers (July 7, 2023)

Aired ten (10) episodes of the "Malaiti Talk" program on Prime TV to engage the public on key issues

Customer Service Week (October 2023) included open days, problem resolution desks, and customer feedback surveys.

Capital(s) Contributed Impact

Social and Relationship Capital: Strengthened relationships and more accurate, informed media reporting.

Financial Capital: Customers provide the primary source of revenue through the purchase of electricity and related services

Social and Relationship Capital: The trust, feedback, and continued engagement of customers help strengthen ZESCO's public image, customer relations, and community goodwill.

Value to Stakeholder

Improved Customer Experience – Enhances satisfaction, loyalty, and trust in ZESCO's services, contributing to long-term stakeholder confidence and support

Revenue Generation – Customers are the primary source of income for the Corporation through the purchase of electricity and related services

Brand Reputation – Customer satisfaction and positive perceptions enhance ZESCO's public image and credibility

Feedback and Engagement – Customer input supports service improvement, innovation, and better alignment with stakeholder expectations



Frequency and Engagement Methods

Frequency

ZESCO engages local communities regularly and consistently, with frequency guided by the nature and scale of operations.

Ongoing: Community liaison during project implementation phases, Regular updates via social media, radio, and public notices.

Monthly or Quarterly: Town hall meetings or community dialogue sessions, Feedback and grievance resolution sessions.

Annually or Bi-annually: Comprehensive community stakeholder forums, Engagements linked to major project milestones or infrastructure commissioning.

As Needed: In response to specific incidents, emerging concerns, or planned developments in the area.

Engagement Methods

Group Meetings and One-on-One Consultations – Direct engagement to address community concerns and gather feedback.

Reports and Project Updates – Sharing information on ongoing and upcoming initiatives.

Commissioning of Significant Projects – Involving communities during the launch of key infrastructure and service projects.

Social Media and Public Communication – Dissemination of information through digital platforms.

Roadshows and Town Hall Meetings – Interactive platforms for awareness and dialogue on ZESCO activities

Capital(s) contributed or impacted



Expected Output and Outcome

Why Should ZESCO Work Closely with the Local Community?

Local communities are directly impacted by ZESCO's activities, and their goodwill is essential for the Corporation's continued presence and success. ZESCO has a responsibility to be a respectful and accountable corporate citizen and is committed to leaving these communities better off. Proactive engagement aims to manage community expectations, promote human rights, ensure infrastructure security, and foster mutual respect.

Expected Output and Outcome

- Community buy-in and support for ZESCO's projects and operations.
- Reduction in vandalism through community cooperation.
- Improved public understanding and appreciation of safety rules and operational practices.
- Facilitation of land rights and access for wayleaves, servitudes, and infrastructure development.
- Reinforcement of ZESCO's positive image as a development partner within local communities.

What are their Interests?

- Access to affordable and reliable electricity.
- Empowerment through operations and activities that benefit the community.
- Improved local economic conditions and overall social well-being.
- Fair and timely compensation for displaced settlers.
- Contribution to the delivery of national development goals.



Our Response

- ZESCO conducted a countrywide TID Rollover customer sensitization campaign across all ten (10) provinces.
- Through its subsidiary, Kafue Gorge Lower electricity Development Corporation, ZESCO officially handed over Chasunta Secondary School to the Ministry of Education (November 28, 2023)
- In collaboration with the National Youth and Sports Council, ZESCO launched the Youth Action Against Vandalism (YAAV) initiative
- ZESCO conducted seven (7) customer and stakeholder engagement sessions across various provinces in April 2023, focusing on newly approved application fees and electricity tariffs
- ZESCO conducted an amnesty program for illegal electricity connections in four provinces: Central, Eastern, Southern, and North-Western.



Capital(s) Contributed Impact

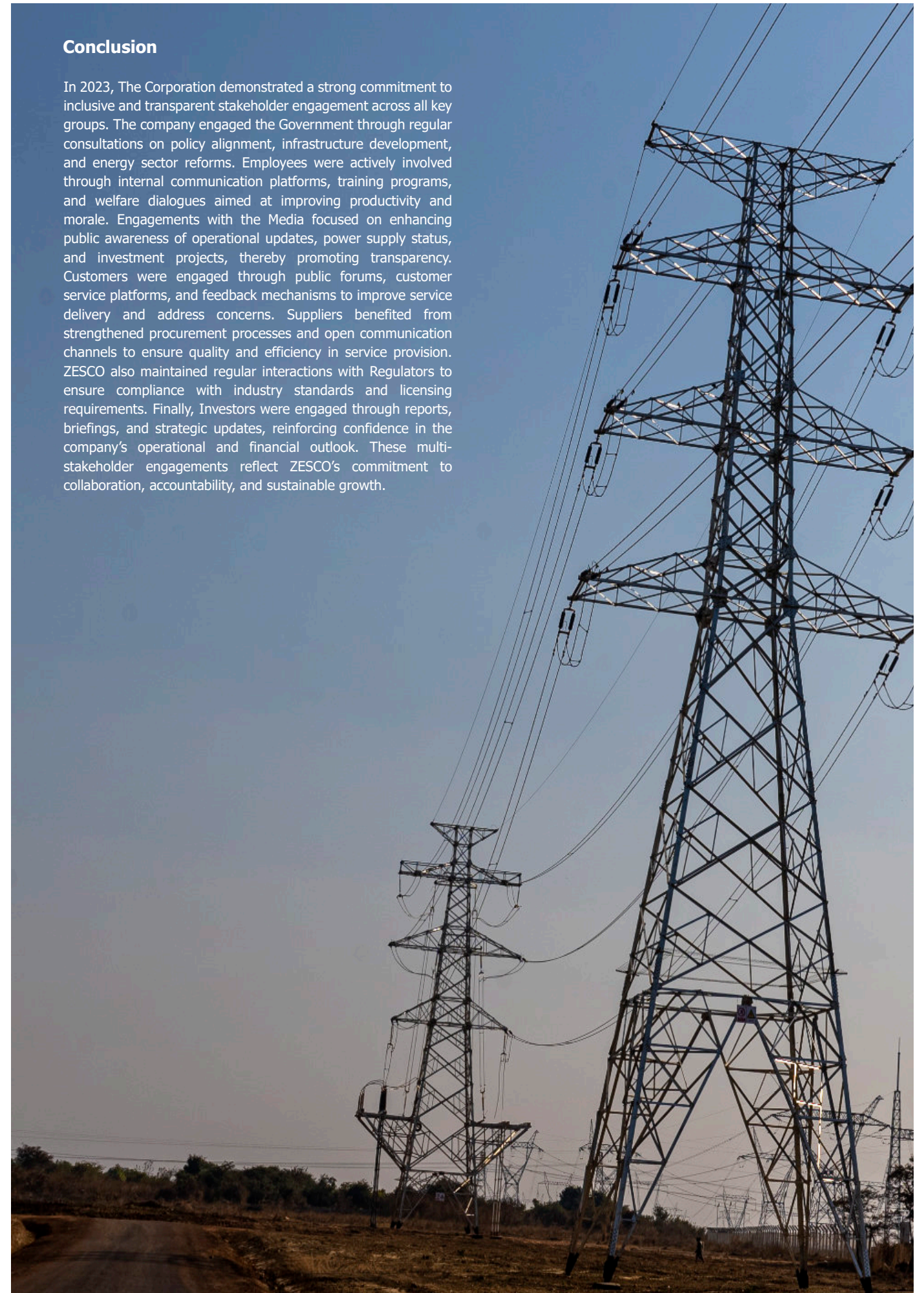
Social and Relationship Capital: Strengthened through active engagement, collaboration, and mutual support between the company and local communities

Value to Stakeholder

- Investment in community socio-economic development initiatives
- Creation of local employment opportunities
- Stimulation of local economic growth
- Promotion of community health and safety

Conclusion

In 2023, The Corporation demonstrated a strong commitment to inclusive and transparent stakeholder engagement across all key groups. The company engaged the Government through regular consultations on policy alignment, infrastructure development, and energy sector reforms. Employees were actively involved through internal communication platforms, training programs, and welfare dialogues aimed at improving productivity and morale. Engagements with the Media focused on enhancing public awareness of operational updates, power supply status, and investment projects, thereby promoting transparency. Customers were engaged through public forums, customer service platforms, and feedback mechanisms to improve service delivery and address concerns. Suppliers benefited from strengthened procurement processes and open communication channels to ensure quality and efficiency in service provision. ZESCO also maintained regular interactions with Regulators to ensure compliance with industry standards and licensing requirements. Finally, Investors were engaged through reports, briefings, and strategic updates, reinforcing confidence in the company's operational and financial outlook. These multi-stakeholder engagements reflect ZESCO's commitment to collaboration, accountability, and sustainable growth.



Our Key Risks and Uncertainties

Policy Statement

In line with our Risk Management Policy, ZESCO is committed to embedding risk management corporate-wide through a robust risk management process that will assist in creating and maintaining a culture that enables the Corporation to make risk-based decisions, deliver high-quality services and meet its performance objectives.

Enterprise Risk Management Implementation Plan

Underpinning, the successful implementation of an effective and robust risk management process is the 2022 to 2024 Enterprise Risk Management Plan which translates the key focus areas into specific and detailed actions steps and further indicate the responsibilities, timeframes and stakeholders for each key focus area. Figure 1 shows the planned key focus areas for the successful implementation of risk management corporate-wide.



Business Risk Action Plans

To lay the foundation for the risk assessment and to ensure that each business unit continues to contribute positively to the overall achievement of the corporate strategic plan, the Enterprise Risk Management unit facilitated the creation of business unit action plans for all business units based on the risk profiling conducted in 2022. The business units’ action plans enable the business units to monitor and report performance on their business objectives.

Risk Management Culture

To enhance risk management in ZESCO, management appointed Corporate Risk Liaison Officers (CRLOs) to act as focal points for risk management activities within their business units. The appointment of CRLOs is a pivotal step in bolstering ZESCO’s risk management framework, fostering a proactive culture, and ensuring sustainable growth.

Key Contributions of the CRLOs

- **Coordinate Risk Management:** Act as the primary contact for risk-related matters and integrate risk management into operations.
- **Risk Monitoring:** Update and monitor business units’ risk registers, action plans, and mitigation strategies.
- **Risk Consolidation:** Collaborate with other CRLOs to review and consolidate the ZESCO’s Corporate Risk Register.

Benefits of the CRLOs

- Enhanced risk awareness and accountability.
- Improved decision-making through accurate risk insights.
- Strengthened compliance and operational resilience.

Implementation of ZESCO Enterprise Management System

To support ZESCO’s digital transformation agenda, the Enterprise Risk Management unit embarked on a journey to develop an in-house system to digitise the risk registers and action plans and will enable the efficient documentation, tracking, and analysis of risks across the Corporation and improve data accuracy, enhance accessibility, and foster a more proactive approach to risk mitigation and decision-making.

Our Key Risks

In order to ensure that ZESCO achieves its strategic objectives, the key risks were managed and controlled. Below are key risks for the year 2023:

Climate Change Risks I4, L4: 16 (Major)		
Risk Description	Potential Risk Impact	Risk Mitigation
Changes in climatic conditions such as droughts, excessive temperatures, and flash floods are heavily impacting both the local and regional business landscape.	The Corporation’s electricity generation business is predominantly hydro and is susceptible to the effects of climate change, affecting overall operations and electricity generation.	Implementation of cascaded generation strategy, establishment of renewable energy business unit, and diversification of the generation mix.

Cybersecurity Threat and System Resilience I4, L3: L12 (High)		
Risk Description	Potential Risk Impact	Risk Mitigation
Risk of cybersecurity threats, IT systems resilience, and business continuity.	Potential risks include information breaches, system failures, and disruptions to business operations anchored by ICT systems.	Deployment of cybersecurity tools (e.g., SOC, EDR, MDM), IT infrastructure investments, and disaster recovery plans.

Foreign Exchange (FX) Risk I4, L3:12 (High)		
Risk Description	Potential Risk Impact	Risk Mitigation
Risk arising from financial transactions in foreign currencies.	Cash flow and profitability affected by exchange rate movements, impacting tariff strategies.	Hedging strategies, migration of customers to dollar-based tariffs, and alignment of obligations with receipts.

Stakeholder Management Risk I3, L3:9 (High)		
Risk Description	Potential Risk Impact	Risk Mitigation
Risk of failing to manage relationships with stakeholders, impeding the achievement of business goals.	Adverse effects on financial sustainability, infrastructure expansion, and stakeholder trust.	Engagements with stakeholders, customer interactions, town hall meetings, and public awareness campaigns.

Safety, Health, Environment (SHE) I4, L2:8 (High)		
Risk Description	Potential Risk Impact	Risk Mitigation
Risk of harm to customers, employees, and third parties, and failure to protect the environment.	Potential personal and environmental harm, along with regulatory, financial, and reputational repercussions.	Adoption of SHEQ Management Systems, ISO certifications, compliance with environmental regulations, and incentivizing safety culture.

Asset Management Risk I4, L2:8 (High)		
Risk Description	Potential Risk Impact	Risk Mitigation
Risk of failure to effectively manage assets, including maintenance, network reinforcements, and expansion.	Asset underperformance, network failure, increased outages, reduced asset lifespan, and customer dissatisfaction.	Effective maintenance regimes, regular technical reviews, and investment in new assets.
Electricity Tariff Risk I4, L2:8 (High)		
Risk Description	Potential Risk Impact	Risk Mitigation
Risks arising from non-cost-reflective tariffs in domestic and wholesale markets.	Disparity between consumer prices and electricity production costs, constraining cash flow and strategic plans.	Completion of cost-of-service studies, stakeholder engagement, implementation of multi-year tariff escalation regime for domestic markets and tariff negotiations with IPPs.
Non-Compliance Risk I4, L2:8 (High)		
Risk Description	Potential Risk Impact	Risk Mitigation
Risk of failing to comply with legal, regulatory, and ethical obligations.	Financial penalties, reputational damage, and erosion of stakeholder trust.	Implementation of integrity programs, whistleblower policies, and compliance training.
Liquidity Risk I4, L2:8 (High)		
Risk Description	Potential Risk Impact	Risk Mitigation
Risk of inability to meet financial obligations, affecting funding for growth projects and operational requirements.	Delayed capital projects, increased costs, and constrained strategic objective implementation.	Loan refinancing, equity conversion of shareholder loans, and resolution of commercial disputes.
Revenue Leakages I2, L4:8 (High)		
Risk Description	Potential Risk Impact	Risk Mitigation
Loss of revenue due to technical and non-technical issues such as vandalism and system failures.	Decreased revenue, poor service delivery, and increased costs for asset replacements and maintenance.	Community sensitization, enhanced security patrols, and investments in infrastructure upgrades.
Political and Legal Risk I2, L3:6 (Medium)		
Risk Description	Potential Risk Impact	Risk Mitigation
Risks arising from changes in political and legal environments, such as laws and policies.	Potential impacts on operations and business environment due to changes in governance or legal frameworks.	Active participation in legislative processes and continuous legal review to identify opportunities.
Strategy Delivery Risk I2, L3: 6 (Medium)		
Risk Description	Potential Risk Impact	Risk Mitigation
Risk of changes in the macro-environment rendering the organization's strategy ineffective.	Adverse impacts on cash flow, growth, and strategic objectives due to insufficient responses to market changes.	Regular strategy reviews, financial oversight, and resource mobilization initiatives.



Asset Creation

In the quest to address the ever-growing demand for electricity, ZESCO endeavour to continue investing in electricity infrastructure to meet demand and support other energy investments assets across the value chain.

Generation

ZESCO’s generation portfolio has remained predominantly hydro with an installed capacity of 3,811 MW, however, the group has several renewable projects at different planning stages. The following are some of the new additions during the year.

Kafue Gorge Lower Project (KGL).

On 24 March 2023, the hydro flagship 750MW project located in the southern part of the country on the Kafue River basin, downstream of Kafue Gorge Power Station was fully commissioned. The objective of the project is to increase installed capacity and optimise the water usage on the Kafue River basin by cascading the power plants. This operation has increased the installed capacity on this waterbody to 68%.

Lusiwasi Lower Hydropower Project

This is an 86MW project located in the northern part of the country on the Lusiwasi river basin.

The objective of the project is to increase installed capacity and improve the quality of supply in the Northern circuit. Besides geographical diversification objective, the project also hopes to optimise the water usage by cascading plants on the same waterbody. The proposed plant capacity of 86MW is under review to ensure that the energy generation and capacity are optimized.

The project is still persuing financial close

Chishimba Falls Power Station Project

This is a 14.8MW project located in the northern part of the country on the Luombe river basin. The project will rehabilitate and uprate the existing plant from dilapidated 6MW to a new 14.8MW.

The objective of the project is to increase installed capacity and improve the quality of supply in the Northern circuit. The project is also aimed at achieving geographical diversification as most of ZESCO Plants are in the Southern part of the Country.

During the period under review, the funder gave a “no objection” for award of tender for consultancy services in the third quarter. The procurement of an EPC contractor is currently underway.



Kalungwishi River Hydropower Scheme.

The project scope is to develop 244MW of hydro power facilities including Dam, waterways, Power evacuation transmission lines and associated infrastructure at two sites, i.e. Kundabwika and Kabwelume.

The objective of the project is to provide addition of 1,060GWh per year on national grid, new transmission line infrastructure and spreading generation hydrological risk from the Southern drought prone areas. The project is also aimed at achieving geographical diversification as most of the ZESCO plants are in the Southern part of the Country.

During the period under review the environmental issues relating to Valuation of properties on the proposed transmission component of the project were initiated to determine the compensation for Project Affected Person and the draft Environmental Impact Study was submitted to ZEMA. The discussions are still ongoing between ZESCO, GRZ and the developer to resolve issues of Land Tenure and Water Rights.

Renewable Power Generation Projects.

ZESCO is planning to develop renewable energy projects to diversify generation sources and improve their resilience to global warning effects that are impacting the generation landscape. These diversifications will be driven both by independent developers and ZESCO. In 2023, over 1,000MW of different renewable sources have progressed beyond the Grid Impact Study stage.

The following are some renewable projects that ZESCO is executing,

Shang’ombo 2MWac Solar PV Project

The purpose of the project replaces the existing inefficient diesel power station with a 2MWac Solar plant, that will improve capacity and reliability of supply in the area.

The process to procure an EPC contractor was still under at the close of this financial year. The land to host the project has been procured and An Environmental Project Brief (EPB) was submitted to ZEMA for review and approval in 2023.

Luapula Province (Mansa) 50MWac Solar Photovoltaic (PV) Project

The Mansa 50 MWac project is one of the many renewable projects ZESCO has planned to commission to achieve diversification of electricity generation portfolio.

The EPC contractor for the project has been procured, the land to host the projects has been identified. In the period under review as part of site preparation the valuation properties, fruits and trees is in progress with a projection to conclude all Environmental and Land related compliances in the coming 2024.

Kasupe 7.5MWac Solar PV Project

ZESCO intends to develop a 7.5MWac solar PV power plant on its Kasupe land. The project will be internally funded. The procurement of the EPC contractor is in progress.

Transmission

The Transmission system comprises of infrastructure used to evacuate power across Zambia, which covers over 10,500km of High Voltage overhead lines in the voltage class 66-330kV. The System has over 147 substations with a combined transformation capacity of about 8,200 MVA. ZESCO’s transmission system is interconnected with other utilities Systems in the SAPP.

