



**Powering The Nation**

**ZESCO**

**Integrated Report**

2025

# About this Report

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

The selection of matters to be 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 our stakeholders within and outside ZESCO Limited and was further 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 confirm that this integrated annual report addresses all material matters and provides a balanced overview of the Company and its prospects. The Board has therefore approved the 2025 Integrated Report for publication.



**Mr. Vickson Ncube**  
Chairman



**Eng. Justin C. Loongo**  
Managing Director



**Ms. Rachael Inonge Zekko**  
Director Investment & Finance



**Ms. Natasha Nonde**  
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 grow in a manner that has the least adverse effects on the environment.

# Glossary of Terms and Abbreviations

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

## A

ABSA – Amalgamated Bank of South Africa; a regional financial institution providing banking and investment services.  
AfDB – African Development Bank; a multilateral financial institution promoting economic growth and social progress across Africa.  
AI – Artificial Intelligence

## B

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

## C

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

## D

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

## E

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

## F

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

## G

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

## I

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

## K

KGL – Kafue Gorge Lower; a major hydroelectric power project on the Kafue River.  
KGLPS – Kafue Gorge Lower Power Station; the generating facility under the KGL project.  
KGRTC – Kafue Gorge Regional Training Centre; a regional institution providing specialised power and energy sector training.  
KNBE/KNBEPC – Kariba North Bank Extension / Kariba North Bank Extension Power Corporation;  
KNBPS – Kariba North Bank Power Station;  
kV – Kilovolt; a unit of electric potential equal to one thousand volts.  
kWh – Kilowatt Hour; a unit of energy representing one kilowatt of power used for one hour.

## L

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

## M

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

## N

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

## O

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

## P

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

## R

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

## S

SAIDI – System Average Interruption Duration Index; measures the total duration of outages experienced by the average customer over a period.  
SAIFI – System Average Interruption Frequency Index; measures how often the average customer experiences service interruptions.  
SAPP – Southern African Power Pool,  
SAPP-DAM – SAPP Day-Ahead Market;  
SDG – Sustainable Development Goal; global objectives set by the United Nations to achieve sustainable growth and equity.  
SDF – Skills Development Fund; a national fund supporting vocational and technical skills enhancement.  
SHEQ – Safety, Health, Environment, and Quality; an integrated management system ensuring operational excellence and compliance.  
SHPS – Small Hydro Power Stations;  
Substation – A facility that transforms voltage levels and routes electricity through the transmission and distribution network.

## T

TEVETA – Technical Education, Vocational and Entrepreneurship Training Authority; Zambia's body regulating technical and vocational education.  
Transmission Line – High-voltage power lines used to transport electricity over long distances from generating plants to substations.

## U

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

## V

VFPS – Victoria Falls Power Station;

## W

World Bank -

## Z

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



## AT A GLANCE

### Group Highlights

<b>Group Revenue</b> <b>K32.7bn</b> ▲ 2024 K30.8 bn 6%	<b>Net profit Margin</b> <b>19%</b> ▲ 2024 -50% -139%	<b>Generation</b> <b>8,739GWh</b> ▲ 2024 7,469 17%
<b>Operating Profit / (Loss)</b> <b>K11.2bn</b> ▲ 2024 -K8.7 bn -230%	<b>Return on Capital Employed</b> <b>2.8%</b> ▲ 2024 -7.1% -140%	<b>Customer base</b> <b>1,438,153</b> ▲ 2024 1,357,021 6%
<b>Net Assets</b> <b>K88.1bn</b> ▲ 2024 K82.9 bn 6%	<b>Interest Cover</b> <b>3.75 x</b> ▲ 2024 -3.68 x -202%	<b>Customer/ Employee ratio</b> <b>139</b> ▼ 2024 202 -31%
<b>Current Ratio</b> <b>0.26 x</b> ▲ 2024 0.21 x 23%	<b>Debt level</b> <b>K49.9bn</b> ▼ 2024 K61.1 bn -18%	<b>Head Count (annual average)</b> <b>10,319</b> ▲ 2024 6,707 54%
<b>Gearing</b> <b>36%</b> ▼ 2024 42% -15%	<b>EBITDA</b> <b>51%</b> ▲ 2024 -20% -350%	<b>Connections backlog</b> <b>19,806</b> ▲ 2024 500 -3861%

## BOARD CHAIRPERSON'S STATEMENT



**Mr Vickson Ncube**  
Chairman

### Structural Transformation, Financial Stabilisation and Responsible Stewardship

The 2025 financial year marked a decisive and defining chapter in the institutional evolution of ZESCO Limited. It was a year shaped by hydrological variability, constrained liquidity, infrastructure pressures, reform implementation and heightened public expectations. Yet it was equally a year in which the Corporation demonstrated resilience, strategic clarity and disciplined governance oversight.

The Board approached the year with a clear understanding that incremental adjustments would no longer suffice. Zambia's energy sector is undergoing structural change, driven by climate realities, market reform, growing demand and evolving stakeholder expectations. Our responsibility was to ensure that ZESCO did not merely react to these pressures but repositioned itself deliberately and sustainably. The Board therefore anchored its oversight around three enduring priorities: restoring financial stability, accelerating diversification of the generation mix, and strengthening governance and ESG integration across the enterprise.

## Operating Environment: Climate Volatility and System Pressure

ZESCO's generation portfolio remains significantly influenced by hydroelectric assets located at Kariba, Kafue Gorge and Itezhi-Tezhi. During the year under review, fluctuations in reservoir inflows and water levels materially affected available firm energy. These hydrological realities once again highlighted the structural vulnerability inherent in a hydro-dominant generation mix within an era of climate variability.

At the same time, national demand continued to expand, driven by residential connections, commercial growth and industrial activity, particularly in the mining sector. The tension between constrained hydro supply and growing demand required careful system management, including optimisation of imports within the Southern African Power Pool and prioritisation of critical national load.

The Board's engagement throughout this period focused not only on short-term balancing measures, but on accelerating structural diversification. It is now evident that climate volatility is not cyclical — it is structural. Accordingly, energy diversification is no longer a supplementary ambition; it is a strategic necessity.

## Commissioning of Chisamba Solar Phase I: A Structural Milestone

One of the most significant achievements during the year was the successful commissioning of Chisamba Solar Phase I. This milestone represents a turning point in Zambia's energy transformation journey.

Chisamba Phase I contributes meaningful renewable capacity to the national grid and reduces peak pressure on hydro generation. Beyond its installed megawatts, however, the project symbolises institutional capability in executing large-scale solar infrastructure within constrained financial conditions. It demonstrates strengthened technical integration of renewable assets into the national grid and confirms that diversification is now operational rather than aspirational.

The Board regards Chisamba Phase I as proof of concept for Zambia's renewable pivot. It validates the Integrated Resource Plan's emphasis on solar expansion and reinforces confidence in scaling additional phases. The experience gained in project execution, grid synchronisation and operational integration provides valuable institutional learning that will inform future renewable rollouts.