During the year under review ZESCO executed projects which are at different stages of Implementation as follow:

- 1.System Reinforcement Projects– to improve the power transfer capacity and system operational efficiency.
- 2.Grid Expansion Projects – to expand the system to connect businesses and parts of the country that are not on the electricity Grid.

The following are some of the projects that are at different stages of Implementation:

Interconnectors.

Zambia is a landlinked country as such ZESCO is taking advantage of the country geographical orientation by developing interconnectors with other neighboring countries to reduce power transfer constraints and improve on trade of electricity across the region. The following are some of the projects that have been undertaken.

Kasama – Nakonde and Zambia-Tanzania-Interconnection Project (ZTIP) Project.

This project is part of Zambia Tanzania Kenya (ZTK) whose scope included the construction of 387km of 330kV line from Kasama to Mporokoso and Kasama to Nakonde and associated substations to be constructed in Mporokoso and Nakonde. The project will also construct a Zambia – Tanzania Interconnector with a design transfer capacity of 500MVA. As a project spin-off, ZESCO will also develop some sub-transmission lines in Kasama and Mungwi areas.

The objective of the ZTK Interconnector is to facilitate trading in electricity in the region and promote power systems stability by effectively connecting the SAPP with the East African Power Pool (EAPP). Once completed this project will enable the Zambian section of the ZTK corridor to transfer at least a 500MW firm power and will secure power supplies to northern Zambia.

During the period under review, the following progress on specific issues was made.

- Implementation of the Project Implementation Unit (PIU) was approved.
- The draft Inter-Utility Memorandum of Understanding (IUMoU) between ZESCO and TANESCO was approved and sanctioned by the Attorney General.
- The terms of reference (ToRs) and composition of the Tanzania-Zambia (TAZA) Interconnector Joint Technical Committee was approved.

- The World Bank granted a “no-objection” for procuring the Environmental and Social Safeguards consultant (ESIA consultant.) financed by CIG Zambia.
- The shortlist of the Technical Consultants was submitted to the World Bank for a “No-Objection” decision.
- The 6th JTC meeting between ZESCO and TANESCO was held from 11 to 15 December 2023 in Dar es Salaam, Tanzania.

Mozambique - Zambia Interconnector

This project aims to provide a direct connection between Mozambique and Zambia, this will shorten the power transfer route as opposed to the existing scenarios where the importation of power from Mozambique requires passing through three countries power gets in Zambia.

The Environment and Social Impact Assessment for the Project has been concluded, and the final Environmental Impact Statement (EIS) and Resettlement Policy Framework (RPF) were approved by ZEMA in the year under review. Furthermore, the utilities ZESCO and EDM have appointed a Joint Technical Committee for the project.

Currently the Government of the republic of Zambia is persuing financial close for the project and has planned engagements with development financiers to facilitate the financing of the project.

Malawi – Zambia Interconnector

This project aims to provide a high voltage interconnection between Zambia and Malawi. Currently the two utilities are interconnected using

distribution lines. The project will improve the transmission transfer limit capacity and improve the power trade potential.

The two utilities ESCOM and ZESCO, have agreed to financially support some aspects of the Environmental and Social Impact Assessment (ESIA) studies for the project. The partnership agreement for the full funding of the full feasibility studies was action in 2023, with Swedfund and the European Union.

Zimbabwe Zambia Botswana Namibia (ZIZABONA) Interconnector

This ZIZABONA transmission projects consists of the development, construction of operation of the new transmission infrastructure in Zimbabwe, Zambia, Botswana and Namibia. This project will facilitate the creation of the western Transmission corridor for the SAPP and decongest the central corridor, thereby improving power trade in the region.

Currently the project is procuring consultants to update the initially undertaken feasibility report and ESIA related studies. Furthermore, the Projects is exploring the interest from a private developer and other development financiers for the project.

Kalumbila Trident Mine Supply Project

The project is to construct a 330kV double circuit transmission line and associated substations from Lusaka to Kalumbila. The final commissioning is pending the installation of the line Reactor on the second Mumbwa – Kalumbila 330kV Line. The project to introduce the reactor on the second Mumbwa – Kalumbila 330kV Line has commenced and further, the project will also include a 18km 33kV

distribution line from Nambala Substation to Mumbwa Town Substation.

The objective of the project is to supply Kalumbila’s Trident Mine in the North-Western part of Zambia. The Investment will also provide system stability and resilience to the new mines in the area and also improve supply in Mumbwa district.

The project is complete and commissioned.

Second Kabwe-Pensulo 330kV Transmission Line

This project involves the construction of a 300km 330kV Transmission line from Kabwe Stepdown Substation to Pensulo Substation and associated Substation works,

The project objective of the Second Kabwe Stepdown – Pensulo Transmission line is to reinforce and improve the security of supply to Northern, Eastern, Muchinga, and Luapula provinces.

As of the end of the year, the transmission line works are 99% complete and substation civil works are 95% complete and imported materials are on schedule to arrive as projected. The project is expected to be completed by Mid-2024



Kafue Gorge Lower (KGL) Power Evacuation Project.

This project involves the construction of three 330kV Transmission line and associated substation works as follows.

- 48km 330kV Kafue West – Lusaka West Transmission Line
- 50km 330kV Kafue Gorge Lower – Lusaka South Multi-Facility Economic Zone (LSMEZ).
- 106km 330kV Kafue Gorge Lower – Lusaka West
- Substation works at Kafue Gorge Lower, Lusaka West, LSMFEZ, and Kafue West Substation.

The main objective is to provide a power evacuation passage for the 750MW KGL power and create a Grid Integration point for the KGL Scheme.

The project procurement process has been finalised, wayleave acquisition and compensation of Project Affected Peoples is 100% complete.

During the year under review, all the components of the project was completed and commission in August 2023

Lusaka South Multi Facility Economic Zone (LSMFEZ) 330kV Transmission Project.

The project involves the construction of (1) 150MVA 330//33/11kV and (2) 150MVA 330//132 substation, (2) 330kV Transmission Lines from Leopard Hills Substation to LMSFEZ Substation, and (3) Kafue West Substation to LSMFEZ Substation.

The main objective of the project is to provide reliable power to adequately meet the demand for Lusaka South Multi-Facility Economic Zone (LSMFEZ). Further the project will provide a bulk supply point to the Lusaka 132kV sub-transmission ring project (LTDRP) and the Substation will be one of the evacuation points for 750MW Kafue Gorge Lower and two solar PV plants for Bangweulu and Ngonye Power Company.

The project’s major components, two 150MVA transformers and Transmission lines were commission in the year under review

Pensulo-Mansa Transmission Project

The project scope involves the construction of a 300km 330kV transmission line and associated substations. The transmission line will initiate from the existing Pensulo substation in Serenje district to a newly constructed substation in Mansa. The project will also develop a local sub-transmission network that will be reinforced with a 132kV Network.

Some of the key objectives of the project are (1) to increase the transmission capacity to Luapula Province to support the anticipated large mining and agricultural loads, (2) provide an evacuation path for the Hydropower scheme on the Luapula river basin, and (3) improve the quality of supply in the province.

The procurement for the project was restarted using a two-stage procurement process, the pre-qualification of bidders was finalized, and the tender documents were issued to the selected bidders. The procurement process will be finalized in 2024.

Evacuation Of Power From Ndola Energy Phase II

This project involves the construction of an evacuation path for Ndola Energy’s 57MW Phase II power plant by re-configuring about 1.3km of the existing Mushili – Bwana Mkubwa 66kV Transmission line into and out of the Ndola energy plant. The project involved replacing terminal equipment, construction of a control building, and introduce station automation (SCADA) at Bwana Mkubwa Substation.

The project objective is to provide a permanent evacuation for phase II and also improve operational efficiency.

The project completion status as the end of the year was at 100%

Connection Of Lundazi And Chama To The National Electricity Grid

The main scope of the project is to construct substations and 132kV (325km) Transmission Line from Chipata West Substation to Chama via Mwasemphangwe, Lundazi, and Egichickeneni. The project will also develop a distribution network involving 185km of distribution lines with transformation points in areas such as; schools, rural health centres, and community centres.

The main objective of this project to connect Lundazi and Chama to the National Grid, increase access to electricity, and improve the quality of supply. Currently, Lundazi and Chama are supplied by ESCOM Malawi and supplemented by Diesel Generating Planting. The two sources are unstable resulting in prolonged interruption of supply.

The completion progress status for the 325km Transmission line was 100% and commissioned in 2023. Furthermore, ZESCO undertook to develop the associated substation works internally and, Chama and Lundazi Substation were complete and commissioned in the year under review.



Distribution Systems

The distribution system comprises infrastructure used to support the utilisation of electricity by the various end-user in ZESCO’s domestic customer portfolio comprising of retail customers.

Our drive to increase access to electricity was reaffirmed when we achieved a one million customer mark in 2019. Distribution system asset creation strategy segments our projects into two categories i.e.

1.Distribution System reinforcement projects - to improve the power transfer capacity and system operational efficiency.

2.Distribution System expansion projects - to connect businesses and parts of the country that are not on the national electricity Grid.

Lusaka Transmission & Distribution Rehabilitation Project (LTDRP)

The LTDRP involves three main components as follows;

1.Rehabilitation of Lusaka Transmission System
This scope involves (1) upgrading 88kV transmission corridors to 132kV, (2) rehabilitate the existing 132kV transmission corridors, (3) construct new 132kV Transmission corridors, (4) establish Greenfield Substation and (5) rehabilitate existing Substations.

2.Rehabilitation of Lusaka Distribution System
This scope involves rehabilitation of existing and construction of Greenfield 11 – 33kV distribution networks and substations in Lusaka City.

3.Last Mile
The project involves the integration of the outcome of the LTDRP Project into the existing Lusaka Distribution Network, this will involve reinforcement of the 11kV Network.

The main project objectives are;

- 1.To increase transmission transfer capacity, and improve network reliability and efficiency in Lusaka.
- 2.To rehabilitate and reinforce 11 and 33kV Lusaka distribution network and expand existing transformation capacity by building new substations or upgrading the existing substations.
- 3.To increase access to electricity and efficiency of the network.

Progress on the Contracts in the Execution stage
During the year under review, the following were the completion status of the different segment;

Substations

The following are substation completion progress report

- 100% Completion status at Waterworks Substation
- 100% Collective completion status at Industrial, Roma.

Leopards Hills and Lusaka West Substations.

- 100% Completion status at Chilanga Substation
- 100% Completion status at Avondale Substation.
- 100% Completion status at Chawama Substation

Transmission Lines.

The following is the project status for 132kV Transmission Lines components during the year under review.

- 100% Collective completion status for the following: (1) LSMFEZ – Waterworks, (2) Leopards Hills – Roma, (3) Lusaka West – Industrial, and (4) Industrial - Coventry.
- 100% - Completion Status for Roma – Lusaka West
- 100% - Completion status for LSMFEZ – Chilanga

Overall, Under the LTDRP portfolio, LTDRP registered 84% overall project completion against a target of 90%. Some of the challenges faced, during the period under review, mainly included safeguard issues – wayleave encroachments, which have cost the Corporation upwards of USD 8million in compensation, to-date.

Increased Access to Electricity Services (IAES) Project

The IAES Project involves grid expansion in Northern and Northwestern under the JICA distribution lines phase II. The project scope includes 652km of High Voltage and Low Voltage distribution lines and Sixty-Six (66) transformation points.

World Bank Funded ESAP, involves increasing connection in low-income households and grid network support in the nine (9) provinces.

The objectives of this project are to increase access to electricity, through expansion of the network in the rural distribution network, and to provide subsidies to low-income households in all the provinces to increase new electricity connections.

During the year under review over 17,500 have applied for the new connection under ESAP with about 100% connection rate. The project to construct lines in the 9 provinces was completed in the year under review.

Fleet Management

To sustain and support our operational capability the Fleet Management Unit added 94 new motor vehicles during the period under review which were distributed across the value chain at the cost of K64.5 million.

Civil, Building, and Infrastructure Project

ZESCO during the year under review has undertaken Building and Infrastructure development projects which are internally managed by the Civil Engineering division. Below are some of the projects which are completed in 2023.

- Purchase of Mukuba House
- Construction Inventory storage sheds in Ndola, Kitwe and Lusaka were completed
- Regional Offices for Choma and Chilubi were completed.
- Refurbishment of the National Control Centre Building and Installation of the New Industrial Air conditioning system was completed.

The objective of the projects is to provide enhanced customer experience, by providing internal and external customers with a conducive and convenient environment when accessing our services.



2023
ZESCO LIMITED GROUP
FINANCIAL STATEMENTS

ZESCO Limited
Consolidated Financial Statements
For the year ended
31 December 2023

ZESCO LIMITED CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITY

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Stand 6949, Great East Road
Lusaka

RESULTS AND DIVIDENDS

The loss for the year amounted to K40 billion (2022, K1.3 billion). The Directors do not recommend payment of a dividend in respect of the year ended 31 December 2023.

DIRECTORS

The Directors who held office during the year were:

Mr. Vickson Ncube	Board Chairperson
Mr. Victor B. Mapani	Managing Director
Ms. Edna Mwaala Mudenda	
Dr. Jolly Kamwanga	
Mr. Charles Kaisala	
Mrs. Chikonjiwe Mumba	
Mr. Emmanuel Gardner	
Mr. McRobby Chiwale	Company Secretary (Retired on 28 February 2023)
Mrs. Matembo Lisimba	Company Secretary (Appointed on 15 June 2023, Retired 28 October 2024)
Mr. Evans Twaambo	Acting Company Secretary (Appointed on 28 October 2024)

ZESCO LIMITED CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS (CONTINUED)

CORPORATE GOVERNANCE

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

PROPERTY, PLANT AND EQUIPMENT

The Group invested a total of K3.2 billion (2022: K 3.9 billion) in property, plant and equipment during the year, as disclosed in note 14 to the financial statements. In the opinion of the directors of the Group, the fair values of property, plant and equipment are not less than the amounts at which they are included in the financial statements.

The company revalued its assets as at 31 December 2023 leading to a surplus on revaluation of K119 billion as disclosed in note 14.

INTANGIBLE ASSETS

During the year the Group acquired software amounting to K26.5 million (2022: K161 million).

EXPORTS

The value of electricity exports by the Group were K8.2 billion (2022: K4.7 billion).

DONATIONS

The Group as part of Corporate Social Investment made donations during the year amounting to K1.8 million (2022: K5.9 million).

RESEARCH AND DEVELOPMENT

The Group's research and development activities during the year amounted to K1 million (2022: K4.1 million).

SHARE CAPITAL

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

EMPLOYEES

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

	2023	2022
January	6,719	6,782
February	6,710	6,764
March	6,756	6,865
April	6,869	6,802
May	6,898	6,734
June	6,876	6,755
July	6,881	6,753
August	6,945	6,731
September	6,971	6,731
October	6,969	6,718
November	6,975	6,718
December	7,050	6,761

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

The total remuneration paid to employees during the year was K3,896,653,213 (2022: K1,182,639,606).

ZESCO LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

3.

REPORT OF THE DIRECTORS (CONTINUED)

HEALTH AND SAFETY OF EMPLOYEES

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

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

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

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

LOANS TO MANAGEMENT

The loans given or outstanding from Management as at 31 December 2023 was K1.4 million (2022: K1.9 million).

KEY DEVELOPMENTS DURING THE YEAR

- The Company reduced the new connection backlog from over 60,000 at the beginning of 2022, to a backlog of 22,258 at the close of 2023 for both standard and non-standard jobs.
- The Energy Regulation Board (ERB) approved the Company's application for a 5-year Multi Year Tariff (2023-2027) effective 1st May 2023. In addition, ERB approved the request to migrate retail customers that consume above 5000kVA to Power Supply Agreement Contracts, thus resulting in increased revenue security.

ZESCO LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

4.

REPORT OF THE DIRECTORS (CONTINUED)

KEY DEVELOPMENTS DURING THE YEAR (continued)

- The Company concluded tariff re-negotiations with Itzhi-Tezhi Power Company (ITPC) as at May 2023, for amendment to Power Purchase Agreement (PPA) of 2015. The effective conclusion of discussions resulted in the reduction of the amount owed by the Company from USD 784 million to USD 330 million, a saving of USD 454 million.
- Total IPP debt which stood at about USD 1,800 million at the end of 2021 reduced to USD 637 million as at 31st December 2023.
- Successful connection and powering of Lundazi and Chama Districts of the Eastern Province to the national grid commissioned on 31 December 2023. Marking a significant milestone in Zambia's energy landscape as it is the first time since independence, 59 years ago, the two districts have gotten connected to electricity.

AUDITORS

Messrs Grant Thornton were appointed as Auditors for 2023 financial year. A resolution proposing their re- appointment as auditors and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

By order of the Board.



Mr. Evans Twaambo
ACTING COMPANY SECRETARY
Lusaka

Date: 23 December 2024

ZESCO LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT ON CORPORATE GOVERNANCE

- 1 The Company subscribes to tenets of good corporate governance. ZESCO Limited's mandate, structure and operations are primarily premised on the Electricity Act No. 11 of 2019 and its subsequent amendments thereof, and other applicable laws. ZESCO Limited has in place various policies, structures, and procedures to ensure that the decision-making process, governance and administration of the institution are in accordance with applicable laws and good corporate governance practices.
- 2 The Company is governed by a Board of Directors, comprising Seven (7) members, who are appointed by the Industrial Development Corporation (IDC). The Board of Directors are drawn from the industry and professional bodies.
- 3 The Board has seven (7) Directors, comprising of two (2) females and five (5) males. The Board provides oversight over the operations of the Entity in line with its statutory mandate and the Board Charter which is reviewed regularly. The Board also appoints the Managing Director in consultation with IDC. The Managing Director is responsible for the day-to-day management of the Company. The Office of the Company Secretary acts as a central point of advice to the Directors on governance issues and processes relating to the Entity's operations. All Directors and Committee Members have access to the Company Secretary.
- 4 The Board meets regularly to review the performance of the Company and provide guidance to Management. Every year, a Schedule of Board Meetings is agreed to assist members plan for attendance. However, Special meetings are arranged to cater for urgent and time bound business.
- 5 During the year under review a total of twelve (12) meetings were held. Out of the twelve (12) meetings held, four (04) were scheduled and the remainder of eight (8) were Special meetings.
- 6 The Board's key focus areas are summarised as follows:
 - a) Strategy
 - b) Corporate Governance
 - c) Financial Performance
 - d) Risk Management
- 7 The proceedings of the meetings were duly recorded, and minutes were signed after confirmation by the Directors.

5.

ZESCO LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT ON CORPORATE GOVERNANCE

Board Committees

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

Audit and Risk Committee

- 9 The Audit, Risk and Compliance Committee, as recognised in Section 19 of the Public Finance Management Act, No. 1 of 2018, oversees financial reporting, risk management and compliance for the Company.
- 10 The Committee is comprised of the following Members:
 - a) Ms. Edinah Mudenda
 - b) Mr. Charles Kaisala
 - c) Ms. Milangu Kampata
 - d) Mr. Millen Siamuyoba
 - e) Mr. Emmanuel Mbambiko
- 11 During the year, the Committee met eight (8) times to consider audit, risk and compliance matters and make appropriate recommendations to the Board.

Investments and Finance Committee

- 12 The Investments and Finance Committee oversees investment performance and management to ensure prudent management of assets and maximisation of returns.
- 13 The Committee is comprised of the following Members:
 - a) Mr. Emmanuel Gardner
 - b) Dr. Stephen Mpembele
 - c) Mr. Stein Liyanda
 - d) Ms. Charlene Bangwe
 - e) Ms. Chikonjiwe D Mumba
 - f) Mr. Victor B. Mapani
- 14 The Committee met eight (8) times to review the Entity's financial performance, consider investment proposals, make investment decisions, and propose appropriate recommendations to the Entity.

Technical Committee

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

6.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Technical Committee (continued)

16. The Committee is comprised of the following Members:
- a) Mr. Charles Kaisala
 - b) Mr. Chibulu A. Musonda
 - c) Mr. Crispin Munyati
 - d) Mr. Emmanuel Gardner
 - e) Mr. Victor B. Mapani
17. The Committee met five (5) times in 2023 to consider matters relating to Technical operations and make appropriate recommendations to the Board

Human Capital and Development Committee

18. The Committee's key function is to oversee staff wellbeing and performance to ensure optimal overall organisation performance.
19. The Human Capital and Development Committee is comprised of the following Members:
- a) Ms. Chikonjiwe D Mumba
 - b) Dr. Jolly Kamwanga
 - c) Ms. Claire Limbwambwa
 - d) Ms. Beatrice H Malonda
 - e) Mr. Victor B. Mapani
20. The Committee met nine (9) times in 2023 to consider matters pertaining to staff and make appropriate recommendations to the Board.

Corporate Support Services and Legal Committee.

21. The Committee's key function is to oversee Governance and Support functions to ensure Compliance and overall organisation performance.
22. The Committee comprises the following members:
- a) Dr. Jolly Kamwanga
 - b) Ms. Edinah Mudenda
 - c) Ms. Monica Chisela
 - d) Ms. Gertrude Musyani
 - e) Mr. Victor B. Mapani
23. The Committee met four (4) times in 2023 to consider matters pertaining to Corporate Governance and Support Services and make appropriate recommendations to the Board.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Attendance of meetings

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

Attendance of Meetings

	Board Meetings			Committee Meetings		
	Scheduled Meetings	Special Meetings	Meetings Attended	Scheduled Meetings	Special Meeting	Meetings Attended
Board						
Mr. Vickson Ncube - Chairman	4	8	12			
Mr. Victor B Mapani - MD	4	8	12			
Ms Edinah M Mudenda	4	8	12			
Dr Jolly Kamwanga	4	8	12			
Mr Charles Kaisala	4	8	12			
Ms Chikonjiwe D Mumba	4	8	12			
Mr Emmanuel Gardner	4	8	12			
Finance and Investment Committee						
Mr. Emmanuel Gardner				4	4	8
Ms. Chikonjiwe D. Mumba				4	4	8
Dr. Stephen Mpembele				4	4	8
Ms. Charlene Bangwe				4	4	8
Mr. Stein Liyanda				4	4	8
Mr Victor B Mapani				4	4	8
Audit and Risk Committee						
Ms. Edinah Mudenda				4	4	8
Mr. Charles Kaisala				4	4	8
Mr. Millen Siamuyoba				4	4	8
Ms. Milangu Kampata				4	4	8
Mr. Emmanuel Mbambiko				4	4	8
Human Capital and Development Committee						
Ms. Chikonjiwe D. Mumba				4	5	9
Dr. Jolly Kamwanga				4	5	9
Ms. Claire Limbwambwa				4	5	9
Ms. Beatrice H. Malonda				4	5	9
Mr Victor B. Mapani				4	5	9

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Attendance of meetings (continued)

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

	Board Meetings			Committee Meetings		
	Scheduled Meetings	Special Meetings	Meetings Attended	Scheduled Meetings	Special Meeting	Meetings Attended
Technical Committee						
Mr. Charles Kaisala				4	1	5
Mr. Emmanuel Gardner				4	1	5
Mr. Crispin Munyati				4	1	5
Mr. Chibulu A. Musonda				4	1	5
Mr. Victor B. Mapani				4	1	5
Corporate Support Services and Legal						
Dr. Jolly Kamwanga				4	0	4
Ms. Edinah Mudenda				4	0	4
Ms. Monica Chisela				4	0	4
Ms. Gertrude Musyani				4	0	4
Mr. Victor B. Mapani				4	0	4

25 **Board Induction and Continued Development**

- 25.1 The Entity has in place a comprehensive induction process for new Directors and Committee members as and when they join the Board. The induction process takes the form of presentations from executives and functional heads. The Entity also endeavours to expose Directors to specific tailored training in energy generation, transmission and distribution and good corporate governance during the tenure of their office in order to better equip them to discharge their functions. The new Board and Committee members were appropriately inducted and orientated upon their appointment.
- 25.2 Further, the Entity recognises the importance of Directors' continued understanding of the changing regulatory environment in the energy industry and their role as fiduciaries. Arrangements for training, exposure to new developments and benchmarking with peer institutions are regularly made for Directors' continued learning and development. These training and development activities usually focus on areas such as strategy, corporate governance, risk management and investments.

26 **Board Performance Evaluation**

- 26.1 The Entity also conducts performance evaluations of the Board, and its Committees in order to enhance Board effectiveness.
- 26.2 A board evaluation exercise is being undertaken in 2024.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

27 **Board Remuneration**

- 27.1 Board of Directors and Committee Members are remunerated for services rendered to the Company through sitting allowances and quarterly retainer fees. The Board is empowered by law to set its remuneration, which is subject to approval by IDC. Before Directors' remuneration is reviewed upward, surveys are conducted with peer institutions within the Public Sector for comparison. If deemed appropriate, the Human Capital and Development Committee makes recommendations for review of Board remuneration.
- 27.3 Details of the total remuneration and board expenditure is provided in note 21 "Related Party Transactions" of the audited financial statements.

28 **Senior Management**

- 28.1 The Board of Directors has within the provisions of Articles of Association delegated the day-to-day administration of the Company to the Managing Director, who is the Chief Executive Officer of the Entity.
- 28.2 Senior Management is comprised of the Managing Director, supported by eight (8) Directors who each head a Directorate.
- 28.3 There is open communication between the Board of Directors and Senior Management. The Board and its Committees are supplied with full information prior to each meeting to enable them discharge their responsibilities.
- 28.4 The Board understands the relationship between itself and the members of Management. It acknowledges that its role is to promote the interest of the public and the shareholders and recognises that it is accountable to the public and the shareholders for the performance

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

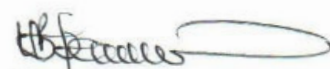
The Directors confirm that in their opinion

- (a) the financial statements give a true and fair view of the financial position of ZESCO Limited and its subsidiaries as at 31 December 2023, and of its financial performance and its cash flows for the year then ended;
- (b) at the date of this statement there are reasonable grounds to believe that the Group will be able to pay its debts as and when these fall due; and
- (c) the financial statements are drawn up in accordance with the provisions of section 265 of the Companies Act and International Financial Reporting Standards.

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

Signed at Lusaka on 23 December 2024


Mr Vickson Ncube
CHAIRMAN


Eng. Victor Mapani
MANAGING DIRECTOR

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
ZESCO LIMITED

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

Opinion

We have audited the financial statements of ZESCO Limited (The Company) and its subsidiaries (The group), which comprise the consolidated and separate statement of financial position as at 31 December 2023, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying group and company financial statements give a true and fair view of the group and company financial position of ZESCO Limited as at 31 December 2023, and of its consolidated and company financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Partners

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

Audit • Tax • Advisory

Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
ZESCO LIMITED

Basis for Opinion

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

Material uncertainty related to going concern

We draw attention to note 29 in the financial statements which indicates that the Group made a loss after tax of K39.5billion (2022: loss of K1.4 billion) and current liabilities exceeded its current assets by K40 billion (2022: K29.6 billion) and at the reporting date the Group had negative retained earnings of K42 billion (2022: K10.1 billion). At the reporting date, the total borrowings amounted to K54.8 billion (2022: K36.6 billion) on which some of the loan covenants were breached. Government of the Republic of Zambia has issued a formal letter of support to the Group. These conditions indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern. Our opinion is not further modified in respect of this matter.

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZESCO LIMITED

Key audit matters (continued)

Key audit matters	How the matter was addressed in our audit
Measurement of financial assets Due to the complex and subjective nature of judgements made in the assumptions by the Directors over the measurement of financial assets this was considered a key audit matter. - The Directors are required to apply the forward-looking approach to recognize expected credit losses based on IFRS 9's impairment requirements. - Further, in assessing the fair value of financial assets, the Directors use a variety of valuation methods based on the classification of assets and make assumptions that are based on market conditions and other relevant valuation data existing at each reporting date. Long service retirement benefit The Group operates an unfunded long-term service retirement benefit plan. Under the terms of employment, qualifying employees are entitled to post-employment benefits. The benefits are defined benefit in nature based on the members' length of service and their salary at the earlier of retirement or death or termination from employment (the Employer) meets benefit costs as they fall due.	Our procedures included but were not limited to the following: - Assessing the design and implementation of the impairment model adopted with focus on compliance with the requirements of IFRS 9: "Financial Instruments". - Reviewing management's evaluation of possible outcomes and the probability of occurrence. - Checking the reasonableness of the information and ensuring the information was supported with reference to past events, current conditions as well as forecast of the future. - We obtained the analysis prepared by management in calculating the fair value of the assets. - We evaluated management's valuation assumptions and changes in assumptions to ensure they were reasonable and consistent with market information and other relevant valuation data. - Performed audit procedures over the valuation and accounting of investments in financial assets, to ensure that the valuation inputs applied to various valuation techniques were reasonable. In considering the actuarial valuation of pension obligations, we performed the following procedures: - Obtained the actuarial report based on 31 December 2023 numbers.

INDEPENDENT AUDITOR'S REPORT

15.

TO THE MEMBERS OF ZESCO LIMITED

Key audit matters (continued)

Key Audit Matter	How the matter was addressed in our audit
Valuation of property, plant and equipment As at 31 December 2023, the carrying value of the property, plant and equipment included in the statement of financial position amounted to K199 billion (2022: K51 billion) which represented 89% of the total assets. The Group has recognised a revaluation surplus of K119 billion, in arriving at a total property plant and equipment value as at 31 December 2023 Property, plant and equipment mainly comprise of the generation, transmission, and distribution equipment operated by the Group. Any changes in technology, environmental or regulatory changes may impact the recoverable amount of these plants and consequently impact the Group's valuation of the amount capitalised as property, plant and equipment Where indicators of impairment are identified, management performs impairment assessment on the recoverable amount of property, plant and equipment The recoverable amounts were determined through the valuation of the Group's property plant and equipment which was performed by an external valuation expert and applied the Current Replacement Value (CRV) and Depreciated Current Replacement Value (DCRV). The models were based on the remaining economic useful life of an asset. We identified impairment of property, plant and equipment as a key audit matter as determining recoverable amount involves significant judgements	Obtained an understanding of the management's process of identifying the impairment indicators and performing impairment assessment where impairment indicators exist. Performed risk assessment procedures for the assets where the impairment indicators were identified. Engaged valuation specialists to consider the appropriateness of the impairment assessment; and tested the accuracy of the impairment assessment model. We evaluated the competence, experience and independence of the valuation expert. We compared the assumptions used to the preceding period and considered the reasonableness. In considering the appropriateness of the valuation model we compared the models used to that of the prior year. We had discussions with the valuation experts and challenged assumptions used in the valuation report provided. We corroborated the inputs used against publicly available information. Assessed adequacy of disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

16.

TO THE MEMBERS OF ZESCO LIMITED

Key audit matters (continued)

Key audit matters	How the matter was addressed in our audit
The assumptions that underpin the valuation of the defined benefit pension assets and liabilities are important, and also subjective, judgements as to the surplus/deficit balance is volatile and affects the Group's retained earnings. Uncertainty arises as a result of estimates made based on the Group's expectations about long-term trends and market conditions. As a result, the actual surplus or deficit realized by the Group may be significantly different to that recognized on the statement of financial position since small changes to the assumptions used in the calculation materially affect the valuation. Key assumptions that are involved in the calculation of the defined benefit obligation as per note 23 to the financial statements are: • Discount rate; and • Expected rate of salary increment.	• Reviewed the valuation in relation to IAS 19 requirements. • Reviewed key inputs used within the report as well as challenged key assumptions made. • Performed a retrospective review to assess obligation for reasonableness. • Compared the discount rates used to Government Bond yield rates available with the Bank of Zambia. • We reviewed the level of salary increment considered by the Group for 2023 and projections for the future.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZESCO LIMITED

Other Information

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZESCO LIMITED

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
ZESCO LIMITED

Report on other legal and regulatory requirements

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

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

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


Chartered Accountants


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

Lusaka

Date: 23 December 2024

ZESCO LIMITED

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

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	Group		Company	
		2023	2022	2023	2022
		K'000	K'000	K'000	K'000
REVENUE	5	28,308,204	20,549,054	28,204,514	20,445,248
Cost of sales	6	(21,816,511)	(8,890,213)	(26,130,583)	(11,904,858)
GROSS PROFIT		6,491,693	11,658,841	2,073,931	8,540,390
Other operating income	7	5,907,971	458,743	5,800,399	457,199
Other losses/(gains)	8	(13,810,087)	(5,958,997)	(10,623,457)	(4,748,991)
Selling and distribution expenses		(20,248)	(12,891)	(20,248)	(12,671)
Administration expenses		(5,089,250)	(3,427,046)	(4,332,101)	(3,009,896)
Other expenses	9	(19,023,059)	(2,264,882)	(18,702,434)	(2,227,731)
Finance costs	10	(5,469,848)	(1,824,600)	(3,013,575)	(918,553)
Impairment of equipment	14	(4,763,372)	-	(4,763,372)	-
Share of profit/(loss) of associates	17.1	(39,091)	6,581	-	-
Share of profit/(loss) of a joint venture	17.1	18,272	5,865	-	-
LOSS BEFORE TAX		(35,797,019)	(1,358,386)	(33,580,857)	(1,920,253)
Income tax charge	12	(3,719,589)	(25,735)	(33,097)	(35,412)
LOSS FOR THE YEAR		(39,516,608)	(1,384,121)	(33,613,954)	(1,955,665)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Change in defined benefit obligation	23	-	-	-	-
Revaluation of property plant and equipment	14	119,503,666	-	119,484,155	-
Items that will be reclassified subsequently to profit or loss:					
Reversal of impairment of subsidiaries		5,979,673	-	-	-
Other comprehensive income for the year, net of income tax		125,483,339	-	119,484,155	-
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		85,966,731	(1,384,121)	85,870,201	(1,955,665)

ZESCO LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

GROUP

	Share capital	Revaluation reserve	Retained earnings/ (Accumulated losses)	Total
	K'000	K'000	K'000	K'000
Balance at 1 January 2022	2,825,118	20,244,239	(9,370,482)	13,698,875
Other comprehensive income for the year	-	-	(1,384,121)	(1,384,121)
Amortisation of revaluation reserve	-	(673,936)	673,936	-
Balance at 31 December 2022	2,825,118	19,570,303	(10,080,667)	12,314,754
Revaluation of Assets	-	119,503,666	-	119,503,666
Other comprehensive income for year	-	-	5,979,673	5,979,673
Loss for the year	-	-	(39,516,608)	(39,516,608)
Amortisation of revaluation reserve	-	(675,155)	675,155	-
Balance at 31 December 2023	2,825,118	138,398,814	(42,942,447)	98,281,485

ZESCO LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

COMPANY

	Share Capital	Revaluation Reserve	Retained earnings/ (Accumulated losses)	Total
	K'000	K'000	K'000	K'000
Balance at 1 January 2022	2,825,118	20,244,239	(8,557,928)	14,511,429
Loss for the year	-	-	(1,955,665)	(1,955,665)
Deferred tax derecognised	-	-	-	-
Amortisation of revaluation reserve	-	(673,936)	673,936	-
Balance at 31 December 2022	2,825,118	19,570,303	(9,839,657)	12,555,764
Loss for the year	-	-	(33,613,954)	(33,613,954)
Revaluation surplus	-	119,484,155	-	119,484,155
Amortization of revaluation reserve	-	(673,936)	673,936	-
Balance at 31 December 2023	2,825,118	138,380,522	(42,779,675)	98,425,965

ZESCO LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

		Group		Company	
		2023	2022	2023	2022
	Notes	K'000	K'000	K'000	K'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	199,987,496	83,161,539	167,059,991	51,273,033
Intangible assets	15	207,013	211,724	206,771	211,360
Right of use assets	16	49,639	19,245	2,975	14,730
Investments in associates	17.1	17,481	56,572	12,437,740	15,175,221
Investments in a joint venture	17.1	(5,674)	(23,946)	-	-
Deferred tax asset		17,519	159,378	-	-
Total non-current assets		200,273,474	83,584,512	179,707,477	66,674,344
Current assets					
Inventories	18	1,476,447	1,234,938	1,289,405	1,074,290
Trade and other receivables	19	6,152,306	2,624,710	5,567,068	2,631,016
Amounts due from related parties	21	283,929	3,624,386	409,965	3,735,656
Cash and bank balances		2,138,865	3,856,846	1,746,005	3,122,746
Total current assets		10,051,547	11,340,880	9,012,443	10,563,708
TOTAL ASSETS		210,325,021	94,925,392	188,719,920	77,238,052
EQUITY AND RESERVES					
Capital and reserves					
Issued capital	20	2,825,118	2,825,118	2,825,118	2,825,118
Revaluation reserve		138,398,814	19,570,303	138,380,522	19,570,303
Accumulated losses		(42,942,447)	(10,080,667)	(42,779,675)	(9,839,657)
Total equity		98,281,485	12,314,754	98,425,965	12,555,764
Non-current liabilities					
Borrowings	22	52,614,187	34,940,645	28,959,768	17,948,910
Retirement benefit obligations	23	2,047,388	3,560,335	2,039,561	1,891,237
Capital grants and contributions	24	3,520,748	3,131,066	3,520,748	3,094,076
Deferred tax liability	13	3,507,916	-	-	-
Lease liabilities	28	49,084	16,174	640	10,776
Total non-current liabilities		61,739,323	41,648,220	34,520,717	22,944,999

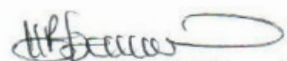
ZESCO LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023 (CONTINUED)

		Group		Company	
		2023	2022	2023	2022
<i>Current liabilities</i>	Notes	K'000	K'000	K'000	K'000
Trade and other payables	25	42,351,186	26,142,891	35,278,155	21,480,246
Amounts due to related parties	21	4,587,237	11,845,201	17,180,194	16,929,199
Borrowings	22	2,200,939	1,672,376	2,200,939	2,041,130
Retirement benefit obligations	23	84,298	164,503	83,713	162,628
Capital grants and contributions	24	157,373	138,301	157,373	138,301
Current tax liabilities	12	902,346	961,015	855,638	947,655
Lease liabilities	28	20,834	15,711	17,226	15,711
Bank overdraft	26	-	22,419	-	22,419
Total current liabilities		<u>50,304,213</u>	<u>40,962,417</u>	<u>55,773,238</u>	<u>41,737,289</u>
Total liabilities		<u>112,043,536</u>	<u>82,610,637</u>	<u>90,293,955</u>	<u>64,682,288</u>
TOTAL EQUITY AND LIABILITIES		<u>210,325,021</u>	<u>94,925,392</u>	<u>188,719,920</u>	<u>77,238,052</u>

The responsibilities of the Directors with regard to the preparation of the financial statements are set out on page 12. The financial statements on pages 20 to 104 were approved by the Board of Directors and authorised for issue on 23 December 2024 and were signed on its behalf by:


Mr. Vickson Ncube
CHAIRMAN


Eng. Victor B. Mapani
MANAGING DIRECTOR

ZESCO LIMITED

25.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Group		Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before Tax	(35,797,019)	(1,358,386)	(33,580,857)	(1,920,255)
Adjustments for:				
- Share of (loss)/profit of associates	39,091	(6,581)	-	-
- Share of loss/(profit) of joint venture	(18,272)	(1,615)	-	-
- Interest income	(20,516)	(18,166)	(15,375)	(18,166)
- Impairment of equipment	4,763,372	-	4,763,372	-
- Finance costs recognised in profit and loss	5,469,848	1,824,600	3,013,575	918,553
- Net exchange (gains)/ losses recognised on borrowings	15,487,080	1,357,648	8,299,843	1,471,040
- Loss on transfer of assets Fibrecom	-	-	40,365	567
- Loss on disposal of equipment	(4,097)	(21,971)	(4,087)	21,405
- Depreciation of non-current assets	2,138,215	2,158,748	1,834,222	1,917,773
- Adjustments on assets	317,217	239,779	317,217	-
- Depreciation on right of use assets	9,163	(4,979)	(3,228)	(62)
- Amortization of intangible assets	31,284	24,899	31,162	25,171
- Amortization of capital grants and contributions	(226,081)	(213,670)	(226,081)	(213,670)
Impairment of investments	-	253,908	-	-
- Impairment loss recognised on other receivables	149,262	36,935	(149,262)	(152,491)
- Impairment loss reversal recognised on amounts due from related parties	5,979,673	359,523	1,297,604	359,523
- Impairment loss recognised on trade receivables	8,148,581	(5,823,193)	8,148,581	(5,754,331)
- Dividend received	-	-	(1,409,404)	(28,973)
Movements in working capital:				
Increase in inventory	(241,509)	(361,475)	(215,115)	(340,308)
(Increase)/decrease in trade and other receivables	(11,464,447)	5,286,238	(10,928,851)	5,271,179
Decrease/(increase) in amounts due from related parties	3,340,457	(107,023)	2,028,087	(186,834)
Increase in trade and other payables	16,208,295	500,122	14,305,354	1,304,176
Decrease/(increase) in deferred liabilities	(1,593,152)	480,124	69,409	(1,188,974)
(Decrease)/increase in amounts due to related parties	(7,257,964)	2,034,158	(256,450)	6,364,331
Decrease in right of use assets	-	-	-	5,593
Cash (utilised)/generated from operations	5,458,481	6,639,623	(2,631,745)	7,855,247
Interest paid	(5,469,848)	(1,824,600)	(3,013,575)	(918,553)
Income tax paid	(142,916)	(387,434)	(139,767)	(387,391)
Net cash (utilised)/generated by operating activities	(154,283)	4,427,589	(5,785,087)	6,549,303

ZESCO LIMITED

26.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

	Group		Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	-	3,592	-	3,347
Payments for property, plant and equipment	(4,591,230)	(3,903,050)	(3,248,270)	(2,298,635)
Payments to acquire intangible assets	-	(161,231)	(26,573)	(161,231)
Proceeds from disclosed of / (payment to acquire) investments	-	-	2,737,481	(2,358,065)
Dividend received	-	-	1,409,404	28,973
Interest received	20,516	18,166	15,375	18,166
Net cash generated from / (used in) investing activities	(4,570,714)	(4,042,523)	913,990	(4,767,445)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	(3,774,734)	(2,175,442)	(3,774,734)	(2,175,442)
Proceeds from borrowings	6,131,301	2,337,289	6,645,559	866,249
Proceeds from capital grants and contributions	634,835	314,881	634,835	314,981
Movement on Lease liabilities	38,033	(12,544)	11,115	(9,278)
Net cash received from / (used in) financing activities	3,029,435	464,184	3,516,775	(1,003,490)
Net increase/ (decrease) in cash and cash equivalent	(1,695,562)	744,781	(1,354,322)	778,368
Cash and cash equivalents at the beginning of the year	3,834,427	2,985,177	3,100,327	2,321,959
Cash and cash equivalents at the end of the year	2,138,865	3,834,427	1,745,816	3,100,327
COMPRISING OF:				
Bank and cash balances*	2,138,865	3,856,846	1,746,005	3,122,746
Bank overdraft	-	(22,419)	-	(22,419)
	2,138,865	3,834,427	1,746,005	3,100,327

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. **Principal activities**
The principle activities of the Group continued to be the generation, transmission, distribution and supply of electricity and provision of IP connectivity.
2. **International Financial Report Standards (IFRS)**
 - a) **Basis of consolidation**
The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2023. All subsidiaries have a reporting date of 31 December. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.
 - b) **Basis of preparation**
The financial statements are prepared in accordance with the provisions of the Companies Act and International Financial Reporting Standards (IFRS). The financial statements are presented in accordance with IAS 1 "Preparation of financial statements" (Revised 2007). The Group has elected to present the "Statement of Comprehensive income" in one statement namely the "Statement of Comprehensive Income". IAS 1 also requires the presentation of a comparative statement of financial position and related notes at the beginning of the first comparative period. The financial statements have been prepared under the historic cost convention, as modified by the revaluation of property, plant and equipment, available-for-sale financial assets, and financial assets and liabilities at fair value through profit or loss.
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. **International Financial Report Standards (IFRS) (continued)**
 - b) **Basis of preparation (continued)**
In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
 - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
 - Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
 - Level 3 inputs are unobservable inputs for the asset or liability.
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in thousands of the Zambian Kwacha (K).
 - (c) **New Standards and amendments that are effective at 1 January 2021 and are applicable to the Group**
 - Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12);
 - Definition of Accounting Estimates (Amendments to IAS 8); and
 - International Tax Reform – Pillar, Two Model Rules (Amendments to IAS 12).
These amendments do not have a significant impact on these Financial Statements and therefore the disclosures have not been made.
 - (d) **Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company**
 - Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
 - Lease liability in a sale and leaseback (Amendments to IFRS 16);
 - Supplier finance arrangements (Amendments to IAS 7 and IFRS 7);
 - Non current liabilities with covenants (Amendments to IAS 1); and
 - Lack of exchangeability (Amendments to IAS 21).
These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.
Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3. Significant accounting policies

a) **Statement of compliance**

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

b) **Revenue recognition**

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

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

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

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

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

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

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

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

(c) **Sale of electricity**

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

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

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

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3. Significant accounting policies (continued)

d) **Interest income**

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

e) **Rental income**

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

f) **Fibre income**

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

g) **Inventories**

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

h) **Foreign currencies**

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

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

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

i) **Borrowing costs**

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

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

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

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3. Significant accounting policies (continued)

j) Capital grants and contributions

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

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

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

k) Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3. Significant accounting policies (continued)

k) Taxation (continued)

(iii) Current and deferred tax for the financial period

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

l) Property, plant and equipment

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

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

Generation, Transmission and Distribution Systems:

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

Other Assets:

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

Capital work in progress is not depreciated

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

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

Management has estimated the residual values of the property, plant and equipment at 31 December 2021 to be insignificant and for purpose of the financial statements have been assigned a nil value.

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

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3. Significant accounting policies (continued)

l) Property, plant and equipment (continued)

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

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

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

m) Leases

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

i) Group as a lessee

On initial application of IFRS 16, the Group recognised a lease liability measured at the present value of all the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019 whereas the Group has elected to measure right-of-use asset at its carrying amount as if IFRS 16 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate at 1 January 2019. The Group has elected not to recognise a lease liability and a right-of-use asset for leases for which the lease term ends within twelve months of 1 January 2019 and has accounted for these leases as short-term leases.

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

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3. Significant accounting policies (continued)

m) Leases (continued)

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

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

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

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

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

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

ii) Group as a lessor

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

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

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

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

ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3. Significant accounting policies (continued)

n) Intangible assets

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

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

o) Impairment of tangible and intangible assets

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

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

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

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

p) Financial instruments

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

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

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3. Significant accounting policies (continued)

p) Financial instruments (continued)

i) Financial assets

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

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

ii) Classification of financial assets

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

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

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

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

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

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

(i) Amortised cost and effective interest method

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3. Significant accounting policies (continued)

p) Financial instruments (continued)

ii) Classification of financial assets (continued)

(i) Amortised cost and effective interest method

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3. Significant accounting policies (continued)

p) Financial instruments (continued)

ii) Classification of financial assets (continued)

(i) Amortised cost and effective interest method

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

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

iii) Foreign exchange gains and losses

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

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

iv) Impairment of financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3. Significant accounting policies (continued)

p) Financial instruments (continued)

iv) Impairment of financial assets (continued)

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

Significant increase in credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3. Significant accounting policies (continued)

p) Financial instruments (continued)

Significant increase in credit risk

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

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

v) Definition of default

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

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

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

(vi) Credit-impaired financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3. Significant accounting policies (continued)

p) Financial instruments (continued)

iv) **Impairment of financial assets (continued)**

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

Significant increase in credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3. Significant accounting policies (continued)

p) Financial instruments (continued)

Significant increase in credit risk

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

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

v) **Definition of default**

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

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

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

(vi) **Credit-impaired financial assets**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. Significant accounting policies (continued)

p) Financial instruments (continued)

(vii) Write-off policy

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

(viii) Measurement and recognition of expected credit losses

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

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

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

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

(ix) Derecognition of financial assets

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. Significant accounting policies (continued)

p) Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

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

Financial liabilities

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

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

Foreign exchange gains and losses

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

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

Derecognition of financial liabilities

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

q) Investments

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. Significant accounting policies (continued)

q) Investments (continued)

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

r) Provisions

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

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

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

s) Retirement benefits and other employee benefits

(i) Defined benefit plan

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. Significant accounting policies (continued)

s) Retirement benefits and other employee benefits (continued)

(ii) Defined contribution plan

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

(iii) Termination benefits

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

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

(iv) Other entitlements

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

a) Critical judgements in applying accounting policies

i) Recognition of deferred tax assets

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

ii) Calculation of loss allowance

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

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

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

iii) Significant increase in credit risk

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

iv) Provision for obsolete inventory

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

v) Capitalisation of borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

a) Critical judgements in applying accounting policies (continued)

vi) Judgement in identifying whether a contract includes a lease

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

b) Key sources of estimation uncertainty

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

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

The Group's management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2017 and the management has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods.

ii) Contingencies

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

iii) Impairment of investments in joint ventures and associates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

b) Key sources of estimation uncertainty (continued)

iv) Actuarial valuation assumptions

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

v) Leases IFRS 16

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

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
5. Revenue				
Arose from customers in the following sections:				
Mining	12,726,411	9,241,820	12,726,411	9,241,820
Exports	8,283,858	4,745,750	8,283,858	4,745,750
Residential	2,805,833	2,897,687	2,805,832	2,897,687
Industrial and agricultural	3,538,438	2,811,509	3,538,438	2,811,509
Commercial (retail outlets)	953,664	852,288	849,975	748,482
I P Connectivity	-	-	-	-
	<u>28,308,204</u>	<u>20,549,054</u>	<u>28,204,514</u>	<u>20,445,248</u>
6. Cost of sales				
Local purchases of power	17,312,282	6,055,845	21,877,570	9,261,020
Direct labour costs	1,269,989	1,121,812	1,269,989	1,121,812
Local wheeling charges	1,104,642	899,962	1,104,641	899,962
Maintenance costs	688,542	568,963	521,490	404,304
Power imports (internally financed)	41,271	26,961	41,271	26,961
Generation water usage & fuel costs	283,262	216,670	199,099	190,799
Export wheeling charges	<u>1,116,522</u>	<u>-</u>	<u>1,116,523</u>	<u>-</u>
	<u>21,816,510</u>	<u>8,890,213</u>	<u>26,130,583</u>	<u>11,904,858</u>

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

The IPPs include Maamba Collieries Limited, Ndola Energy Company Limited and Itzhi Tezhi Power Corporation Limited whose average cost of power exceeds ZESCO's selling price to customers. During the year total disbursements from the Government of the Republic of Zambia was K31.3 million (2022: K205million) towards power purchases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
7. Other operating income				
Wheeling income	62,661	44,869	62,661	44,869
Amortisation of capital grants and contributions (Note 24)	226,081	213,670	226,081	213,670
Interest on late payments	358,798	10,276	358,798	10,276
Interest income	20,516	18,166	15,375	18,166
Rental income	6,193	2,769	6,193	2,769
Sundry income	<u>5,233,327</u>	<u>168,993</u>	<u>5,131,291</u>	<u>167,449</u>
	<u>5,907,576</u>	<u>458,743</u>	<u>5,800,399</u>	<u>457,199</u>
8. Other gains/(losses)				
Net exchange gains/(losses)	(13,806,371))	(5,937,026)	(10,619,373)	(4,727,020)
Loss on disposal of property, plant and equipment	<u>(4,016)</u>	<u>(21,971)</u>	<u>(4,084)</u>	<u>(21,971)</u>
	<u>(13,810,387)</u>	<u>(5,958,997)</u>	<u>(10,623,457)</u>	<u>(4,748,991)</u>

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

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

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

	Mid – market exchange rate as at 1 January 2023	Mid – market exchange rate as at 31 December 2023	Average depreciation during the year
Currency			
US Dollar (1 US\$ =)	<u>K18.064</u>	<u>K25.713</u>	42%

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
9. Other expenses				
Provision for bad debts	15,932,749	664,294	15,924,089	652,789
Other expenses	3,090,310	1,600,588	2,778,344	1,574,942
Impairment provision during the year (Note 17.1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>19,023,059</u>	<u>2,264,882</u>	<u>18,702,433</u>	<u>2,227,731</u>
10. Finance costs				
These comprise the following:				
Interest paid on borrowings	5,463,958	1,820,870	3,007,801	914,906
Interest paid on overdraft	2,756	203	2,640	120
Interest on lease liabilities	<u>3,134</u>	<u>3,527</u>	<u>3,134</u>	<u>3,527</u>
	<u>5,469,848</u>	<u>1,824,600</u>	<u>3,013,575</u>	<u>918,553</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
11. Loss before tax				
Loss before tax is stated after crediting:				
Amortisation of capital grants and capital contributions	226,081	213,670	226,081	213,670
Interest income	22,504	18,166	15,375	18,166
and after charging:				
Net exchange gain/(losses) (note 8)	(13,810,385)	(5,937,026)	(10,619,373)	(4,727,020)
Employee benefits	3,346,100	3,894,139	3,736,705	-
Depreciation and amortisation (note 14 and 15)	2,163,261	2,158,704	1,865,385	1,932,435
Finance costs (Note 10)	5,469,848	1,824,600	3,013,575	918,553
Pension costs	100,721	100,694	118,285	105,331
Directors' fees in connection with the management of the Group	71,504	58,020	70,554	55,905
- as Directors	4,630	6,686	4,650	4,146
Donations	5,899	5,899	1,866	-
(Loss)/profit on disposal of property, plant and equipment	(4,084)	(21,971)	40,365	21,404
12. Current tax				
Income tax charge at 30%	63,595	(9,737)	-	-
Deferred taxation (note 13)	3,655,994	35,472	33,097	35,412
Current tax	3,719,589	25,735	33,097	35,412
Income tax charge/(credit)				

Subject to agreement with the Zambia Revenue Authority, the Group had estimated tax losses of K36.917 billion (2022: K17.601 billion) which are available for carry forward for a period of 10 years from the year in which they arose and for set off against future taxable profits. The cumulative tax losses comprise:

		Group		Company	
		2023 K'000	2022 K'000	2023 K'000	2022 K'000
2023 losses available until 2033 (K'000)		(21,119,712)	(36,917,712)	29,410,136	34,248,320
GROUP					
Tax year	Tax year expiry	Tax loss b/f Amount	Utilised	Expired	Tax loss c/f
2015	2025	(1,639,064)	217,227	287,093	(1,134,744)
2018	2028	(389,093)	-	-	(389,093)
2020	2030	(11,344,153)	11,057,046	-	(287,107)
2021	2031	(275,589)	-	218	(275,807)
2022	2032	(23,269,813)	6,326,764	31,197	(16,911,852)
2023	2033	(36,917,712)	17,601,037	318,508	(18,998,603)

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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12. Current tax (continued)

COMPANY

Statement of tax losses

Tax year	Tax year expiry	Utilised in current period K'000	Tax loss utilized in period K'000	Tax loss carried forward K'000
2021	2031	(11,057,045)	4,838,184	(6,218,861)
2023	2033	(23,191,275)	-	(23,191,275)
		(34,248,320)	4,838,184	(29,410,136)

12. **Current tax (continued)**

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

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
13. Deferred tax				
At the beginning of the year	(159,377)	(149,640)	-	-
Charge/(credit) for the year	3,655,994	(9,737)	-	-
Derecognised during the year	(6,182)	-	-	-
At the end of the year	<u>3,490,435</u>	<u>(159,377)</u>	<u>-</u>	<u>-</u>
Disclosed as				
Deferred tax asset	(17,481)	(159,377)	-	-
Deferred tax liability	<u>3,507,916</u>	-	-	-
At the end of the year	<u>3,490,435</u>	<u>(159,377)</u>	<u>-</u>	<u>-</u>

ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

13. Deferred tax (continued)

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

GROUP

	Net unutilized tax losses	Accelerated capital allowances	Revaluation surplus	Provisions and other	Total
	K'000	K'000	K'000	K'000	K'000
2022					
At the beginning of the year restated	(151,832)	54,529	225,195	(227,533)	(149,641)
(Credit) / charge to profit or loss	(135,201)	15,715	-	109,748	(9,737)
Charge to equity	-	-	-	-	-
Derecognised deferred tax	-	-	-	-	-
At the end of the year	<u>(287,033)</u>	<u>70,244</u>	<u>225,195</u>	<u>117,785</u>	<u>(159,378)</u>
2023					
At the beginning of the year	(287,032)	70,245	225,195	(167,786)	(159,378)
(Credit) / charge to profit or loss	65,168	6,821	-	116,897	(17,481)
Charge to equity	-	-	-	3,655,995	3,655,995
At the end of the year	<u>221,864</u>	<u>77,066</u>	<u>225,195</u>	<u>3,411,537</u>	<u>3,491,934</u>
				2023	2022
Deferred tax asset				K'000	K'000
Deferred tax liability				17,519	(159,378)
At the end of the year				<u>3,419,934</u>	<u>159,378</u>
				<u>3,509,453</u>	<u>-</u>

ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

13. Deferred tax (continued)

COMPANY						
2022						
	Net tax losses K'000	Accelerated Capital allowances K'000	Revaluation surplus K'000	Provisions and other items K'000	Total K'000	
At the beginning of the year	(3,317,114)	3,541,080	-	(9,757,252)	(9,533,286)	
(Credit) charge to profit or loss	(7,067,076)	652,940	-	-	-	
Derecognized deferred tax	-	-	-	6,550,868	136,732	
Credit to equity	-	-	-	3,206,384	9,396,554	
At the end of the year	(10,266,830)	4,194,019	-	-	-	
2023						
	Net tax losses K'000	Accelerated Capital allowances K'000	Revaluation surplus K'000	Provisions and other items K'000	Total K'000	
At the beginning of the year	(10,266,830)	4,196,946	-	(3,370,974)	(9,440,858)	
(Credit) charge to profit or loss	1,443,789	487,027	-	(7,734,187)	(5,803,370)	
Derecognised deferred tax	-	-	-	-	-	
Credit to equity	(8,823,041)	4,683,973	-	(11,105,161)	(15,244,228)	
At the end of the year	-	-	-	-	-	

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ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