The commissioning of this plant reduces marginal reliance on costly imports during peak periods and supports a gradual reshaping of the generation mix toward greater climate resilience. In strategic terms, Chisamba Phase I is not merely an addition to capacity but is a structural hedge against hydrological uncertainty.

## Expanding the Solar Transformation

Following Chisamba Phase I, the Corporation continued advancing additional solar initiatives, including the Mansa 50MW project and preparatory works toward Chisamba Phase II. These developments collectively accelerate Zambia's ambition of achieving 1,000MW of solar capacity.

Solar expansion serves multiple strategic objectives simultaneously. It mitigates climate exposure by diversifying generation sources. It stabilises long-run marginal costs by reducing reliance on emergency imports. It aligns Zambia with global decarbonisation trends and strengthens environmental stewardship commitments. Most importantly, it enhances energy security for households, businesses and critical infrastructure.

The Board remains steadfast in ensuring that diversification proceeds in a disciplined and financially sustainable manner. Renewable expansion must be sequenced with transmission reinforcement and liquidity considerations to avoid stranded capacity or balance sheet strain.

## Transmission Reinforcement and Regional Integration

Generation diversification without adequate evacuation capacity would undermine system reliability. During 2025, the Board therefore maintained close oversight of transmission strengthening projects, including reinforcement of 330kV corridors and substation upgrades.

Progress toward the Mozambique–Zambia Interconnector reflects Zambia's strategic positioning within the Southern African Power Pool. Regional

interconnectivity enhances import flexibility during supply deficits and creates export optionality during surplus periods. It strengthens system balancing and enhances Zambia's credibility as a regional energy participant.

Domestically, transmission expansion supports the evacuation of newly commissioned renewable assets and reduces congestion risk. These infrastructure investments form the backbone of long-term reliability and economic competitiveness.

## Financial Stabilisation and Ratio Performance

Financial sustainability remains central to ZESCO's long-term viability. The year under review saw continued progress under Zambia's sovereign debt restructuring programme, including engagement with the Export–Import Bank of India. The extension of repayment tenors and concessional interest adjustments provided measurable relief to the Corporation's short- to medium-term liquidity profile.

Revenue performance remained under pressure due to hydrological constraints and import costs. However, improved billing discipline and receivable management produced incremental gains. Debtor days showed gradual improvement, reflecting strengthened revenue protection efforts. Operating margins were compressed by increased import expenditure and maintenance requirements, yet cost containment measures and procurement oversight moderated volatility. EBITDA performance stabilised relative to the most stressed hydrological period.

The debt-to-equity ratio remains elevated, reflecting legacy infrastructure financing; however, restructuring initiatives are improving maturity alignment and reducing immediate refinancing risk. Debt service coverage improved following tenor extensions, strengthening medium-term solvency positioning.

The current ratio remains constrained but stable. Liquidity pressures persist, yet structured capital prioritisation and receivable recovery programmes are progressively improving working capital management. The Board recognises that financial resilience cannot be achieved through tariff adjustment alone. It requires operational efficiency, revenue protection, disciplined capital allocation and strategic restructuring, all of which remain under active oversight.

## Revenue Protection and Asset Security

Non-technical losses and infrastructure vandalism continue to impose financial and operational strain. Every unit of electricity lost through theft or vandalism undermines the Corporation's ability to maintain assets and invest in diversification.

During the year, the Board intensified oversight of revenue protection strategies, including metering enhancements, community engagement and enforcement collaboration. Infrastructure protection is not solely an operational concern; it is a financial sustainability imperative.

Communities, civic leaders and institutions must collectively safeguard national assets that underpin economic development. The Board continues to support initiatives that align community interests with infrastructure protection.

## Governance Discipline and Institutional Strengthening

The transformation underway at ZESCO is matched by strengthened governance architecture. The Board enhanced committee reporting frameworks, reinforced enterprise risk management integration and tightened oversight of capital approvals and procurement thresholds.

Open Access implementation continues to reshape the market landscape. While enabling private participation, the Board remains vigilant in safeguarding strategic national infrastructure and ensuring that reform does not compromise system stability.

Governance is not an administrative exercise; it is the foundation of institutional credibility. The Board remains committed to transparency, accountability and ethical stewardship.

## ESG Integration and Corporate Responsibility

Environmental, Social and Governance principles are increasingly embedded in ZESCO's strategic decision-making.

The environmental dimension is reflected in accelerated renewable deployment and climate risk integration into planning frameworks. Social responsibility is demonstrated through expanded rural electrification, support to health facilities and decisive safety responses during flooding events. Governance strengthening is visible in improved oversight, financial restructuring discipline and enhanced disclosure practices.

The Board supports progressive alignment with international sustainability reporting standards and recognises that ESG performance is inseparable from financial performance.

## Safety Leadership and Community Commitment

Flood emergencies during the year required decisive action. Electricity supply was disconnected in affected areas to prevent electrocution risk, reaffirming safety as the Corporation's foremost value. Supply continuity must never supersede human safety.

Beyond emergency response, the Corporation continued supporting communities hosting its infrastructure, recognising that national development must translate into tangible local benefit.

## Outlook: Completing the Structural Transition

Looking ahead, the Corporation's forward agenda remains clear. Solar expansion will continue, including scaling beyond Chisamba Phase I. Transmission reinforcement and regional interconnectivity will deepen. Financial restructuring will progress toward balance sheet stabilisation. Revenue protection will intensify. ESG integration will strengthen reporting maturity.

The transformation underway is structural, not cyclical. We are transitioning from hydro vulnerability toward diversified resilience, from liquidity strain toward stabilisation, and from reactive crisis management toward strategic foresight.

## Conclusion

The 2025 financial year tested the Corporation's resilience but also demonstrated its capacity for disciplined reform. The commissioning of Chisamba Phase I stands as tangible evidence of transformation. Financial restructuring progress strengthens the balance sheet foundation. Governance discipline reinforces institutional credibility. ZESCO remains committed to powering Zambia responsibly, sustainably and with integrity.

On behalf of the Board, I extend appreciation to Government, Management, employees, regulators, partners and communities for their collaboration during this demanding yet transformative year.

Mr Vickson Ncube  
Chairman

# Managing Director's Report



**Mr Justin Loongo**  
Managing Director

## Operational Resilience, Financial Discipline and Accelerated Renewable Transition

The 2025 financial year tested the Corporation's operational, financial and governance systems under exceptional hydrological constraint. Reduced water levels materially impacted generation output, intensified load management and constrained export revenues. However, beyond navigating immediate supply pressures, Management remained focused on executing structural reforms that reposition ZESCO for long-term stability.

The year must therefore be viewed not simply as one of crisis management, but as one of disciplined transformation under Board oversight and strategic recalibration.

## Strengthened Governance and Board Oversight

During 2025, Board engagement deepened across operational, financial and governance domains with a focus on increasingly forward-looking, measurable and aligned to strategic priorities.

Management has since strengthened quarterly performance dashboards to integrate financial stability, debt management, solar acceleration, operational efficiency and regulatory compliance in a unified reporting architecture.