14. Property, plant and equipment

(a)	Generation Systems K'000	Transmission Systems K'000	Distribution Systems K'000	Civil works & buildings K'000	Vehicles, Furniture & fittings & equipment K'000	Capital work in progress K'000	Total K'000
Summary – Group Cost or valuation							
At 1 January 2022	5,510,305	13,588,001	13,772,158	10,231,080	5,340,265	41,181,103	89,622,911
Additions	70,642	-	-	-	101,173	3,731,235	3,903,050
Depreciation Capitalised	-	-	-	-	-	198	198
Disposals	(3,280)	(19,021)	-	-	(17,618)	-	(39,919)
Transfers from Capital Works in Progress	3,649,337	632,737	952,104	47,097	(3,509,575)	(1,771,701)	-
Transfer to Fibrecom	-	-	-	-	(664)	-	(664)
Reclassification to intangible assets	-	-	-	-	-	(161,231)	(161,231)
Adjustment on assets At 31 December 2022	9,227,004	14,201,717	14,724,428	10,278,177	1,914,024	42,979,604	93,324,954
Additions	26,747	-	1,623	9,890	118,582	4,434,388	4,591,230
Disposals	(5,718)	-	(347)	-	-	(81)	(6,146)
Revaluation of Assets	27,613,895	49,432,442	35,740,285	(4,649,738)	(4,988,032)	-	103,148,851
Transfers from Capital Works in Progress	9,753,770	1,431,045	1,050,184	644,465	113,872	(13,019,909)	(26,573)
Adjustments At 31 December 2023	-	(255,555)	(58,850)	(2,829)	66	(6)	(317,174)
	46,615,698	64,809,649	51,457,323	6,279,965	(2,841,488)	34,393,996	200,715,143

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ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

14. Property, plant and equipment

Summary – group (continued)	Generation Systems K'000	Transmission Systems K'000	Distribution Systems K'000	Civil works & buildings K'000	Vehicles, Furniture & fittings equipment K'000	Capital work in progress K'000	Total K'000
DEPRECIATION							
At 31 December 2021							
Charge for the year	796,658	2,313,196	2,631,182	1,292,376	997,283	-	8,030,696
Eliminated on disposal	372,227	598,735	640,141	344,863	202,782	-	2,158,748
Transfer to Fibrecom	(595)	(2,551)	-	-	(8,934)	-	(12,080)
Adjustment	(13,852)	-	-	-	(97)	-	(13,949)
At 31 December 2022	<u>1,154,438</u>	<u>2,909,380</u>	<u>3,271,323</u>	<u>1,637,239</u>	<u>1,191,034</u>	-	<u>10,163,415</u>
Charge for year	431,006	474,216	685,157	334,488	213,348	-	2,138,215
Eliminated on revaluation	(1,028,464)	(3,383,597)	(3,956,133)	(1,847,803)	(1,355,937)	-	(11,571,934)
Eliminated on disposal	(1,634)	-	(347)	-	(68)	-	(2,049)
At 31 December 2023	<u>555,346</u>	<u>-</u>	<u>-</u>	<u>123,924</u>	<u>48,377</u>	<u>-</u>	<u>727,647</u>
CARRYING AMOUNT							
At 31 December 2023	<u>46,060,351</u>	<u>64,809,649</u>	<u>51,457,324</u>	<u>6,156,041</u>	<u>(2,889,946)</u>	<u>34,394,077</u>	<u>199,987,496</u>
At 31 December 2022	<u>8,072,566</u>	<u>11,292,336</u>	<u>11,453,106</u>	<u>8,640,938</u>	<u>722,989</u>	<u>42,979,604</u>	<u>83,161,539</u>

ZESCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

14. Property, plant and equipment

(b) Summary - Company

	Generation Systems K'000	Transmission Systems K'000	Distribution Systems K'000	Civil Works and Buildings K'000	Vehicles, Furniture and fittings, and Equipment K'000	Capital Works in Progress K'000	Total K'000
Cost or Valuation							
At 1st January 2022							
Additions	4,188,541	13,588,001	13,767,216	8,966,277	5,281,874	12,958,523	58,750,425
Disposals	1,549	-	-	-	74,084	2,383,624	2,459,257
*Transfer to Fibrecom	(2,141)	(19,021)	-	-	(14,509)	-	(35,671)
Transfers from Capital Works In Progress	-	604,153	951,164	47,097	(664)	(1,771,701)	(664)
Reclassification to intangible assets(note 15)	-	-	-	-	117,197	-	-
Adjustments	-	-	166	-	-	(161,231)	(161,231)
At 31 December 2022	<u>4,240,038</u>	<u>14,173,133</u>	<u>14,718,546</u>	<u>9,013,374</u>	<u>5,458,418</u>	<u>13,409,215</u>	<u>61,012,725</u>
Additions	19,115	-	1,623	69	110,124	3,117,339	3,248,270
Disposals	(5,718)	-	(347)	-	-	-	(6,065)
Revaluation of Assets	27,613,895	49,432,442	35,740,285	(4,649,738)	(4,988,032)	-	103,148,851
Reclassification to intangible assets note 15	27,790	1,431,045	1,050,184	104,042	113,872	(2,753,506)	(26,573)
Adjustments	-	(255,555)	(58,850)	(2,829)	21	(6)	(317,217)
At 31 December 2023	<u>31,895,120</u>	<u>64,847,225</u>	<u>51,388,111</u>	<u>4,462,089</u>	<u>694,411</u>	<u>13,773,036</u>	<u>167,059,992</u>
Cost							
Valuation (1996)	1,487,496	7,397,905	7,555,946	1,010,031	5,457,785	13,773,036	36,682,199
Valuation (2001)	177,987	-	1,281,611	51,779	-	-	1,511,377
Valuation (2017)	191,640	-	-	153,854	-	-	345,494
Valuation (2023)	2,424,102	8,016,877	6,810,269	7,896,163	224,660	-	25,372,070
At 31 December 2023	<u>27,613,895</u>	<u>49,432,442</u>	<u>35,740,285</u>	<u>(4,649,738)</u>	<u>(4,988,032)</u>	<u>-</u>	<u>103,148,851</u>
	<u>31,895,120</u>	<u>64,847,224</u>	<u>51,388,111</u>	<u>4,462,089</u>	<u>694,413</u>	<u>13,773,036</u>	<u>167,059,991</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

14. Property, plant and equipment

(b) Summary – company (continued)

	Generation Systems K'000	Transmission Systems K'000	Distribution Systems K'000	Civil Works and Buildings K'000	Vehicles, Furniture and fittings, and Equipment K'000	Capital Works in Progress K'000	Total K'000
DEPRECIATION							
At 1st January 2022	688,746	2,313,196	2,631,182	1,222,894	976,919	-	7,832,937
Charge for the year	170,186	598,735	640,141	317,953	190,757	-	1,917,773
Transfer to Fibrecom	-	-	-	-	(96)	-	(97)
Eliminated on disposal	(595)	(2,551)	-	-	(7,775)	-	(10,921)
At 31 December 2022	858,337	2,909,381	3,271,323	1,540,847	1,159,805	-	9,739,693
Charge for year	171,761	474,216	685,157	306,956	196,132	-	1,834,222
Eliminated on revaluation	(1,028,464)	(3,383,597)	(3,956,133)	(1,847,803)	(1,355,937)	-	(11,571,934)
Eliminated on disposal	(1,634)	-	(347)	-	-	-	(1,981)
At 31 December 2023	-	-	-	-	-	-	-
CARRYING AMOUNT							
At 31 December 2023	31,895,120	64,847,224	51,388,111	4,462,089	694,413	13,773,036	167,059,991
At 31 December 2022	3,381,701	11,329,912	11,383,893	7,469,698	4,298,621	13,409,209	51,273,033

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

14. Property, plant and equipment (continued)

(c) Fair valuation measurement

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

14. Property, plant and equipment (continued)

(c) Fair valuation measurement (continued)

Transmission and distribution systems	Depreciated Current Replacement Value (DCRV)	The DCRV method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration. Transmission line asset prices were obtained from recent ZESCO transmission line projects pricing schedules. An additional 3% on-costs was added to account for the Owner's costs. Line costs were priced per unit length and according to terrain type (flat, hilly and swampy). Distribution equipment pricing data was obtained from recent ZESCO in-house pricing data. Unit installed prices (material and labour) per length of overhead line and underground cable was calculated from these data.	Market prices, exchange rates, discounted rate
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Details of the Group's civil engineering works and buildings, generation plants and distribution systems and information about the fair value hierarchy as at the end of the reporting period are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

14. Property, plant and equipment (continued)

(c) Fair valuation measurement (continued)

	Level 1	Level 2	Level 3	Fair value as at 31 December 2022
	K'000	K'000	K'000	K'000
Civil Engineering works and buildings	—	—	2,921,533	2,921,533
Generation plants	—	—	10,091,093	10,091,093
Transmission and distribution systems	—	—	7,373,679	7,373,679

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

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

(d) Historical cost basis

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

	2023 K'000	2022 K'000
Civil Engineering works and buildings	303,138	369,200
Generation plants	504,647	748,075
Transmission and distribution systems	11,093,873	12,448,766

(e) Sensitivity analysis

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

(f) Useful lives

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

14. Property, plant and equipment (continued)

(g) Fixed assets register

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

(h) Assets Held as Security

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

15. Intangible assets	Group		Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
Cost				
At the beginning of the year	271,216	109,985	271,057	109,826
Additions	-	-	-	-
Reclassification of intangible assets from PPE (note 14)	<u>26,573</u>	<u>161,231</u>	<u>26,573</u>	<u>161,231</u>
At the end of the year	<u>297,789</u>	<u>271,216</u>	<u>297,630</u>	<u>271,057</u>
Accumulated amortisation				
At the beginning of the year	59,492	34,593	59,697	34,525
Amortisation expense	<u>31,284</u>	<u>24,899</u>	<u>31,162</u>	<u>25,171</u>
At the end of the year	<u>90,776</u>	<u>59,492</u>	<u>90,859</u>	<u>59,696</u>
Carrying amounts:				
At the end of the year	<u>207,013</u>	<u>211,724</u>	<u>206,771</u>	<u>211,361</u>

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

Significant intangible assets 5 years

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

The Group's intangible assets are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated amortisation. The fair value measurement of the Group's intangible assets as at 31 December 2017 were performed by Messrs. Multiconsult United Kingdom, independent valuers not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

15. Intangible assets (continued)

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

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

Intangible assets	Level 1	Level 2	Level 3	Fair value at 31 December 2023
	K'000	K'000	K'000	K'000
Intangible assets	<u>-</u>	<u>-</u>	<u>207,135</u>	<u>207,135</u>
Intangible assets	Level 1	Level 2	Level 3	Fair value at 31 December 2022
	K'000	K'000	K'000	K'000
Intangible assets	<u>-</u>	<u>-</u>	<u>211,724</u>	<u>211,724</u>

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

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

16. Right of use assets	Group		Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
Cost				
At the beginning of the year	40,589	43,205	35,765	35,842
Additions	46,465	-	-	-
Termination of lease	<u>(14,983)</u>	<u>(2,616)</u>	<u>(14,983)</u>	<u>(77)</u>
At the end of the year	<u>72,071</u>	<u>40,589</u>	<u>20,782</u>	<u>35,765</u>
Accumulated depreciation				
At the beginning of the year	21,344	(26,323)	21,035	21,097
Charge for the year	9,163	4,979	3,226	9,140
Termination of Lease	<u>(6,454)</u>	<u>-</u>	<u>(6,454)</u>	<u>(9,202)</u>
At the end of the year	<u>24,033</u>	<u>(21,344)</u>	<u>(17,807)</u>	<u>21,035</u>
Carry amounts:				
At the end of the year	<u>49,639</u>	<u>19,245</u>	<u>2,975</u>	<u>14,730</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

17. Investments in subsidiaries and associates

17.1 Investments in subsidiaries

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

17.2 Investments in associates and a joint venture

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

17. Investments in subsidiaries and associates (continued)

17.2 Investments in associates and a joint venture (continued)

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

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

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

	2023 K'000	2022 K'000
At the beginning of the year	(23,946)	228,347
Share of profit for the year	188,201	5,865
Impairment provision during the year	-	(253,908)
At the end of the year	164,225	(19,696)

Statement of financial position:

Current assets	333,299	2,846,906
Non-current assets	299,703	1,614,015
Current liabilities	234,555	1,678,359
Non-current liabilities	26,207	2,418,912
Net (liabilities) assets of the joint venture	372,240	300,650
Proportion of the Group's ownership	50%	50%
Group share of net assets	186,120	150,325

Statement of comprehensive income:

Revenue	338,911	1,934,956
Net exchange gains	2,288	1,646,989
Total comprehensive income for the year	18,272	3,230
	18,272	3,230

Proportion of the Group's ownership
Group share of joint venture's profit for the year

50%	50%
9,136	1,615

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

17. Investments in subsidiaries and associates (continued)

17.2 Investments in associates and a joint venture (continued)

	2023 K'000	2022 K'000
[ii] El Sewedy Electric Zambia Limited (Associate)		
At the beginning of the year	47,878	41,297
Share of profit for the year	<u>53,716</u>	<u>6,581</u>
At the end of the year	<u>101,594</u>	<u>47,878</u>
Statement of financial position:		
Current assets	<u>5,715,718</u>	<u>5,355,160</u>
Non-current assets	<u>1,467,877</u>	<u>1,546,023</u>
Current liabilities	<u>665,326</u>	<u>1,310,919</u>
Non- current liabilities	<u>1,786,834</u>	<u>1,717,434</u>
Net assets of the Associate	4,731,435	3,872,830
Proportion of the Group's ownership	40%	40%
Group share of net assets	<u>1,892,574</u>	<u>1,549,132</u>
Statement of comprehensive income:		
Revenue	<u>338,911</u>	<u>198,303</u>
Profit for the year	<u>18,272</u>	<u>5,865</u>
Total comprehensive income for the year	<u>134,289</u>	<u>16,453</u>
Proportion of the Group's ownership	40%	40%
Group share of associate's profit for the year	<u>53,716</u>	<u>6,581</u>
[iii] Zambia Electrometer Limited (Associate)		
At the beginning of the year	19,439	19,439
Share of loss for the year	<u>-</u>	<u>-</u>
At the end of the year	<u>19,439</u>	<u>19,439</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

17. Investments in subsidiaries and associates (continued)

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

17.2 Investments in associates and a joint venture (continued)

	2023 K'000	2022 K'000
Statement of financial position		
Current assets	<u>388</u>	<u>388</u>
Non-current assets	<u>5,950</u>	<u>5,950</u>
Current liabilities	<u>120,006</u>	<u>120,006</u>
Non- current liabilities	<u>3,181</u>	<u>3,181</u>
Net liabilities of the associate	<u>(116,849)</u>	<u>(116,849)</u>
Proportion of the Group's ownership	40%	40%
Group share of net liabilities	<u>(46,740)</u>	<u>(46,740)</u>
Statement of comprehensive income:		
Revenue	-	-
Profit for the year	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>-</u>	<u>-</u>
Proportion of the Group's ownership	40%	40%
Group share of associate's loss for the year	<u>-</u>	<u>-</u>
Summary of associates position:		
At the beginning of the year	<u>56,572</u>	<u>49,991</u>
Share of profit and loss for the year:		
ElSewedy Electric Zambia Limited	53,716	6,581
Zambia Electrometer Limited	<u>(92,807)</u>	<u>-</u>
	<u>(39,091)</u>	<u>6,581</u>
Total closing position for both associates	<u>17,481</u>	<u>56,572</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

17. INVESTMENTS	2023	2022
Company	K'000	K'000
These represent the investment interest in the following companies at cost:		
Kafue Gorge Lower Power Development Corporation Limited	13,123,475	9,839,867
Kariba North Bank Extension Power Corporation Limited	5,139,370	5,139,370
Itezhi Tezhi Power Corporation Limited (ITTTPC)	164,255	164,255
Fibrecom Limited	106,112	153,104
Kalungwishi Power Corporation Limited	37,106	31,529
Elsewedy Electric Zambia Limited	11,351	11,351
Zambia Electrometer Limited	6,130	6,130
	18,587,799	15,345,606
Impairment provision during the year	(6,150,059)	(170,385)
Total	12,437,740	15,175,221
The impairment provision comprise of the following:		
Itezhi Tezhi Power Corporation Limited (ITTTPC)	164,255	164,255
Zambia Electrometer Limited	6,130	6,130
Kafue Gorge Lower Power Development Corporation Ltd	5,172,657	-
Kariba North Bank Extension Power Corporation Limited	756,471	-
Fibrecom	50,546	-
At 31 December	6,150,059	170,385
The movement in the investment during the year was as follows:	2023 K'000	2022 K'000
Balance at the beginning of the year	15,345,606	12,987,541
Additions during the year	3,242,193	2,358,065
Impairment provision	(6,150,059)	(170,385)
Balance at the end of the year	12,437,740	15,175,221

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

18. Inventories	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Materials	1,560,281	1,280,090	1,373,239	1,119,442
Fuel and lubricants	19,587	23,656	35,925	49,427
Spares	66,693	86,620	19,587	23,656
Goods in transit	35,925	49,427	66,693	86,620
	1,682,486	1,439,793	1,495,444	1,279,145
Allowance for obsolescence	(206,039)	(204,855)	(206,039)	(204,855)
	1,476,447	1,234,938	1,289,405	1,074,290
The cost of inventories recognised as an expense during the year was K256 million (2022: K261 million).				
Inventories are disclosed net of provision for obsolete stock amounting to K206 million (2022: K205 million).				
	Group		Company	
19. Trade and other receivables	2023 K'000	2022 K'000	2023 K'000	2022 K'000
The balance comprises:				
Gross trade receivables	24,036,829	12,890,699	23,482,612	12,812,137
Impairment allowance	(18,891,543)	(10,742,962)	(18,891,543)	(10,742,962)
	5,145,286	2,147,737	4,591,069	2,069,175
Other receivables				
Other receivables	1,286,982	612,029	1,255,961	707,484
Staff receivables	108,491	93,548	108,491	93,548
Prepayments	-	10,587	-	-
Allowance for doubtful debts	(388,453)	(239,191)	(388,453)	(239,191)
	1,007,020	476,973	975,999	561,841
Total trade and other receivables	6,152,306	2,624,710	5,567,068	2,631,016
The movement in allowance for doubtful trade receivables is as follows:				
Balance at the beginning of the year	10,742,962	16,566,155	10,742,962	16,497,293
Charge for the year	8,148,581	(5,823,193)	8,148,581	(5,754,331)
At the end of the year	18,891,543	10,742,962	18,891,543	10,742,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. Trade and other receivables (continued)

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
The movement in allowance for doubtful debts for other receivables is as follows:				
Balance at the beginning of the year	239,191	86,700	239,191	86,700
Impairment losses recognised on other receivables	<u>149,262</u>	<u>152,491</u>	<u>149,262</u>	<u>152,491</u>
At the end of the year	<u>388,453</u>	<u>239,191</u>	<u>388,453</u>	<u>239,191</u>

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

19. Trade and other receivables (continued)

GROUP

31 December 2023

	Not past due K'000	0-30 past due K'000	31-60 past due K'000	61-90 past due K'000	More than 90 days past due K'000	Total K'000
Expected credit loss rate	0%	35%	42%	45%	93%	82%
Estimated total gross carrying Amount at default	-	2,672,737	1,295,567	871,588	18,642,720	23,482,612
Lifetime ECL	-	(845,441)	(452,887)	(520,586)	(17,072,629)	(18,891,543)
Net balance	-	<u>1,827,296</u>	<u>842,680</u>	<u>351,002</u>	<u>1,570,091</u>	<u>4,591,069</u>