In response to the Board directive of establishing defined Risk Tolerance Limits for the Corporation the Enterprise Risk Management framework was recalibrated to integrate climate exposure, liquidity stress thresholds, debt sustainability metrics and operational loss benchmarks.

This governance strengthening enhances institutional predictability which is a critical element in restoring investor and stakeholder confidence.

## Solar Acceleration and Renewable Diversification

We placed strong emphasis on accelerating the solar programme and streamlining internal processes at national level.

Specific direction was given to:

- Streamline approval processes for solar projects;
- Exploit digital platforms to accelerate implementation;
- Provide structured project matrices reflecting Green Cities criteria;
- Report on the KGL Community Development Corporation framework;
- Address implementation bottlenecks affecting the Chisamba 100MW project

In line with these priorities, Management intensified execution across the solar pipeline. Renewable projects under development expanded from 435MW mid-year to 535MW by the third quarter. A major milestone was achieved with the pre-commissioning of the Luapula 50MW Solar PV Project, significantly strengthening non-hydro capacity.

Solar expansion is no longer incremental and is now foundational to system stability. Each megawatt added reduces hydrological exposure and improves margin predictability.

## Open Access and Market Reform

The Corporation paid significant attention to the implementation of the Open Access framework by aligning Open Access implementation to preserve system integrity while facilitating market participation. A comprehensive roadmap was prepared with prudently phased integration with transmission operations.

Open Access reform represents a structural evolution of Zambia's power market and enhances our role as both operator and market enabler.

## System Performance and Customer Growth

Despite constrained generation, national electricity demand continued to grow. The customer base increased from 1,356,945 at the end of 2024 to 1,438,153 by 31 December 2025 representing 6% growth.

Throughout the year, new service connections remained robust, reflecting both organic demand growth and ongoing electrification initiatives.

Connection timelines experienced variability during the year as resource constraints, aged backlog resolution and subsidy-driven volumes exerted operational pressure. However, meaningful improvements were recorded in non-standard backlog reduction, which declined significantly by year-end. This reflects the benefits of strengthened capital contribution management and improved coordination between directorates.

Digital transformation initiatives continued to enhance the customer experience. The ZESCO App and online enrolment platforms are now firmly embedded in the customer acquisition process, strengthening transparency and accessibility.

While regulatory targets were not consistently achieved, institutional systems for monitoring and improving customer service have been strengthened.

## Renewable Energy Expansion and Solar Acceleration

A defining achievement of 2025 was the measurable advancement of solar generation projects. Diversification of the generation mix has moved from strategic intention to operational reality.

By mid-year, renewable projects totalling 435MW were under various stages of development .

This expanded further to 535MW by the third quarter reflecting accelerated project mobilisation across multiple provinces.

A major milestone was reached in the fourth quarter with the pre-commissioning of the Luapula 50MW Solar PV Project .

This project represents a critical addition to Zambia's renewable capacity and materially strengthens non-hydro generation resilience.

Progress during the year included civil works completion, equipment installation, grid integration preparations and coordination of transmission evacuation capacity. These solar projects are strategically significant. They mitigate hydrological concentration risk, reduce import dependence, and support Zambia's transition toward a more climate-resilient energy system. The renewable acceleration programme underway is foundational to restoring medium-term revenue stability and improving generation predictability.

## Transmission Reinforcement and System Reliability

Generation expansion requires parallel investment in transmission infrastructure. Throughout 2025, we advanced critical transmission projects, including the Pensulo–Mansa line and associated substation upgrades.

These investments enhance evacuation capacity, reduce congestion and improve participation within the Southern African Power Pool.

Transmission reinforcement strengthens system reliability and improves the monetisation efficiency of new renewable assets. It also enhances Zambia's strategic energy positioning within the regional market.

## Financial Performance and Revenue Volatility

Revenue performance during 2025 reflected the operational realities of drought-induced generation deficits. Electricity sales volumes declined, particularly in export markets, exerting downward pressure on turnover. While quarterly revenue peaked in the second quarter, it declined in subsequent quarters as load management increased and export volumes reduced.

In the fourth quarter, gross margin compression was particularly pronounced, reflecting elevated electricity purchase costs and constrained hydro output.

Despite this volatility, operating expenditure discipline was maintained, with the last two quarters operating expenses remaining significantly below budget.

Cost containment efforts, procurement controls and expenditure prioritisation mitigated the financial impact of reduced revenue.

While profitability remains under pressure, structural diversification and disciplined cost management provide a pathway toward margin recovery.

## Liquidity Management and Capital Allocation

Liquidity management was central throughout the year. Cash balances improved in the second quarter following emergency power prepayment inflows, before declining towards year end due to capital expenditure and debt service obligations.

Capital investment remained substantial, reflecting continued commitment to infrastructure expansion despite constrained operating conditions.

Government foreign-currency support and grants provided additional operational cushioning during peak stress periods.

While liquidity remains tight, structured capital prioritisation and improved receivables management have enhanced financial visibility.

## Debt Profile and Financial Stabilisation

Debt management advanced progressively across 2025. Total borrowings declined between the second and third quarters with further portfolio reduction achieved in the fourth quarter through disciplined repayments across shareholder and commercial facilities.

Debt to Independent Power Producers reduced materially during the year strengthening settlement credibility and supplier confidence. Debt service under the restructured facilities commenced in November 2025 marking tangible progress in long-term liability management.

The strategic objective remains clear: restore debt sustainability through restructuring, controlled borrowing, improved cash flow performance and cost-reflective tariff alignment over time.

In our ongoing efforts to restore financial health we:

- Reduced total borrowings during the year;
- Advanced conversion processes for on-lent facilities;
- Commenced structured repayments under restructured facilities;
- Continued negotiations with key counterparties;
- Strengthened receivables monitoring for water utilities and state-owned entities.

These actions collectively moderate refinancing risk and improve medium-term debt service capacity.

## Operational Efficiency and System Loss Reduction

Operational performance improved during the year, particularly in system loss reduction. Losses declined significantly in the third quarter before moderating in by year end.

Maintenance programmes, infrastructure reinforcement and monitoring enhancements contributed to this improvement.

Infrastructure protection and vandalism mitigation remain priority areas for sustained system performance improvement.



**Eng. Justin C. Loongo**  
Managing Director

## Human Capital and Organisational Strength

Human capital development remained a priority throughout the year. Workforce growth aligned with operational requirements, and capacity-building programmes exceeded training targets in the final quarter.

Staff turnover remained within acceptable thresholds, supporting institutional continuity and operational stability.

## Regulatory Performance and Accountability

Regulatory performance improved in the first two quarters before moderating in subsequent quarters.

While the 75% ERB target was not achieved in 2025, institutional systems for monitoring, reporting and compliance have been strengthened.

Structural improvements in renewable generation, transmission reinforcement and financial stabilisation are expected to support improved KPI performance in the medium term.

## Outlook

The drought conditions of 2025 underscored the urgency of diversifying Zambia's energy mix. The progress made in solar deployment, transmission expansion and debt management positions our Corporation on a firmer strategic foundation.

As renewable capacity integrates into the grid and import dependency reduces, financial stability will progressively strengthen. While short-term pressures remain, the Corporation is transitioning from hydro vulnerability toward diversified resilience.

The Board's guidance throughout 2025 reinforced strategic clarity: We must transition from hydrological vulnerability to diversified resilience; from liquidity stress to disciplined financial stabilisation; and from reactive operations to structured transformation.

Solar acceleration, transmission reinforcement, debt portfolio reduction and governance strengthening collectively reposition the Corporation for medium-term recovery.

While short-term pressures persist, particularly around liquidity and generation balance, the structural reforms underway provide a credible pathway toward stability.

We remain fully committed to restoring financial sustainability, strengthening energy security and delivering reliable electricity in support of Zambia's economic transformation.

# Director of Investment and Finance's Report



**Mrs. Rachel Inonge Zekko**  
Director - Investment and Finance

## Key Highlights

Group achieved a robust financial recovery in 2025, delivering a profit after tax of K6.3 billion driven by stronger operational performance and disciplined financial management. This performance was further bolstered by foreign exchange gains of K5.9 billion, which reinforced the balance sheet and strengthened overall financial resilience. The Group also executed significant reductions in long-term liabilities, lowering IPP deb from USD377 million in the previous year to USD187 million and materially improving liquidity. In addition, Government support of K533 million provided critical relief for power purchase obligations and contributed to stabilising cash flows in an otherwise challenging operating environment.

Delivered a strong financial turnaround, achieving a **profit after tax of K6.3 billion**, a significant recovery from the prior-year loss and a clear signal of strengthened financial resilience.

Recorded substantial **foreign exchange gains of K5.9 billion**, driven by favourable currency movements that improved the Group's overall financial position.

**Reduced Independent Power Producer (IPP) debt from USD377 million in the previous year to USD 187 million**, reflecting meaningful progress in long-term liability management and enhanced liquidity.

**Executed a K257 million tripartite debt swap** involving the Government of the Republic of Zambia (GRZ), Zambia Revenue Authority, and ZESCO.

**Secured K533 million** in Government financial support to ease pressures related to power purchase obligations and stabilise cashflows

## Performance Overview

The Group achieved a 6% increase in turnover, rising from K30.8 billion to K32.7 billion. This improvement was primarily driven by higher revenues from residential and commercial customers toward year end, supported further by favourable exchange rate movements that strengthened overall financial performance. Cost of Sales declined by 26%, reducing from K26.4 billion to K19.5 billion, mainly due to power imports which were covered by Power Traders. Operating Expenses recorded a significant 65% reduction, reflecting the impact of strengthened cost management measures. This included a 102% reduction in other operating expenses, exchange gains of K5.9 billion a reversal from the K5.0 billion exchange loss recorded in the previous year. Administration Expenses also decreased modestly by 2% following ongoing cost saving initiatives. In contrast, Finance Costs increased by 27% to K3 billion, up from K2.4 billion in the prior year. This rise is attributed to additional borrowings undertaken to support solar project development part of the Group's energy mix diversification strategy.

Summary of Profit For The Year ended 31 December 2025					
	2025	2024	2023	2022	%
	K' million	K' million	K' million	K' million	
<b>REVENUE</b>	<b>32,723</b>	<b>30,844</b>	<b>28,308</b>	<b>20,549</b>	<b>6%</b>
Cost of Sales	(19,499)	(26,439)	(21,817)	(8,890)	-26%
<b>GROSS PROFIT</b>	<b>13,224</b>	<b>4,405</b>	<b>6,492</b>	<b>11,659</b>	<b>200%</b>
Other Operating Income	2,909	3,618	5,908	459	-20%
Other Losses	5,928	(4,998)	(13,810)	(5,959)	-219%
Marketing Expenses	(40)	(18)	(20)	(13)	122%
Administration Expenses	(11,106)	(11,296)	(5,089)	(3,427)	-2%
Other Expenses	70	(4,571)	(18,733)	(2,265)	-102%
Finance Costs	(2,989)	(2,352)	(5,470)	(1,825)	27%
Impairment of Equipment	-	-	-	-	100%
Share of Profit of Associates	(38)	31	(39)	7	-221%
Share of Profit of a Joint Venture	275	742	18	6	-63%
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>8,233</b>	<b>(14,439)</b>	<b>(30,744)</b>	<b>(1,358)</b>	<b>-157%</b>
Income Tax Charge	(1,924)	(990)	(3,720)	(26)	94%
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>6,309</b>	<b>(15,429)</b>	<b>(34,463)</b>	<b>(1,384)</b>	<b>-141%</b>

## Revenues

Revenues recorded a 6% increase to K33 billion (2025) from K31 billion (2024), mainly attributed to the 153% increase in sales to Residential, 12% to Mining, and 38% increase in Commercial customers. The performance was driven by the rise in energy consumption by Mining, Residential, and Commercial customers as load management was eased toward the end of the year compared to the previous year.

Revenue by Category	2025 K' million	2024 K' million	2023 K' million	+/- K' million	%
Mining	19,264	17,183	16,991	2,082	12
Residential	4,818	1,901	2,806	2,918	153
Industrial and Agricultural	1,958	3,356	3,538	(1,398)	-42
Exports	5,074	7,238	8,284	(2,164)	-30
Commercial	1,608	1,167	(3,311)	441	38
<b>Total</b>	<b>32,723</b>	<b>30,844</b>	<b>28,308</b>	<b>1,879</b>	<b>6</b>

## Gross Profit Margin

The K1.88 billion increase in revenue, together with the K6.94 billion reduction in Cost of Sales, resulted in a substantial improvement in the Gross Profit Margin to 40%, up from 14% in the prior year. This strong uplift was driven by reduced power imports, lower local power purchase costs arising from the appreciation of the Kwacha, and increased energy consumption across key customer categories as load management measures eased toward year end.

## Operating Expenses and Profitability

Total expenses declined by 65%, reflecting the impact of strengthened cost saving measures across the Group. This improvement was further supported by a 102% reduction in other operating expenses, substantial foreign exchange gains of K5.9 billion, reversing the prior year's loss. The combined effect of reduced operating costs, lower power import expenditure, and increased sales volumes significantly boosted overall profitability for the year, reinforcing the Group's return to a strong financial position.