GROUP

31 December 2022

	Not past due K'000	0-30 past due K'000	31-60 past due K'000	61-90 past due K'000	More than 90 days past due K'000	Total K'000
Expected credit loss rate	0%	33%	43%	62%	93%	82%
Estimated total gross carrying Amount at default	-	1,467,190	711,197	478,455	10,233,857	12,890,699
Lifetime ECL	-	(478,640)	(304,053)	(294,726)	(9,665,542)	(10,742,962)
Net balance	-	<u>988,550</u>	<u>407,144</u>	<u>183,729</u>	<u>568,315</u>	<u>2,147,737</u>

19. Trade and other receivables (continued)

COMPANY

31 December 2023

	Not past due	0-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Expected credit loss rate	0%	42%	43%	75%	99%	88%
Estimated total gross carrying amount at default	-	1,929,260	1,920,794	1,005,590	18,629,968	23,482,612
Lifetime ECL	-	(736,533)	(751,020)	(685,368)	(16,718,621)	(18,891,543)
Net balance	-	<u>1,927,727</u>	<u>1,169,774</u>	<u>320,222</u>	<u>1,911,347</u>	<u>4,591,069</u>

COMPANY

31 December 2022

	Not past due	0-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Expected credit loss rate	0%	31%	60%	72%	94%	84%
Estimated total gross carrying amount at default	-	1,473,174	707,419	480,888	10,150,656	12,812,136
Lifetime ECL	-	(459,544)	(425,250)	(345,686)	(9,512,482)	(10,742,962)
Net balance	-	<u>1,013,630</u>	<u>282,169</u>	<u>135,202</u>	<u>638,174</u>	<u>2,069,174</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

19. Trade and other receivables (continued)

Ageing of past due but not
impaired trade receivables

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
0- 30 days	1,827,297	988,550	1,189,727	1,013,630
30 - 60 days	842,680	407,144	1,169,774	282,169
60 - 90 days	351,001	183,729	320,222	135,202
Over 90 days	<u>1,570,091</u>	<u>568,315</u>	<u>1,911,346</u>	<u>638,174</u>
	<u>4,591,069</u>	<u>2,147,738</u>	<u>4,591,069</u>	<u>2,069,175</u>

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

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

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

Age of impaired
trade receivables

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
0 - 30 days	845,441	478,640	845,441	459,544
30 - 60 days	452,887	304,054	452,887	425,250
60 - 90 days	520,586	294,726	520,586	345,686
Over 90 days	<u>17,072,629</u>	<u>9,665,542</u>	<u>17,072,629</u>	<u>9,512,482</u>
	<u>18,891,543</u>	<u>10,742,962</u>	<u>18,891,543</u>	<u>10,742,962</u>

Trade Receivables placed as Security

Part of Copperbelt Energy Corporation Limited (CEC) receivables have been assigned as security for China Exim Bank Loan which was procured to finance the construction of Kariba North Bank Power Extension Corporation Limited generating plant. The Kalumbila Minerals Limited receivables have been assigned 100% towards the Power Purchases from Maamba Collieries Limited. Mpande Limestone Limited receivables have been assigned to Geria International Loan, while part of Lumwana Mining Group Limited receivables have been assigned to ZTE loan for the Fibre metropolitan project. San He Manufacturing (Z) Limited receivables have been assigned to Industrial Development Corporation Limited Shareholder as part of security for the loan obtained as equity for construction of the 750 MW Kafue Gorge Lower Power Project.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20. Share capital

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Authorised 2,500,000,000 ordinary shares of K2 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid 1,412,559,015 ordinary shares of K2 each	<u>2,825,118</u>	<u>2,825,118</u>	<u>2,825,118</u>	<u>2,825,118</u>

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

21. Related party transactions

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

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
(i) Trading transactions				
Rendering of services	<u>37,268</u>	<u>37,268</u>	<u>1,108</u>	<u>409,391</u>
Purchases of services	<u>24,797</u>	<u>24,797</u>	<u>10,521</u>	<u>(578,374)</u>
ii) Amounts due from related parties				
Government of the Republic of Zambia	1,956,372	3,531,778	1,956,372	3,531,778
Itezhi Tezhi Power Corporation Limited	404,133	883,548	431,415	883,548
Zambia Electrometer Limited	35,657	50,969	92,587	50,969
Kariba North Bank Extension Power Corporation Limited	-	-	35,657	43,823
Kafue Gorge Lower Power Corporation Limited	-	-	33,448	67,448
Rural Electrification Authority (b)	-	3,898	3,898	3,897
Allowance for doubtful debts (a)	<u>(2,112,233)</u>	<u>(845,807)</u>	<u>(2,143,411)</u>	<u>(845,807)</u>
	<u>283,929</u>	<u>3,624,386</u>	<u>409,965</u>	<u>3,735,656</u>

(a) Allowance for doubtful debts

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

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Balance at beginning of year	(845,807)	(486,284)	(845,807)	(486,284)
Recover	688,311	-	688,311	-
Charge for the year	<u>(1,954,737)</u>	<u>(359,523)</u>	<u>(1,985,915)</u>	<u>(359,523)</u>
At end of the year	<u>(2,112,233)</u>	<u>(845,807)</u>	<u>(2,143,411)</u>	<u>(845,807)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

21. Related party transactions (continued)

(b) Rural Electrification Authority

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

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. A provision for doubtful debts in respect of amounts due from related parties amounting to K486 million (2020: 628 million) was made during the year.

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	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
(iii) Amounts due to related parties				
Itezhi Tezhi Power Corporation Limited (ITTPC) incorporated in Zambia (2)	4,363,580	10,855,706	4,363,580	12,700,753
Kariba North Bank Extension Power Corporation incorporated in Zambia (1)	-	883,294	11,480,926	3,344,125
Kafue Gorge Power Development Corp Ltd (1)	-	65,414	1,111,755	843,039
Elsewedy Electric Zambia Limited (3)	223,657	40,787	223,657	40,787
Fibrecom	-	-	276	495
	<u>4,587,237</u>	<u>11,845,201</u>	<u>17,180,194</u>	<u>16,929,199</u>

a) Kariba North Bank Extension Power Corporation Limited and Kafue Gorge Lower Corporation are subsidiary companies,

b) Itezhi Tezhi Power Corporation is a joint venture investment with 50% shareholding.

c) Elsewedy Electric Zambia Limited is an associate with 40% shareholding.

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
(c) Key management personnel remuneration				
Key management remuneration	71,054	55,697	70,554	55,905
Directors' fees	<u>8,286</u>	<u>8,286</u>	<u>4,630</u>	<u>4,146</u>
	<u>79,340</u>	<u>63,983</u>	<u>75,184</u>	<u>60,051</u>

22. Borrowings

The movement on loans is as follows:

At the beginning of the year	36,613,021	35,093,526	19,990,040	19,828,193
Prior year adjustment	358,459			
Borrowings arising during the year	6,131,301	216,166	6,645,559	866,249
Net exchange (losses)/gains	15,487,080	2,337,289	8,299,843	1,471,040
Repayments made during the year	<u>(3,774,734)</u>	<u>(1,573,814)</u>	<u>(3,774,734)</u>	<u>(2,175,442)</u>
Balance at the end of the year	<u>54,815,127</u>	<u>36,073,167</u>	<u>31,160,708</u>	<u>19,990,040</u>

The borrowings are repayable as follows:

On demand or within one year	2,200,939	1,672,376	2,200,939	2,041,130
Loans payable within 1 to 2 years	2,955,262	2,212,391	3,469,520	2,212,391
Loans payable within 3-5 years	9,805,092	6,615,798	9,805,092	6,610,400
Loans payable over 5 years	<u>39,853,834</u>	<u>26,112,456</u>	<u>15,685,157</u>	<u>9,126,119</u>
Total	<u>54,815,126</u>	<u>36,613,021</u>	<u>31,160,707</u>	<u>19,990,040</u>
Disclosed as:				
Due after one year	52,614,187	34,940,645	28,959,768	17,948,910
Due within one year	<u>2,200,939</u>	<u>1,672,376</u>	<u>2,200,939</u>	<u>2,041,130</u>
Total	<u>54,815,126</u>	<u>36,613,021</u>	<u>31,160,707</u>	<u>19,990,040</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

22. Borrowings (continued)	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
The borrowings are due to the following:				
(i) Industrial Commercial Bank of China and the Export Import Bank of China	24,168,677	15,705,085	-	-
(ii) Industrial Development Corporation Shareholder Loan	6,008,449	3,432,159	6,008,449	3,432,159
(iii) Industrial Commercial Bank of China	3,660,738	2,828,943	3,660,738	2,828,943
(iv) Zanaco Syndicated Loan (\$359 million)	3,353,255	-	3,353,255	-
(v) GRZ/International Development Agency	2,187,127	1,536,515	2,187,127	1,536,515
(vi) DBSA - Loan Kafue Gorge Hydro Power Station	2,176,788	1,529,252	2,176,788	1,529,252
(vii) Nordea Stanbic Bank	1,853,092	1,402,169	1,853,092	1,402,169
(viii) European Investment Bank - LTDRP Loan facility	1,442,336	777,816	1,442,336	777,816
(ix) GRZ/China Exim Bank	1,158,743	814,048	1,158,743	814,048
(x) GRZ/International Development Association/Kafue Muzuma	1,069,432	751,304	1,069,432	751,304
(xi) European Investment Bank	1,063,340	747,025	1,063,340	747,025
(xii) African Development Bank	973,909	677,295	973,909	677,295
(xiii) GRZ/Agence Francaise De Development	748,110	525,567	748,110	525,567
(xiv) Industrial Commercial Bank of China Facility-Mpika Transmission	564,076	417,135	564,076	417,135
(xv) Industrial Commercial Bank of China Facility Loan - Musonda Falls	562,675	416,099	562,675	416,099
(xvi) Industrial Commercial Bank of China Facility-Chipata-Lundazi	546,001	403,769	546,001	403,769
(xvii) GRZ Loan-EDM	522,563	-	522,563	-
(xviii) KNBEPCLoan-Karpower	-	-	514,258	-
(xix) GRZ/Japan International Cooperation Agency	389,947	292,193	389,947	292,193
(xx) ZANACO Medium Term Loan ZMW	374,900	463,092	374,900	463,092
(xxi) India Exim Bank Loan 2	363,909	271,635	363,909	271,635
(xxii) European Investment Bank	362,492	254,661	362,492	254,661
(xxiii) ABSA Medium Term Loan	292,500	61,333	292,500	61,333
(xxiv) GRZ Loan-Karpower	257,129	-	257,129	-
(xxv) Nigeria Trust Fund	221,208	155,405	221,208	155,405
(xxvi) China Exim Bank Kabwe-Pensulo	168,367	131,424	168,367	131,424
(xxvii) GRZ/World Bank	113,464	79,711	113,464	79,711
(xxviii) Agency Francaise de Development	85,393	57,704	85,393	57,704
(xxix) GRZ/World Bank Facility 2	83,251	58,485	83,251	58,485
(xxx) ABSA Vehicle Asset Lease II	25,963	-	25,963	-
(xxxi) ABSA - Vehicle Asset Lease	17,292	38,720	17,292	38,720
(xxxii) China Exim Bank	-	1,450,708	-	1,450,708
(xxxiii) CNMC Industrial Zone Development	-	13,391	-	13,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

22. Borrowings (continued)	2023		2022	
	K'000	K'000	K'000	K'000
The borrowings are due to the following:				
(xxxiv) KGL Bridge Loan	-	222,098	-	222,098
(xxv) Geria International Investments Llc	-	90,320	-	90,320
(xxvi) Geria International Investments Llc	-	90,064	-	90,064
	<u>54,815,126</u>	<u>35,695,125</u>	<u>31,160,835</u>	<u>19,990,040</u>

i. Summary of the arrangements:

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

On 13 November 2017, a facility agreement of up to US\$1, 530, 576, 039 was signed between Kafue Gorge Lower Power Development Corporation Limited, Industrial and Commercial Bank of China Limited and The Export-Import Bank of China. Drawdowns only begun after the financial close was achieved in June 2018. Interest is 3.2% Margin plus 6 months LIBOR (Screen Rate) paid semi-annually. The Loan will be repaid over 10 years. The loan is denominated in United States Dollar and as at 31 December 2023 a total outstanding loan was \$934,347,979 (2022: \$948,848,018) \$14,500,039 was held in the Revenue Account was applied towards the Loan by the Lenders. The loan is secured over the assets of the company up to US\$1,530,576,039.

(ii) IDC / ZPC Shareholder Loan

This is a US\$190 million loan facility obtained from the Industrial Development Corporation (IDC) and Zambia Power Corporation (ZPC) by ZESCO Limited on 19 May 2020. The loan facility was obtained to finance ZESCO Limited equity investment into Kafue Gorge Lower Hydro Power Corporation (KGL). The interest is at 10% fixed paid semi-annually with a grace period of three years. The loan facility is denominated in United States Dollars and will be repaid within 23 years including the grace period of three years. The balance at the reporting date was US\$233.674 million or K6 billion.

(iii) Industrial and Commercial Bank of China

This is a US\$285 million loan facility obtained from Industrial and Commercial Bank of China on 30 May 2011 to finance the Pensulo-Msoro-Chipata West 330 KV and Pensulo-Kasama 330 kV Transmission lines. Interest is 2.5% Margin plus LIBOR (Screen Rate), the Loan will be repaid over 10 years. The loan is denominated in United States Dollars and the balance at the reporting date was US\$142.369 million or K3.7 billion.

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

This is a US\$359 million ZANACO facility for settlement of IPP arrears. The facility is payable in 5 years. Principal payments will be made quarterly starting December 2024. Interest is charged at 9.75% plus Bank of Zambia Policy rate for the Kwacha facility while the US\$ facility will be charged at 5.07% plus SOFR. The balance at close of year was K3.3 billion.

(v) GRZ/International Development Agency

This is a US\$105 million loan facility obtained from the International Development Association on 3 October 2013 by the Government of the Republic of Zambia and on lent to ZESCO to finance the Lusaka Transmission and Distribution Rehabilitation Project. Interest is charged at 1.5% semi-annually and the loan (principal plus interest) will be repaid over 30 years including 10 years grace period. The loan is denominated in United States Dollars. The loan balance at the reporting date was US\$85.059 million or K2.2 billion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

22. BORROWINGS (CONTINUED)

Summary of the arrangements (continued)

- (vi) **Development Bank of Southern Africa (DBSA) (KGL)**
This is a US\$100 million loan facility obtained from Development Bank of South Africa (DBSA) on 4 May 2016 to finance the Kafue Gorge Lower Hydro Power Project. Interest is charged at 9.4% plus 6 month Libor, semi-annually and the loan (principal plus interest) will be repaid over 15 years including 2 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was US\$84.66 million or K2.2 billion.
- (vii) **Nordea Stanbic Bank**
This is a US\$133 million loan facility obtained from Nordea bank on 14 August 2014. The loan was obtained to finance the connection of North Western Province to the National Grid. The loan shall be repaid over a 14 year period including a grace period of 2 years. The interest rate is 3.69% per annum fixed payable semi-annually. The loan facility is in United States Dollars and the balance at the reporting date was US\$72.068 million or K1.8 billion.
- (viii) **GRZ/European Investment Bank - LTDRP Loan Facility**
This is a US\$106 million loan facility obtained from the European Investment Bank on 3 October 2013 by the Government of the Republic of Zambia and on lent to ZESCO to finance the Lusaka Transmission and Distribution Rehabilitation Project. Interest is charged at 1.2% semi-annually and the loan (principal plus interest) will be repaid over 30 years including 10 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was US\$56.094 million or K1.4 billion.
- (ix) **GRZ/China Exim Bank**
This is a US\$45 million facility obtained from China Exim bank through the Ministry of Finance on 13 October 2014. The loan was obtained to Finance the Kariba North Bank- Kafue west 330KV transmission project. The interest rate is 2%. The facility is in United States Dollar and the balance as at the reporting date was US\$45.064 million or K1.1 billion.
- (x) **GRZ/International Development Association-Kafue Muzuma**
This is a US\$60 million loan facility obtained from the International Development Association on 6 December 2012 by the Government of the Republic of Zambia and on lent to ZESCO to finance the Kafue Muzuma Transmission Project. Interest shall be computed at 2% per annum and the loan (principal plus interest) will be repaid over 20 years including 5 years grace period. The loan is denominated in United States Dollar. The loan balance at the reporting date was US\$41.591 million or K1 billion.
- (xi) **GRZ/European Investment Bank**
This is a EUR 50 million loan facility from the European Investment Bank (EIB) by the Government of the Republic of Zambia on 10 December 2012. The facility was obtained for the purpose of financing the Itzhi-Tezhi Hydro Power plant, Mumbwa Substation and Lusaka West - Mumbwa Transmission Line Project. The facility shall be settled over a period of twenty five (25) years including a grace period of five (5) years. The interest is charged at 1.2% per cent per annum. The balance at the reporting date was EUR41.35 million or K1 billion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

22. BORROWINGS (CONTINUED)

Summary of the arrangements (continued)

- (xii) **GRZ/African Development Bank**
This is a US\$40.212 million loan facility obtained from the African Development Bank (ADB) by the Government of the Republic of Zambia on 19 December 2012. The loan was obtained to finance the transmission line for the Itzhi-Tezhi Hydro Power and Transmission Line Project at semi-annual interest of 2.5%. The loan facility is in United States Dollars and the balance at the reporting date was US\$37.876 million or K974 million.
- (xiii) **GRZ/Agence Francaise De Development**
This is a US\$34.4 million loan facility obtained from the International Development Association on 18 December 2012 by the Government of the Republic of Zambia and on lent to ZESCO to finance the construction of Itzhi Tezhi Power Station. Interest is computed at 1.5% semi annum and the loan (principal plus interest) will be repaid over 25 years including 5 years of grace period. The loan is denominated in United States Dollars. The balance at reporting date was US\$29.095 million or K748 million.
- (xiv) **Industrial and Commercial Bank of China – Mpika Transmission**
This is a US\$29.6 million loan facility obtained from Industrial and Commercial Bank of China by ZESCO Limited on the 13 July 2016. The loan facility was obtained to finance the improvement of power supply in Mpika. The loan shall be repaid over a 15 year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollar and the balance at the reporting date was US\$21.937 million or K564 million.
- (xv) **Industrial and Commercial Bank of China Facility Loan - Musonda Falls**
This is a US\$35.25 million loan facility obtained from Industrial and Commercial Bank of China by ZESCO Limited on the 26 January 2017. The loan facility was obtained to finance the rehabilitation and upgrading of Musonda Falls Hydro Power Plant. The loan shall be repaid over a 15 year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollars and the balance at the reporting date was US\$21,883 million or K562 million.
- (xvi) **Industrial and Commercial Bank of China - Chipata-Lundazi-Chama 132KV Transmission Line**
This is a US\$36.84 million loan facility obtained from Industrial and Commercial Bank of China by ZESCO Limited on the 10 August 2017. The loan facility was obtained to finance the Connection of Lundazi and Chama to the National Grid. The loan shall be repaid over a 15 year period including a grace period of 3 years. The interest is LIBOR plus 3.35% per annum. The loan facility is in United States Dollars and the balance at the reporting date was US\$21.234 million or K546 million.
- (xvii) **GRZ Loan- EDM**
This is a K 522 million facility obtained from GRZ to facilitate payments of power purchase debt to EDM. Interest is charged at 1% fixed. The balance on the loan was K523 million at the reporting date.
- (xviii) **KNBEPC Loan-Karpower**
This is a US\$ 20 million facility from KNBEPC to facilitate payments of electricity purchases debt to Karpower. Interest is charged at 3% fixed. The loan balance at financial year end was USD 20 million or K514 million.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

22. BORROWINGS (CONTINUED)

Summary of the arrangements (continued)

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

This is a Yens 5.5 billion loan facility obtained from JICA by the Government of the Republic of Zambia on 1 November 2010. There were additional drawdowns amounting to Yens 149 million. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 15 year period including a grace period of 5 years. The interest is charged at 0.05% per annum. The loan facility is in Japanese Yen and the balance at the reporting date was Yens 2.1437 billion or K390 million.