Chart 1: Key Financial Elements



## Gross Profit

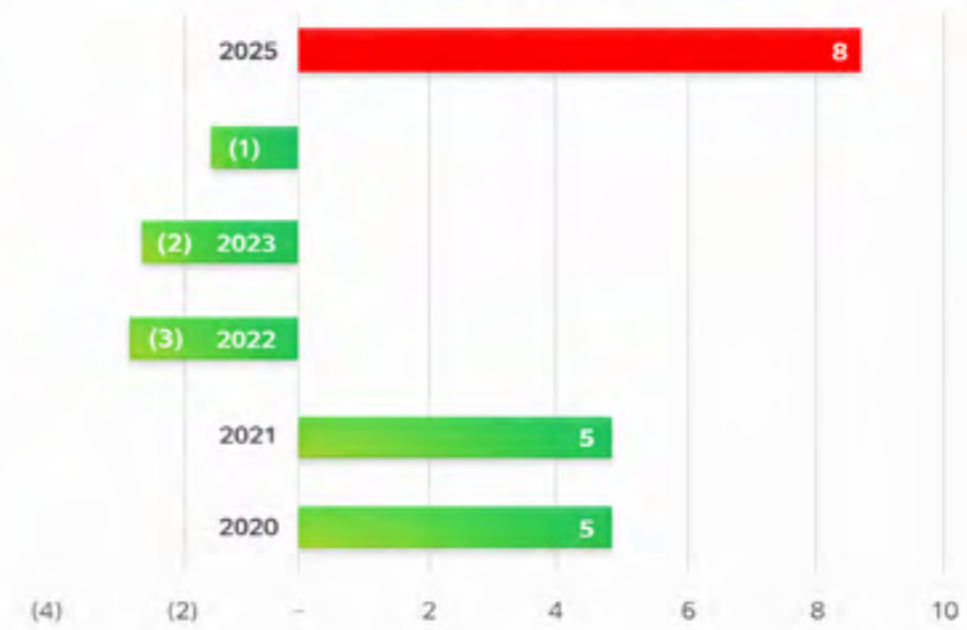


## EBITDA

EBITDA improved by 94%, with the EBITDA Margin rising to 70%, largely driven by substantial savings arising from lower Finance Costs and the reversal of impairment related pressures compared to the prior year. This strong performance was further supported by a marked improvement in foreign exchange movements, as the Group recorded an exchange gain of K5.9 billion compared to the exchange loss of K13.8 billion posted in the previous year, significantly enhancing overall operating profitability.

	K' million 2025	K' million 2024	K' million 2023	K' million 2022
<b>EBITDA Margin</b>				
Loss/Profit Before Tax	8,233	(14,439)	(30,744)	(1,358)
<b>Add Back:</b>				
Finance Costs	2,989	2,352	5,470	1,825
Depreciation and Amortisation Expense	5,908	5,774	2,662	1,985
Amortisation of Capital Grants and Contributions	(248)	(466)	(214)	(197)
Exchange Gains / (Losses)	5,928	(4,998)	5,937	(8,750)
<b>EBITDA</b>	<b>22,810</b>	<b>(11,777)</b>	<b>(16,889)</b>	<b>(6,496)</b>
<b>EBITDA Margin</b>	<b>70%</b>	<b>-38%</b>	<b>-60%</b>	<b>-32%</b>

## Debt Service Cover Ratio



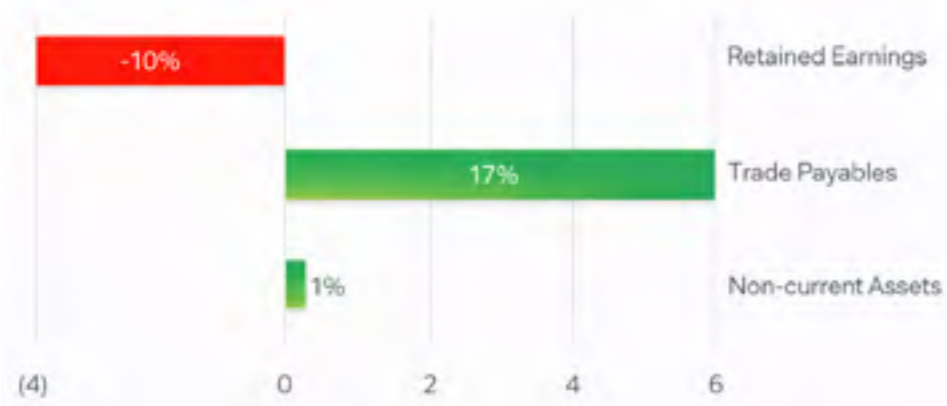
## Revenue Per FTE (K '000)



## Cash flow, Net Debt and Balance Sheet

The Group strengthened its liquidity position in 2025, with net cash and cash equivalents rising to K2.47 billion from the prior year's K1.51 billion, supported by a substantial increase in operating cash flows to K22.89 billion driven by higher payables, improved collections and favourable exchange gains. Total borrowings reduced to K49.99 billion from K61.14 billion, reflecting continued repayments and the impact of a stronger Kwacha on foreign currency debt. The balance sheet remained resilient as total assets increased to K222.74 billion, while current liabilities rose to K70.50 billion, driven mainly by movements in trade and other payables.

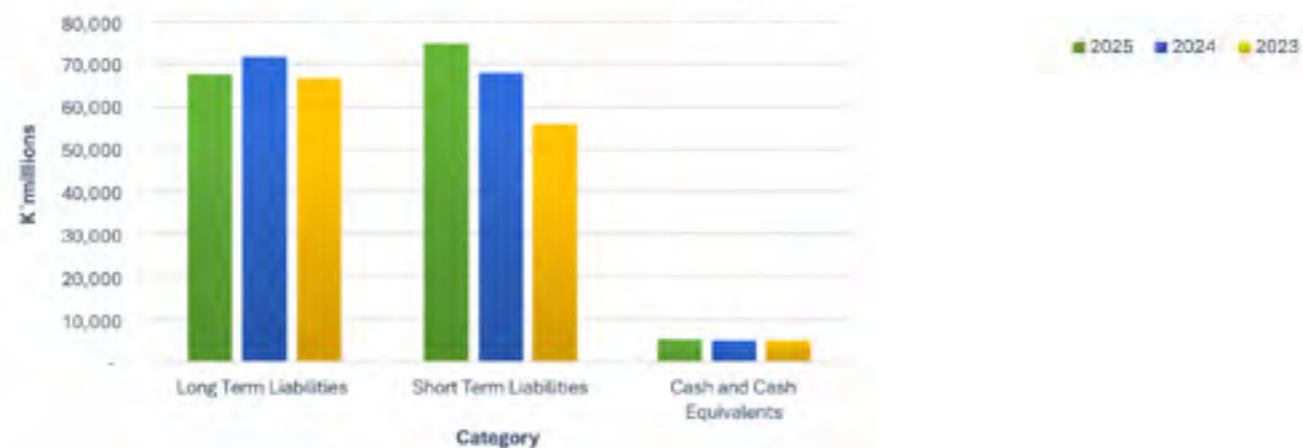
Chart 3 : Movements (2023 - 2025)



The Group's Net Debt increased by 17%, driven mainly by foreign denominated obligations and the continued depreciation of the Kwacha over the period. This outcome reflects a marked improvement when compared to the 35% rise recorded in the previous year. Debt continued to accumulate to support ongoing network expansion and reinforcement programmes, procure materials for clearing the new connections backlog, and finance renewable energy developments such as the Chisamba 100MWac Solar PV Plant, and initial investments in the Mansa 50MWac, Chisamba Phase II 100 MWac and Chipata West 100MWac.

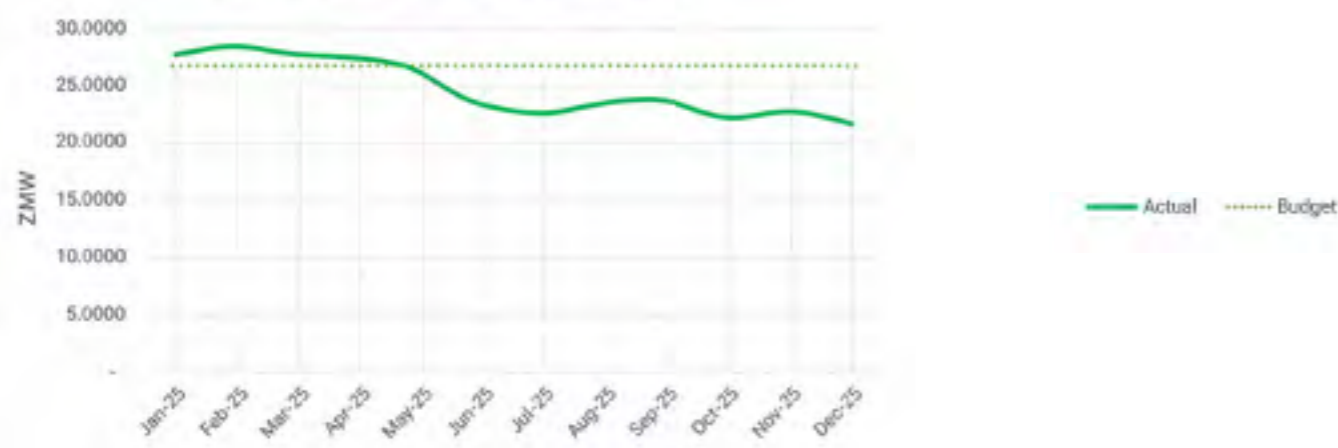
In contrast, cash and cash equivalents declined by 29%, alongside increases of 10% and 25% in long-term and short-term liabilities, respectively. The Group's Retained Earnings remained negative; however, the 23% improvement represents a significant recovery relative to the 333% decline recorded in 2022. Trade Payables rose by 25% over the comparable period, while Non Current Assets decreased by 1% (approximately K2 billion), primarily due to depreciation on property, plant and equipment.

Chart 4: Net debt



Current Liabilities increased by 12% from K62.7 billion (2024) to K70.5 billion (2025). This growth was primarily driven by the accumulation of trade payables, which rose to K46.5 billion and continued to represent a significant portion of current obligations. Non-Current Assets increased by 1% to K204.1 billion, largely due to an increase in the value of property, plant, and equipment. Net Assets grew by 7% to reach K88.1 billion by the end of the 2025 financial year.

Chart 5: Exchange Rate Fluctuations

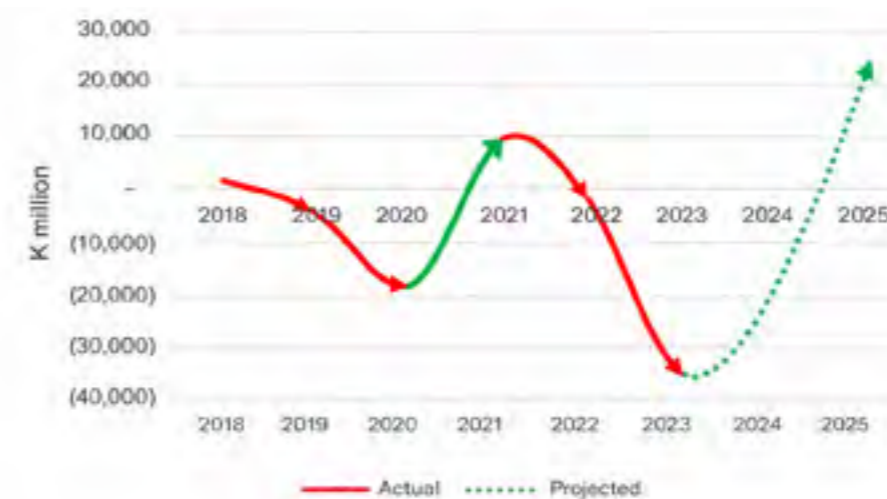


### Factors Affecting Overall Performance

The Group's 2025 financial performance was impacted by the following key issues:

- Commissioning of major renewable energy projects, including the 100MW Chisamba Solar PV Phase I, partial commissioning of the 50MW Mansa Solar Plant, and the commissioning of the 25MW Mailo Solar Plant, which improved supply capacity.
- Approval of the Multi-year Tariff Framework by the ERB for 1 November 2025 to 31 October 2027, enhancing revenue predictability.
- Significant exchange rate improvement, resulting in K5.9 billion in exchange gains, reversing the prior year FX loss and strengthening financial performance.
- Reduction of IPP debt to USD 187 million, down from USD 1.8 billion in 2021, improving liquidity and long-term sustainability.
- Clearance of over 60,000 non standard job backlogs, improving operational efficiency and customer service delivery.
- Completion of key transmission infrastructure, including the Pensulo–Mansa Transmission Line and commencement of the Zambia–Tanzania Interconnector, strengthening network reliability.
- Tripartite debt swap of K257 million between GRZ, Zambia Revenue Authority and ZESCO.
- Government support of K533 million for power purchase obligations, improving short-term liquidity.
- Reduced reliance on costly power imports as hydrology improved relative to 2024, contributing to lower cost of sales and operational stability.

Chart 7: Profit/(loss) projection



### Outlook

Despite the significant impact of the national drought on power generation, ZESCO has proactively shifted toward a more resilient operational model through the implementation of its 10-Year Strategic Plan (2022–2032). A cornerstone of this strategy is the rapid diversification of the energy mix, highlighted by the 2025 commissioning of the Chisamba (Phase I), Mansa, and Mailo Solar PV plants, alongside the commencement of Chisamba Phase II. To further secure national grid stability and establish Zambia as a regional electricity hub, the Group has officially commenced construction of the Zambia-Tanzania interconnector to facilitate increased trade through the East African Power Pool (EAPP). This is complemented by broader strategic plans to fast-track the Tanzania-Zambia-Kenya (ZTK) interconnector and the ZIZABONA project, which are essential for linking the Southern and Eastern African Power Pools. These infrastructure developments, supported by a stable multi-year tariff framework through 2027 and a dramatic reduction in IPP debt to US\$187 million, position the Group for sustained financial recovery and the long-term goal of universal electricity access.

**Mrs. Rachael Inonge Zekko**  
Director of Investment and Finance



## Corporate Governance

The Board of Directors remains committed to upholding the highest standards of corporate governance as a fundamental pillar for sustainable value creation, organizational resilience, and stakeholder confidence. The Board provides strategic leadership and oversight by monitoring operational and financial performance, evaluating senior management effectiveness, and ensuring adherence to sound governance principles consistent with the expectations of the Shareholder, the Industrial Development Corporation (IDC), the Company's Articles of Association, and applicable regulatory frameworks.