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

This is a K470 million loan facility obtained from ZANACO on 2 August 2022. The loan facility was obtained to finance purchase of various materials for dismantling the backlog for new customer connections. The loan shall be repaid over a 48 months period including a grace period of 3 months. The interest is margin of 12% plus Bank of Zambia Policy Rate (BPR) per annum. The loan facility is in Zambian Kwacha and the balance at the reporting date was K375 million.

(xxi) **India Exim Bank 2**

This is a US\$20.35 million facility obtained from India Exim bank on 11 April 2018 to finance the construction of 142 km 132KV transmission line from Leopards Hill to Chitope along with the 33KV distribution network. The interest rate is LIBOR plus 3.0%. The facility is in United States Dollar and the balance as at the reporting date was US\$14.153 million or K3634 million.

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

This is a US\$30 million loan facility obtained from the European Investment Bank (EIB) by the Government of the Republic of Zambia on 4 December 2012. The Government agreed to on-lend to ZESCO Limited on the terms and conditions set forth in the finance contract. The purpose of the facility was to finance the Kafue-Livingstone transmission Line project. The loan facility shall be repaid to the Government in equal semi-annual installments beginning five (5) years after the signature date of the on-lending loan and ending ten (10) years after the date of such agreement. The interest is charged at one and half percent (1.5%). The loan facility balance is US\$14.1 million or K362 million.

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

This is a K360 million loan facility from ABSA Bank Zambia Plc meant to purchase various materials for dismantling the backlog for new customer connections. Finance charges on this facility are at a margin of 13% plus Bank of Zambia Policy Rate (BPR). This credit agreement was signed on 2nd December 2022. Principal and interest are paid monthly, and the loan tenure is for 48 months. The facility balance at the reporting date was K293 million.

(xxiv) **GRZ Loan- Karpower**

This is a USD 10 million facility obtained from GRZ to facilitate payments of power purchase debt to Karpower. Interest is charged at 1% fixed. The balance on the loan was USD 10 million or K257 million at the reporting date.

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

This is a US\$9.22 million loan facility obtained from the Nigerian Trust Fund by the Government of the Republic of Zambia on the 19 December 2012. The loan was lent to ZESCO Limited for the purpose of financing the Itzhi-Tezhi Hydro Power and Transmission Line project. The loan shall be repaid over a period of twenty five (25) years including a grace period of five (5) years. The interest is charged at zero point seventy five (0.75%) per annum fixed interest rate. The loan facility is in United States Dollars and the balance at the reporting date was US\$8.603 million or K221million.

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

This is a US\$114 million facility obtained from Export-Import Bank of China (Exim Bank China) by ZESCO Limited on 15 December 2017. The facility was obtained for the construction of the second Kabwe Stepdown-Pensulo 330 KV Transmission Line project. The tenure of the facility is 15 years. The principal and interest shall be repaid in 24 successive semi-annual instalments. The interest is charged at 3% margin plus LIBOR per annum. The balance at the reporting date was US\$6.548 million or K168 million.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

22. BORROWINGS (CONTINUED)

Summary of the arrangements (continued)

(xxvii) **GRZ/World Bank**

This is a US\$16 million loan facility obtained from World Bank by the Government of the Republic of Zambia on 9 February 2009. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 20 year period including a grace period of 5 years. The loan will have a 2% interest charge per annum. The loan facility is in United States Dollars and the balance at the reporting date was US\$4.413 million or K113 million.

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

This is a US\$10 million loan facility obtained from World Bank by the Government of the Republic of Zambia on 21 March 2010. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 20 year period including a grace period of 5 years. The loan will have a 2% interest charge per annum. The loan facility is in United States Dollars and the balance at the reporting date was US\$3.248 million or K84 million.

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

This is a €40 million loan facility obtained from Agency Francaise de Development by GRZ and on lent to ZESCO Limited on 23 June 2016 to finance the improvement of power supply in Southern Division. The loan shall be repaid over a 20 year period including a grace period of 5 years. The interest rate is 5% per annum, fixed. The loan facility is in Euros and the balance at the reporting date was €3.0 million or K85 million.

(xxx) **ABSA Vehicle lease II**

This is a K145 million ABSA facility to facilitate the procurement of operational vehicles to replenish the existing fleet for sustenance of operations. Finance charges on this facility are at 12.50% plus Bank of Zambia Policy Rate (BPR) and has a financing period of 24 months. The facility agreement was signed on 18 November 2022. The balance at the reporting date was K26million.

(xxxi) **ABSA Lease**

This is a K100 million loan facility which from ABSA Bank Zambia Plc for purchase of 89 brand new motor vehicles from Toyota Zambia. Finance charges on this facility are at 10.50% plus Bank of Zambia Policy Rate (BPR). This credit agreement was signed on 03 June 2021. Principal and interest are paid monthly and the loan tenure is for 3 years. The facility balance at the reporting date was K17 million.

(xxxii) **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 Plc and Chambeshi Copper Mining Company. The loan is denominated in United States Dollar and as at reporting date, the loan balance was US\$ nil million or Knil.

(xxxiii) **CNMC Industrial Zone Development**

The facility was obtained as capital contribution in 2009 on the Chambishi line from ZCCZ 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 vendor finance and there is no security attached to the agreement. The balance at the reporting date was US\$ nil million or K nil.

FOR THE YEAR ENDED 31 DECEMBER 2023

22. **BORROWINGS (CONTINUED)**

Summary of the arrangements (continued)

(xxxiv) **Kafue Gorge Lower Bridge Finance**

This is a US\$22.98 million bridge loan obtained from Kafue Gorge Lower for working capital support and it is an interest free loan. The loan facility is denominated in United States Dollars and the balance as at the reporting date was US\$ nil or K nil.

(xxxv) **Geria International Investments LLC**

This is a US\$10 million loan facility obtained from Geria International Investments LLC on 02 April 2019. The loan was obtained to finance the Supply, Delivery and Commissioning of the Leopards Hill switchyard, Mpashya and Chitope 132/33kV substations and construction of staff houses and offices. The loan tenure is 6 years. The interest rate is 9.85% per annum fixed. The facility is in United States Dollar and the balance as at the reporting date was US\$ nil or K nil.

(xxxvi) **Geria International Investments LLC 2**

This is a US\$10 million loan facility obtained from Geria International Investments LLC on 30 May 2020. The loan was obtained to finance the Power reinforcement to New Mumbwa S/S, Coventry S/S and Kafue Town S/S. The loan tenure is 6 years. The interest rate is 9.85% per annum, fixed. The facility is in United States Dollar and the balance as at the reporting date was US\$ nil or K nil.

Breach of Loan Covenants

(i) **Development Bank of Southern Africa**

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

(ii) **ABSA**

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

(iii) **ZANACO**

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

23. **Retirement benefit obligation**

(i) **Defined contribution plan - NAPSA**

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

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

The total expense recognised in the profit or loss of K103.6 million (2021: K87.9 million) represents contributions payable to these plans by the Group. As 31 December 2023, contributions of K8.7 million (2022: K12.08 million) due in respect of the current reporting period had not been paid over to the plans.

FOR THE YEAR ENDED 31 DECEMBER 2023

23. **Retirement benefit obligation (continued)**

(ii) **LASF defined benefit plan**

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

The Group's contributions to the plan are charged to profit or loss in the year to which they relate. The Group has no further obligation once contributions have been paid. The total cost of pension contributions during the year was K10.04 million (2022: K13.11 million). As at 31 December 2023, contributions of K0.726 million (2022: K1.43 million) due in respect of the current reporting period had not been paid over to the plans.

(iii) **Long service retirement benefit**

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

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

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

Interest rate risk	The plan liabilities are calculated using a discount rate which is the long-term investment return which matches the yield on government bonds as reported in the IMF Report. A decrease in government bonds will increase the plan liabilities.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.
Liquidity risk	The plan is unfunded. There is a risk that resources might not be available when needed to pay the benefits that have become due.

Actuarial assumptions:	2023	2022
Discounting rates	29%	26%
Salary increases	21%	19.5%

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

23. Retirement benefit obligation (continued)

	Group		Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
Benefit cost to be recognized in profit and loss				
Net interest	152,179	135,886	151,767	135,886
Current service cost	637,992	502,596	637,167	502,596
Prior year service cost	<u>1,233,618</u>	<u>1,358,625</u>	<u>1,233,618</u>	<u>1,358,625</u>
Profit and loss expense	<u>2,023,789</u>	<u>1,997,107</u>	<u>2,022,552</u>	<u>1,997,107</u>
Remeasurements to be recognized in other comprehensive income				
Gain from change in financial assumptions	-	-	-	-
Experience gains	-	-	-	-
Actuarial Gains on economic assumptions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The amounts to be recognised in the statement of financial position				
At beginning of the year	1,998,637	3,200,624	1,997,107	3,200,625
Current service cost	361,644	879,761	360,819	335,374
Prior year service cost	(570,855)	-	(570,855)	(1,403,102)
Interest income	837,448	-	837,036	638,482
Gain from change in financial assumptions	-	-	-	-
Experience gains	-	-	-	-
Benefits paid during the year	<u>(601,569)</u>	<u>(399,636)</u>	<u>(601,555)</u>	<u>(774,272)</u>
At 31 December	<u>2,025,305</u>	<u>3,680,749</u>	<u>2,022,552</u>	<u>1,997,107</u>
Disclosed in the financial statements as:				
Non-current	1,941,007	3,516,246	1,868,323	1,842,877
Current	<u>84,298</u>	<u>164,503</u>	<u>154,230</u>	<u>154,230</u>
	<u>2,025,305</u>	<u>3,680,749</u>	<u>2,022,553</u>	<u>1,997,107</u>
Sensitivity of defined benefit obligation to actuarial assumptions				
Current results	2,025,305	3,680,749	2,022,553	1,997,107
Discount rate				
Increase by 1%	-	-	-	-
Decrease by 1%	-	-	-	-
Salary increase				
Increase by 1%	-	-	-	-
Decrease by 1%	-	-	-	-

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

23. Retirement benefit obligation (continued)

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

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

(iv) Gratuity benefits

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

	Group		Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
At the beginning of the year	60,126	43,657	56,758	42,214
Current service cost	47,743	17,274	43,964	14,544
Benefits paid during the year	<u>(1,489)</u>	<u>(806)</u>	<u>-</u>	<u>-</u>
At the end of the year	<u>106,380</u>	<u>60,126</u>	<u>100,722</u>	<u>56,758</u>
Disclosed in the financial statements as:				
Non-current	75,591	51,728	70,517	48,360
Current	<u>30,789</u>	<u>8,398</u>	<u>21,832</u>	<u>8,398</u>
	<u>106,380</u>	<u>60,126</u>	<u>100,722</u>	<u>56,758</u>
(v) Total retirement benefit obligation recorded on the statement of financial position				
Long service retirement benefit	2,025,305	1,998,637	2,022,552	1,997,107
Gratuity benefits	<u>100,380</u>	<u>60,126</u>	<u>100,722</u>	<u>56,758</u>
	<u>2,114,862</u>	<u>2,058,764</u>	<u>2,123,274</u>	<u>2,053,865</u>
Disclosed in the financial statements as:				
Non-current	2,047,388	3,560,335	2,039,561	1,891,237
Current	<u>84,298</u>	<u>164,503</u>	<u>83,713</u>	<u>162,628</u>
	<u>2,131,686</u>	<u>3,724,838</u>	<u>2,123,274</u>	<u>2,053,865</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

24. CAPITAL GRANTS AND CAPITAL CONTRIBUTIONS
Group

	Capital Grants K'000	Capital Contributions K'000	Total K'000
At 1 January 2022	440,956	2,690,110	3,131,066
Additions during the year	52,373	262,608	314,981
Amortisation of capital grants and contributions	(26,271)	(187,399)	(213,670)
At 1 January 2023	467,058	2,765,319	3,232,377
Additions during the year	50,937	606,192	657,129
Transfer of Assets from Rural Electrification Authority	14,696	-	14,696
Amortisation of capital grants and contributions	(26,271)	(199,810)	(226,081)
At 31 December 2023	<u>506,420</u>	<u>3,171,701</u>	<u>3,678,121</u>

Maturity analysis:

	2023 K'000	2022 K'000
Non-current	3,520,748	3,094,076
Current	<u>157,373</u>	<u>138,301</u>
Total	<u>3,678,121</u>	<u>3,232,377</u>

Company

	Capital Grants K'000	Capital Contributions K'000	Total K'000
At 1 January 2022	440,956	2,690,110	3,131,066
Additions during the year	52,373	262,608	314,981
Amortisation of capital grants and contributions	(26,271)	(187,399)	(213,670)
At 1 January 2023	467,058	2,765,319	3,232,377
Additions during the year	50,937	606,192	657,129
Transfer of Assets from Rural Electrification Authority	14,696	-	14,696
Amortisation of capital grants and contributions	(26,271)	(199,810)	(226,081)
At 31 December 2023	<u>506,420</u>	<u>3,171,701</u>	<u>3,678,121</u>

Maturity analysis:

	2023 K'000	2022 K'000
Non-current	3,520,748	3,094,076
Current	<u>157,373</u>	<u>138,301</u>
Total	<u>3,678,121</u>	<u>3,232,377</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
25. Trade and other payables				
Trade payables	41,347,513	25,225,752	34,285,983	20,535,249
Sundry payables and accrued expenses	746,137	689,167	734,636	717,025
Employee related accruals	<u>257,536</u>	<u>227,972</u>	<u>257,536</u>	<u>227,972</u>
	<u>42,351,186</u>	<u>26,142,891</u>	<u>35,278,155</u>	<u>21,480,246</u>

Trade and other payables principally comprise amounts outstanding in respect of trade purchases and ongoing costs, as well as amounts accrued in respect of operating costs.

The average credit period on purchases of certain goods is 30 days.

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

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
26. Bank overdraft				
ABSA Bank Zambia Plc (i)	-	16,236	-	16,236
Zambia National Commercial Bank Plc (ii)	<u>-</u>	<u>6,183</u>	<u>-</u>	<u>6,183</u>
	<u>-</u>	<u>22,419</u>	<u>-</u>	<u>22,419</u>

i) ABSA Bank Zambia Plc

An overdraft banking facility amounting to K50 million. The overdraft was agreed in January 2020 with a 12-month tenor with interest payable monthly at three-month BOZ policy rate plus 12.0%. The facility is repayable strictly on demand. The facility is renewed annually. The amount drawn as on 31 December 2023 under this facility was Nill (2022: K16.2 million). The facility is secured against unlimited collections held in the bank accounts from time to time.

ii) Standard Chartered Bank Plc

An overdraft banking facility amounting to K25 million. The overdraft was agreed in April 2020 with a 12-month tenor with interest payable monthly at three-month BOZ Policy Rate plus 5.5%. The facility is repayable strictly on demand. The facility is renewed annually. The amount drawn as at 31 December 2023 under this facility was Nill (2022: K6.2 million).

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial instruments

Capital risk management

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

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

Gearing ratio

The Group reviews the capital structure on an ongoing basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a gearing ratio of 256% (2022: 1,434%).

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

	Group		Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
Debt (i)	<u>54,815,126</u>	<u>36,613,021</u>	<u>31,160,707</u>	<u>19,990,040</u>
Equity (ii)	<u>98,451,870</u>	<u>12,312,754</u>	<u>98,425,965</u>	<u>12,555,764</u>
Gearing ratio	<u>56%</u>	<u>297%</u>	<u>32%</u>	<u>159%</u>

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

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

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies to the consolidated financial statements.

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

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial instruments (continued)

	Group		Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
Categories of financial instruments				
Financial assets:				
- Amounts due from related parties	283,929	3,624,386	409,965	3,738,810
- Trade and other receivables	6,152,306	2,624,710	1,746,005	3,122,746
- Bank and cash	<u>2,138,865</u>	<u>3,856,846</u>	<u>5,567,068</u>	<u>2,631,016</u>
	<u>8,575,100</u>	<u>10,105,942</u>	<u>7,723,038</u>	<u>9,492,572</u>
Financial liabilities:				
- Amounts due to related parties	4,587,237	11,845,201	17,180,194	16,929,199
- Trade and other payables	42,351,186	25,914,919	34,793,427	21,480,246
- Borrowings	54,815,126	36,613,021	31,160,707	19,990,040
- Lease liabilities	69,918	31,885	17,866	26,487
- Bank overdraft	-	<u>22,419</u>	-	<u>22,419</u>
	<u>101,823,467</u>	<u>74,427,445</u>	<u>83,152,194</u>	<u>58,448,391</u>

Financial risk management objectives

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

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

Market risk

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

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

Foreign currency risk management

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

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

Group	Financial assets		Financial liabilities	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
United States Dollar (\$)	7,716,419	16,106,394	64,212,179	20,839,967
Japanese Yen (JPY)	-	-	389,947	300,336
South Africa Rand (ZAR)	-	-	-	-
Euro	-	-	<u>4,680,417</u>	<u>121,835</u>
GBP	<u>7,716,419</u>	<u>16,106,394</u>	<u>69,282,543</u>	<u>21,262,138</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial instruments (continued)

Company	Financial assets		Financial liabilities	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
United States Dollar (\$)	22,383,059	16,106,394	64,212,179	20,343,547
Japanese Yen (JPY)	-	-	389,947	292,193
South Africa Rand (ZAR)	-	-	-	629,398
Euro	-	-	4,680,417	-
	<u>22,383,059</u>	<u>16,106,394</u>	<u>69,282,543</u>	<u>5</u>

Interest rate sensitivity analysis

The interest rate risks sensitivity analysis is based on the assumption that changes in the market interest rates affect the interest income or expenses of variable interest financial instruments:

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

Group	Scenario 1		Scenario 2	
	5% increase in variable interest rates		5% decrease in variable interest rates	
At 31 December 2023				
Loss before tax	(35,797,019)	(34,007,168)	(35,797,019)	
At 31 December 2022				
Profit before tax	(1,358,386)	(1,358,386)	(1,358,386)	
Company	Scenario 1		Scenario 2	
	5% increase in variable interest rates		5% decrease in variable interest rates	
	K'000	K'000	K'000	
At 31 December 2023				
Loss before tax	(28,817,485)	(30,258,359)	(27,376,611)	
At 31 December 2022				
Profit before tax	<u>1,955,665</u>	<u>1,955,665</u>	<u>1,955,665</u>	

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial instruments (continued)

Interest rate risk management

The Group, its subsidiaries, associates and joint venture are exposed to interest rate risk arising on shareholders loans and loans from the banks for its working capital requirements.