This governance framework promotes transparency, accountability, ethical conduct, and responsible corporate citizenship. It ensures that decisionmaking processes remain robust, wellinformed, and aligned with both commercial objectives and national development priorities.

To preserve independence in oversight, the Managing Director does not serve on the Audit and Risk Committee. Executive Management participates in Board Committees strictly by invitation to provide operational insights while maintaining a clear distinction between governance oversight and executive execution. The Managing Director serves on committees where operational alignment is essential, namely the Technical Committee, Corporate Support and Legal Services Committee, Procurement, Investment and Finance Committee, and the Human Capital and Development Committee.

This structured governance architecture strengthens accountability, enhances operational efficiency, reinforces internal control systems, and safeguards stakeholder interests while promoting sustainable organizational performance.

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 with a plan for attendance. However, Special meetings are arranged to cater for urgent and time bound business.

During the year under review a total of Ten (10) meetings were held. Out of the ten (10) meetings held, four (04) were scheduled and the remainder of six (6) were Special meetings.

The Board's key focus areas are summarised as follows:

- i. Oversight of strategic direction and performance monitoring.
- ii. Strengthening enterprise risk management and internal controls.
- iii. Monitoring financial sustainability and approving investment proposals.
- iv. Enhancing compliance and governance frameworks.
- v. Reviewing and approving key technical and operational priorities.

The proceedings of the meetings were duly recorded, and minutes were signed after confirmation by the Directors.

### Integrated Governance Perspective

In line with integrated reporting principles, the Board adopts a holistic governance approach that considers financial, operational, environmental, social, and strategic dimensions of value creation. This integrated approach facilitates:

- i. Ethical and effective leadership grounded in integrity, transparency, fairness, and corporate responsibility;
- ii. Strategic oversight that supports longterm organizational sustainability while proactively addressing emerging risks and opportunities;
- iii. Stakeholderinclusive governance recognizing the interests of the Shareholder, employees, customers, regulators, and the broader community; and
- iv. Integrated thinking that links strategy, risk management, resource allocation, and performance evaluation to achieve coherent organizational outcomes.

Through these principles, the Board strengthens organizational resilience, ensures disciplined stewardship of resources, and supports sustainable growth in fulfilment of the Company's mandate.

### Changes to the Board Composition

In accordance with the Articles of Association, the Board may comprise up to seven Directors, including a representative of the Ministry responsible for sector policy, up to five privatesector NonExecutive Directors, and the Managing Director.

At the beginning of the 2025 financial year, the Board comprised five NonExecutive Directors and one Executive Director. The Board Chairperson was reappointed following the expiry of the previous Board's tenure at the end of the 2024 financial year. Directors Edinah Mudenda and Charles Kaisala were also reappointed upon completion of their respective tenures.

During the year, the Shareholder appointed Dr. Christopher Mubemba as NonExecutive Director and Mr. Mwape Chipala as the Ministry of Energy representative. Engineer Justin Loongo was substantively appointed Managing Director following his earlier acting appointment after the departure of his predecessor in December 2024.

Subsequently, Mr. Charles Kaisala and Mr. Mwape Chipala departed from the Board during the second and third quarters respectively. In the fourth quarter, the Shareholder appointed Mr. Bruno Mweemba as NonExecutive Director and Mr. Sinevah Kambenja as representative of the Ministry responsible for sector policy. The Board therefore closed the year with six Directors, maintaining an appropriate balance of independence, expertise, and sector representation.

## Key board decisions during the year 2025

1. **The Board Approved the Revision of the 10-year rolling strategic plan for the years 2026 – 2035.**
2. **The Board Approved the Cultural Transformation initiative for ZESCO Limited under the theme "From Good to Great Together".**
3. **The Board approved the formation a joint venture with Jiangxi Guoxiang Electric Power Equipment Company Limited (JGEPECL) to establish a modern Smart Transformer Factory in Zambia.**
4. **The Board approved the ZMW 66.5 million financing from Indo Zambia Bank for the construction and implementation of the Chadiza 2.5MW Solar Power Plant**
5. **The Board approved the USD 17 million Kwacha-equivalent facility from Access Bank Zambia Ltd for financing the Monze (5MW), Mafinga(5MW), and Kawambwa (7.5MW) Solar Power Plants.**

## Board of Directors (as at 2025)

Name	Position	Appointed	Retired (prev.)	Committee Memberships
Mr. Vickson Ncube	Board Chairperson	23 Jan 2025	1 Dec 2024	—
Mr. Justin Loongo	Managing Director	7 Feb 2025		Audit & Risk, Procurement, Investments & Finance, Technical, Human Capital & Development, Corporate Support & Legal Services
Ms. Edinah M. Mudenda	Non-Executive Director	23 Jan 2025	1 Dec 2024	Audit & Risk, Corporate Support & Legal Services
Dr. Christopher Mubemba	Non-Executive Director	23 Jan 2025		Technical, Human Capital & Development, Corporate Support & Legal Services
Mr. Charles Kaisala	Non-Executive Director	23 Jan 2025	1 Dec 2024	Audit & Risk, Technical
Mr. Mwape Chipala	Non-Executive Director	23 Jan 2025		Procurement, Investments & Finance, Human Capital & Development



## Board Profiles



**Mr. Vickson Ncube**  
Board Chairperson

**Appointment:** 23 Jan 2025.  
**Committees:** None.

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



**Mr. Justin Loongo**  
Managing Director

**Appointment:** 7 Feb 2025  
**Committees:** Audit & Risk, Procurement, Investments & Finance, Technical, Human Capital & Development, Corporate Support & Legal Services

Seasoned executive with extensive experience in power generation and transmission, previously holding senior roles at ZESCO and serving as Chief Executive of Lunsemfwa Hydro Power Company.



**Ms. Edinah M. Mudenda**  
Non-Executive Director

**Appointment:** 23 Jan 2025.  
**Committees:** Audit & Risk, Corporate Support & Legal Services.

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



**Mr. Charles Kaisala**  
Non-Executive Director

**Appointment:** 23 Jan 2025.  
**Committees:** Audit & Risk, Technical.

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



**Mr. Mwape Chipala**  
Non-Executive Director

**Appointment:** 23 Jan 2025.  
**Committees:** Procurement, Investments & Finance, Human Capital & Development.

Experienced Energy Policy and Planning Professional with over 15 years in Zambia's energy sector, with strong expertise in policy development, budgeting, and strategic advisory, having contributed to key initiatives such as the Renewable Feed-in Tariff Strategy and currently advising the Ministry and Minister of Energy.



**Dr. Christopher Mubemba**  
Non-Executive Director

**Appointment:** 23 Jan 2025.  
**Committees:** Technical, Human Capital & Development, Corporate Support & Legal Services.

Highly accomplished Electrical Engineer and Energy Sector Leader, Chartered Engineer (IET) and Fellow of the Engineering Institution of Zambia, with extensive experience spanning academia, utilities, and large-scale infrastructure projects, including leadership roles at ZESCO and the Kafue Gorge Lower Project.