The exposure to interest rate risk is evaluated regularly by management to align with interest rate views and defined risk appetite, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

Interest rate sensitivity analysis

The sensitivity has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group, its subsidiaries, associates and joint venture's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

Credit risk management

Credit risk management refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk in respect of trade and other receivables. As at the financial period end the Group had trade receivables which were due from the Group's customers.

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
The Group's maximum exposure to credit risk is analysed below:				
- Amounts due from related parties	283,929	3,624,386	409,965	3,735,656
- Trade and other receivables	6,152,306	2,624,710	5,567,068	2,631,016
- Bank and cash	<u>2,138,865</u>	<u>3,856,846</u>	<u>1,746,005</u>	<u>3,122,746</u>
	<u>8,575,100</u>	<u>10,105,942</u>	<u>7,723,038</u>	<u>9,489,418</u>
The maximum exposure to credit risk for trade receivables at the reporting date by key customer sector was:				
Mining	18,776,053	10,251,893	18,776,053	10,251,893
Exports	2,488,817	1,265,307	2,488,817	1,265,307
The local authorities and water utilities	1,756,475	740,920	1,328,330	740,920
Industrial and related sectors	480,736	278,799	480,736	278,799
Government and related entities	165,188	165,188	165,188	165,188
Domestic customers	199,333	95,534	199,333	95,534
Agriculture and related sectors	44,154	14,496	44,154	14,496
IP Connectivity	<u>126,083</u>	<u>78,552</u>	<u>-</u>	<u>-</u>
	<u>24,036,829</u>	<u>12,890,689</u>	<u>23,482,611</u>	<u>12,812,137</u>

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial instruments (continued)

The following table below details the Group's remaining contractual maturity for its non-derivate financial assets and liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets and liabilities.

Group

	Payable on Demand K'000	1 - 3 Months K'000	3 months to 1 year K'000	Above 1 year K'000	Total K'000
Year ended 31 December 2023					
Financial liabilities					
- Borrowings	-	-	2,200,939	52,614,187	54,815,126
- Trade and other payables	-	42,351,186	-	-	42,351,186
- Amounts due to related parties	-	4,587,237	-	-	4,587,237
- Bank overdraft	-	-	-	-	-
- Lease liabilities	-	5,220	-	43,864	69,918
	<u>-</u>	<u>46,943,643</u>	<u>2,200,939</u>	<u>52,614,187</u>	<u>101,823,467</u>
Financial assets					
- Amount due from related parties	-	283,929	-	-	283,929
- Trade and other receivables	-	6,152,306	-	-	6,152,306
- Bank and cash balances	2,138,865	-	20,834	-	2,138,865
	<u>2,138,865</u>	<u>6,442,235</u>	<u>20,834</u>	<u>-</u>	<u>8,575,100</u>

Company

Year ended 31 December 2023

	Payable on demand K'000	1 - 3 months K'000	3 months to 1 year K'000	Above 1 year K'000	Total K'000
Financial liabilities					
- Borrowings	-	-	2,200,939	28,959,768	31,160,707
- Trade and other payables	1,301,118	1,638,236	331,677	32,007,124	35,278,155
- Amounts due to related parties	1,197,903	606,635	268,194	15,107,462	17,180,194
- Bank Overdraft	-	-	-	-	-
- Lease liabilities	-	-	17,226	640	17,866
	<u>2,499,021</u>	<u>2,244,871</u>	<u>2,818,036</u>	<u>76,674,994</u>	<u>83,636,922</u>
Financial assets					
- Amounts due from related parties	-	-	409,965	-	409,965
- Trade and other receivables	1,189,727	1,169,774	320,222	2,887,345	5,567,068
- Bank and cash balance	1,746,005	-	-	-	1,746,005
	<u>2,935,732</u>	<u>1,169,774</u>	<u>730,187</u>	<u>2,887,345</u>	<u>7,723,038</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial instruments (continued)

Group

	Payable on Demand K'000	1 - 3 Months K'000	3 months to 1 year K'000	Above 1 year K'000	Total K'000
Year ended 31 December 2022					
Financial liabilities					
- Borrowings	-	1,672,376	-	34,940,645	36,613,021
- Trade and other payables	-	25,914,919	-	-	26,142,891
- Amounts due to related parties	-	11,845,201	-	-	11,845,201
- Bank overdraft	22,419	-	-	-	22,419
- Lease liabilities	-	5,604	22,419	7,588	31,875
	<u>22,419</u>	<u>39,438,100</u>	<u>22,419</u>	<u>34,948,233</u>	<u>74,632,988</u>
Financial assets					
- Amount due from related parties	3,624,386	-	-	-	3,624,386
- Trade and other receivables	2,520,575	-	-	-	2,624,710
- Bank and cash balances	3,856,846	-	-	-	3,856,846
	<u>10,001,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,105,942</u>

Company

Year ended 31 December 2022

	Payable on demand K'000	1 - 3 months K'000	3 months to 1 year K'000	Above 1 year K'000	Total K'000
Financial liabilities					
- Borrowings	-	-	2,041,130	17,948,910	19,990,040
- Trade and other payables	1,301,118	1,638,236	254,505	18,286,387	21,480,246
- Amounts due to related parties	1,197,903	606,635	268,194	14,856,467	16,929,199
- Bank overdraft	-	22,419	-	-	22,419
- Lease liabilities	-	-	15,711	10,776	26,487
	<u>2,499,021</u>	<u>2,267,290</u>	<u>2,579,540</u>	<u>51,102,540</u>	<u>58,448,391</u>
Financial assets					
- Amounts due from related parties	-	-	3,735,656	-	3,735,656
- Trade and other receivables	1,013,630	282,169	135,202	1,200,015	2,631,016
- Bank and cash balance	3,122,746	-	-	-	3,122,746
	<u>4,136,376</u>	<u>282,169</u>	<u>3,870,858</u>	<u>1,200,015</u>	<u>9,489,418</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial instruments (continued)

Fair value measurements

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lusaka 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 Group considers relevant and observable market prices in its valuations where possible.
- Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.
- There were no financial assets and liabilities that are measured at fair value on a recurring basis during the period.
- Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).
- Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial instruments (continued)

Group	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
- Amounts due from related parties	283,929	283,929	3,735,656	3,735,656
- Trade and other receivables	6,152,306	6,152,306	3,122,746	3,122,746
- Bank and cash	<u>2,138,865</u>	<u>2,138,865</u>	<u>2,631,016</u>	<u>2,631,016</u>
Total	<u>8,575,100</u>	<u>8,575,100</u>	<u>9,489,418</u>	<u>9,489,418</u>
Financial liabilities				
- Borrowings	54,815,126	54,815,126	36,613,021	36,613,021
- Trade and other payables	42,351,186	42,351,186	26,142,891	26,142,891
- Amounts due to related parties	4,587,237	4,587,237	11,845,201	11,845,201
- Bank overdraft	-	-	22,419	22,419
- Lease liabilities	<u>69,918</u>	<u>69,918</u>	<u>31,885</u>	<u>31,885</u>
Total	<u>101,823,467</u>	<u>101,823,467</u>	<u>74,655,417</u>	<u>74,655,417</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial instruments (continued)

Company	2023		2022	
	Carrying amount K'000	Fair value K'000	Carrying amount K'000	Fair value K'000
Financial assets				
- Amounts due from related parties	409,965	409,965	3,735,656	3,735,656
- Trade and other receivables	5,533,620	5,533,620	2,631,016	2,631,016
- Cash and bank balances	<u>1,746,005</u>	<u>1,746,005</u>	<u>3,122,746</u>	<u>3,122,746</u>
Total	<u>7,689,590</u>	<u>7,689,590</u>	<u>9,489,418</u>	<u>9,489,418</u>
	2023		2022	
	Carrying amount K'000	Fair value K'000	Carrying amount K'000	Fair value K'000
Financial liabilities				
- Borrowings	31,160,707	31,160,707	19,990,040	19,990,040
- Trade and other payables	34,278,155	34,278,155	21,480,246	21,480,246
- Amounts due to related parties	17,180,194	17,180,194	16,929,199	16,929,199
- Bank overdraft	-	-	22,419	22,419
- Lease liabilities	<u>17,866</u>	<u>17,866</u>	<u>17,866</u>	<u>17,866</u>
Total	<u>82,636,922</u>	<u>82,636,922</u>	<u>58,439,770</u>	<u>58,439,770</u>

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ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial instruments (continued)

Group	Fair value hierarchy as at 31 December 2023			
	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Financial assets				
- Amounts due from related parties	-	-	283,929	283,929
- Trade and other receivables	-	-	6,152,306	6,152,306
- Bank and cash balances	-	-	2,138,865	2,138,865
Total	-	-	<u>8,575,100</u>	<u>8,575,100</u>
	Fair value hierarchy as at 31 December 2022			
	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Financial liabilities:				
- Borrowings	-	-	54,815,126	54,815,126
- Trade and other payables	-	-	42,351,186	42,093,622
- Amounts due to related parties	-	-	4,587,237	4,587,237
- Bank overdraft	-	-	-	-
- Lease liabilities	-	-	69,918	69,918
Total	-	-	<u>101,823,467</u>	<u>101,823,467</u>

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ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial instruments (continued)

Company

	Fair value hierarchy as at 31 December 2023			
	Level 1	Level 2	Level 3	Total
	K'000	K'000	K'000	K'000
Financial assets				
Loans and receivables:				
- Amounts due from related parties	-	-	409,965	409,965
- Trade and other receivables	-	-	5,564,068	5,564,068
- Cash and bank balances	-	-	1,746,005	1,746,005
Total	<u>-</u>	<u>-</u>	<u>7,723,038</u>	<u>7,723,038</u>
Financial liabilities:				
- Borrowings	-	-	31,160,707	31,160,707
- Trade and other payables	-	-	35,278,155	35,278,155
- Amounts due to related parties	-	-	17,180,194	17,180,194
- Bank overdraft	-	-	-	-
- Lease liabilities	-	-	17,866	17,866
Total	<u>-</u>	<u>-</u>	<u>83,636,922</u>	<u>83,636,922</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial instruments (continued)

Group

	Fair value hierarchy as at 31 December 2022			
	Level 1	Level 2	Level 3	Total
	K'000	K'000	K'000	K'000
Financial assets				
- Amounts due from related parties	-	-	3,624,386	3,624,386
- Trade and other receivables	-	-	2,624,710	2,624,710
- Bank and cash balances	-	-	3,856,846	3,856,846
Total	<u>-</u>	<u>-</u>	<u>10,105,942</u>	<u>10,105,942</u>

Fair value hierarchy as at 31 December 2022

	Fair value hierarchy as at 31 December 2022			
	Level 1	Level 2	Level 3	Total
	K'000	K'000	K'000	K'000
Financial liabilities:				
- Borrowings	-	-	36,613,021	36,613,021
- Trade and other payables	-	-	24,960,481	24,960,481
- Amounts due to related parties	-	-	11,845,201	11,845,201
- Bank overdraft	-	-	22,419	22,419
- Lease liabilities	-	-	31,885	31,885
Total	<u>-</u>	<u>-</u>	<u>73,473,007</u>	<u>73,473,007</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial instruments (continued)

Company

	Fair value hierarchy as at 31 December 2022			
	Level 1	Level 2	Level 3	Total
	K'000	K'000	K'000	K'000
Financial assets				
Loans and receivables:				
- Loans due from a related party	-	-	-	-
- Amounts due from related parties	-	-	3,735,656	3,735,656
- Trade and other receivables	-	-	2,631,016	2,631,016
- Cash and bank balances	-	-	3,122,746	3,122,746
Total	<u>-</u>	<u>-</u>	<u>9,489,418</u>	<u>9,489,418</u>
Financial liabilities:				
- Borrowings	-	-	19,990,040	19,990,040
- Trade and other payables	-	-	21,480,246	21,480,246
- Amounts due to related parties	-	-	16,929,199	16,929,199
- Bank overdraft	-	-	-	-
- Lease liabilities	-	-	26,487	26,487
Total	<u>-</u>	<u>-</u>	<u>58,425,972</u>	<u>58,425,972</u>

The fair values of the financial assets and financial liabilities included in the level 3 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

28. Lease liabilities

	Group		Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
At beginning of the year	31,885	37,613	26,487	30,250
At initial recognition	-	-	-	-
Addition	-	26,773	-	1,988
Finance costs	3,134	3,540	3,134	3,527
Termination on Lease	(5,398)	-	-	-
Repayments	(11,115)	(9,153)	(11,115)	(9,278)
At year end	<u>18,466</u>	<u>58,773</u>	<u>18,506</u>	<u>26,487</u>
Maturity analysis				
Year 1	22,592	25,802	22,592	22,592
Year 2	10,143	18,947	10,143	10,143
Year 3	2,064	2,357	2,064	2,064
Year 4	743	849	743	743
Year 5	<u>53</u>	<u>60</u>	<u>53</u>	<u>53</u>
	35,595	48,015	35,595	35,595
Less: Unearned interest	(17,089)	(10,402)	(17,089)	(9,108)
	<u>69,918</u>	<u>37,613</u>	<u>18,506</u>	<u>26,487</u>
Analysed as:				
Non-current	49,084	16,174	640	10,776
Current	<u>20,834</u>	<u>15,711</u>	<u>17,226</u>	<u>15,711</u>
	<u>69,918</u>	<u>31,885</u>	<u>17,866</u>	<u>26,487</u>

29. Going concern

Introduction

The IFRS Conceptual Framework states that going concern is an underlying assumption in the preparation of IFRS financial statements of the Group. Therefore, the financial statements presume that an entity will continue in operation in the foreseeable future or, if that presumption is not valid, disclosure and a different basis of reporting are required.

The Board of Directors ("Board") believes that, as of the date of this report, this presumption is still appropriate and accordingly the financial statements have been prepared on the going concern basis.

Ability of the Group to continue as a going concern

IAS 1 Preparation of Financial Statements requires management to perform an assessment of the Group's ability to continue as a going concern. If management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entities' ability to continue as a going concern, IAS 1 requires these uncertainties to be disclosed.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

29. Going concern (continued)

In conducting this assessment, the Board have taken into consideration the following factors;

a) Financial position

- The Group's current liabilities as at 31 December 2023 of K50 billion (2022: K41 billion) exceeds the current assets of K10 billion (2022: K11 billion). Further, the carrying amounts of total assets of the entity of K200 billion (2022: K77 billion) was less than the total liabilities of K112 billion (K90 billion) in the year under review.
- The increase in current liabilities by 22% to K50 billion from K41 billion in 2022 was mainly due to adverse exchange movement which affected trade payables revaluation.

b) Strategic Plan (10 Year Rolling)

The Directors' have continued to implement the 10-year rolling Strategic Plan with focus on financial sustainability and improved customer service delivery. The initiatives that the Directors are implementing include;

i Debt Restructuring

The long term debt stands at about K54.8 billion or US\$2.1 billion, borrowed for capital infrastructure investment.

As part of the debt restructuring the Group has reached an advanced stage in engagement with The Government of Zambia through the Ministry of Finance and National Planning to convert the Government guaranteed and on-lent concessional loans to equity amounting to US\$371.5 million. Once the loans have been converted, it is expected to reduce the levels of gearing and improve the equity.

Further, the Group is in the process of re-negotiating the terms of the existing expensive long term debt under the commercial loans category. The process of engagement with various lenders is still on going. The strategy includes engagement of individual lenders with a view to restructure the existing debt by reviewing the repayment terms and interest rates and possible deferment of the repayment of loans as they fall due.

The debt restructuring will include re-negotiating with some Lenders to reduce the levels of debt reserves, which holds cash cover for the debt repayment for certain loans. This will free up cash to assist in liquidating long outstanding arrears for IPPs and other Suppliers of goods and services.

ii IPPs Tariff Re-negotiations

The IPPs tariff re-negotiations were concluded with Maamba Collieries Limited and Itezhi Tezhi Power Corporation Limited. The new tariff has been implemented for Maamba Collieries Limited while the tariff for IIPC is yet to be implemented pending the finalization of agreement on Conditional Precedence. This will improve the liquidity and reduce the cost of power from IPPs and subsequently improve financial performance.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

29. Going concern (continued)

iii Revenue Enhancement

This includes the following initiatives;

- The migration to cost reflective tariffs for Domestic customers will be achieved by 2027 through multiyear tariff increases as which the Energy Regulation Board has awarded the Corporation.

Further, the long outstanding review of capital contribution for new customer connection was approved by ERB and effected in January 2023

- The Group finalized the New Bulky Supply Agreement (BSA) with Copperbelt Energy Corporation Limited. The development will result in a stable business relationship with our major customer on the Copperbelt and significant reduction in provisions for doubtful debt in line with IFRS 9 - Financial Instruments.

- The Group concluded the negotiations with IPP, Maamba on the Power Purchase Agreement. This has resulted into reduction of liabilities and power purchase costs compared to previous years.

- The Group has continued to engage the Government of Zambia on debt swap for outstanding amounts on it's electricity domestic debt. This is aimed at improving the liquidity of the Group and reduce the outstanding electricity debtor to Government and it's agencies.

c) Macro- Economic conditions and impact of COVID-19

- There has been changes in the Macro-Economic conditions in 2023 year with the following major changes.
- The Exchange rate of Kwacha to US\$ dollar depreciated to K25.714/US dollar at 31December 2023 from K18.064 at 1 January 2023, this had a positive impact on the financial statements for the Group. The exchange rate movement of Kwacha against the US dollar is sensitive and has an impact in the turnover and ultimately the outcome of the financial performance of the Group in the next 12 months and thereafter.
- The Government of the Republic of Zambia is in the process of concluding the country's debt restructuring with it's lender of Euro-Bond and other Creditors which will have a positive impact on the Group's debt structure.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

29. Going concern (continued)

d) Impact of COVID-19

- The Group continued to conduct its business with COVID 19 awareness even though there were less incidences of the epidemic affecting the business in the year
- The Group meets its day to day working capital requirements from operations as well as various forms of borrowing.
- The Financial statements have been prepared on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. The validity of this depends on the Group being able to obtain external financial resources or GRZ support to finance its operations.
- If the Group were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify property, plant and equipment and long-term liabilities as current assets and liabilities.
- Whilst the directors are presently uncertain as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

30. Budgeted commitments

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Authorised by the directors but not contracted for	<u>5,900,065</u>	<u>5,900,065</u>	<u>5,900,065</u>	<u>5,900,065</u>

31. Contingent liabilities

There were no known material contingent liabilities at 31 December 2023 and 31 December 2022.

32. Events after the reporting date

- (a) The Group incorporated a subsidiary, Kyona Energy Limited, a company that will invest in other energy sources to diversify and attain towards energy mix
- (b) The Group was affected by drought with significant reduction in the water levels in both the Zambezi and Kafue Basins. The reduction in water levels significantly affected power generation. The Corporation had to commence load shading in March 2024 and increased power imports to mitigate the shortfall of power from own generation.
- © Following the application made to ERB for an emergency tariff as a measure to finance increased power imports to mitigate load shading, the ERB approved an emergency tariff for some customer categories effective 1 November 2024.

33. Climate Change

The Company recognises Climate Risk as an Integrated Risk Type. Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it. The Company aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to its own activities in alignment with the Paris Agreement. Climate change impacts almost all the sectors within the economy. However, the Company notes that there are certain sectors that are more vulnerable to climate risks under different Transition Risk and Physical Risk scenarios. The Company plans to move quickly in developing identified methodologies and engage with its various stakeholders and integrate Climate Risk into its mainstream risk management activities and assessments. The Company will seek to adapt its approach as the impact from Climate Risk becomes clearer and the tools and methodologies to gather reliable data mature.



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