## Attendance of Board Meetings (2025)

Director	Scheduled	Special	Total Held	Attended
Mr. Vickson Ncube	4	6	10	10
Ms. Edinah M. Mudenda	4	6	10	10
Mr. Charles Kaisala	2	4	6	6
Mr. Mwape Chipala	3	5	8	8
Dr. Christopher Mubemba	4	6	10	10
Mr. Justin Loongo	4	6	10	10

## Board Committees

The Board has powers to delegate its functions to its committees and management to assist it discharge its mandate. There are currently five (5) Board Committees, namely, the Audit and Risk Committee, Procurement, Investments and Finance Committee, Technical Committee, Corporate Support and Legal Services 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

The Audit and Risk 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.

The Committee is comprised of the following Members:

Gender Mix: Male 4, Female 2

- i. Ms. Edinah Mudenda – Committee Chairperson
- ii. Mr. Charles Kaisala
- iii. Ms. Milangu Kampata
- iv. Mr. Kennedy Zeula
- v. Mr. Morgan Macheleta
- vi. Mr. Justin Loongo

During the year, the Committee met five (5) times to consider audit, risk and compliance matters and make appropriate recommendations to the Board.

### Procurement, Investments and Finance Committee

The Procurement, Investments and Finance Committee oversees investment performance and management to ensure prudent management of assets and maximisation of returns.

The Committee is comprised of the following Members:

Gender Mix: Male 3, Female 2

- i. Mr. Mwape Chipala
- ii. Mr. Stein Liyanda
- iii. Ms. Charlene Bangwe
- iv. Ms. Prudence Malilwe
- v. Mr. Justin Loongo

The Committee met seven (7) times to review the Entity's financial performance, consider investment proposals, make investment decisions, and propose appropriate recommendations to the Entity.

### Technical Committee

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

The Committee is comprised of the following Members:

Gender Mix: Male 5, Female 0

- i. Mr. Charles Kaisala
- ii. Mr. Chibulu A. Musonda
- iii. Mr. Crispin Munyati
- iv. Dr. Christopher Mubemba
- v. Mr. Justin Loongo

The Committee met four (4) times in 2025 to consider matters relating to Technical operations and make appropriate recommendations to the Board.

### Human Capital and Development Committee

The Committee's key function is to oversee staff wellbeing and performance to ensure optimal overall organisation performance.

The Human Capital and Development Committee is comprised of the following Members:

Gender Mix: Male 3, Female 2

- a. Dr. Christopher Mubemba
- b. Mr. Mwape Chipala
- c. Ms. Claire Limbwambwa
- d. Ms. Tembi Simuchoba
- e. Mr. Justin Loongo

The Committee met four (4) times in 2025 to consider matters relating to Technical operations and make appropriate recommendations to the Board.

## Human Capital and Development Committee

The Committee's key function is to oversee staff wellbeing and performance to ensure optimal overall organisation performance. The Human Capital and Development Committee is comprised of the following Members:

Gender Mix: Male 3, Female 2

- a. Dr. Christopher Mubemba
- b. Mr. Mwape Chipala
- c. Ms. Claire Limbwambwa
- d. Ms. Tembi Simuchoba
- e. Mr. Justin Loongo

The Committee met five (5) times in 2025 to consider matters pertaining to staff and make appropriate recommendations to the Board.

### Corporate Support and Legal Services Committee.

The Committee's key function is to oversee Governance and Support functions to ensure Compliance and overall organisation performance. The Committee comprises the following members:

Gender Mix: Male 2, Female 3

- a. Ms. Edinah Mudenda
- b. Dr. Christopher Mubemba
- c. Ms. Monica Chisela
- d. Ms. Beatrice Malonda
- e. Mr. Justin Loongo

The Committee met four (4) times in 2025 to consider matters pertaining to Corporate Governance and Support Services and make appropriate recommendations to the Board.

### Audit & Risk Committee – Attendance (2025)

Member	Scheduled	Special	Attended
Ms. Edinah M. Mudenda	4	1	5
Mr. Charles Kaisala	2	0	2
Ms. Milangu Kampata	4	1	5
Mr. Kennedy Zeula	4	1	5
Mr. Morgan Macheleta	4	1	5
Mr. Justin Loongo	4	1	5

### Procurement, Investments & Finance Committee – Attendance (2025)

Member	Scheduled	Special	Attended
Mr. Mwape Chipala	3	2	5
Mr. Stein Liyanda	4	7	11
Ms. Charlene Bangwe	3	7	10
Ms. Prudence Malilwe	4	7	11
Mr. Justin Loongo	4	7	11

## Technical Committee – Attendance (2025)

Member	Scheduled	Special	Attended
Dr. Christopher Mubemba	4	0	4
Ms. Edinah M. Mudenda	4	0	4
Ms. Monica Chisela	4	0	4
Ms. Beatrice H. Malonda	4	0	4
Mr. Justin Loongo	4	0	4

## Human Capital & Development Committee – Attendance (2025)

Member	Scheduled	Special	Attended
Dr. Christopher Mubemba	4	1	5
Ms. Tembi Simuchoba	3	1	4
Ms. Claire Limbwambwa	4	1	5
Mr. Mwape Chipala	3	1	5
Mr. Justin Loongo	4	1	5

## Diversity Matrix Table

Director Name	Gender	Age Band	Tenure on Board	Nationality	Primary Profession and Functional Expertise	Independence Status
GUIDE	M/F	30–39 / 40–49 / 50–	<1 yr / 1–3 yrs / 3–6 yrs / 6+ yrs	Zambian / Other	Engineering / Accounting / Law / HR / Technical / Finance / Legal / Governance / Strategy/ Other	Independent / NonIndependent
Vickson Ncube		60+	3–6 yrs	Zambian	Accounting/Finance	Independent
Edinah Mudenda	F	60+	3–6 yrs	Zambian	Finance / Audit	Independent
Christopher Mubemba	M	60+	1–3 yrs	Zambian	Engineering /	Independent
Bruno Mweemba	M	40-49	<1 yr	Zambian	Accounting / Finance	Independent
Sinevah Kambenja	M	50-59	<1 yr	Zambian		Independent
Justin Loongo	M	60		Zambian	Engineering	Non-Independent

## Board Performance Evaluation

We conduct periodic performance evaluations of the Board and its Committees as part of its commitment to strengthening governance effectiveness. These evaluations are intended to assess the performance of individual Directors, the functioning of Committees, and the overall efficiency of the Board's governance processes. Insights from the evaluation exercise are used to identify strengths, address any gaps, and implement improvements that support enhanced Board performance and accountability.

For the year 2025, a comprehensive Board evaluation exercise is currently underway. The assessment will provide valuable feedback to support continuous enhancement of governance practices and alignment with evolving organisational and regulatory expectations.

## Board Remuneration

Board Directors and Committee Members are compensated for their services through sitting allowances and quarterly retainer fees. In accordance with applicable laws, the Board has the authority to determine its remuneration, subject to approval by the Industrial Development Corporation (IDC). Prior to any upward adjustment of Directors' remuneration, benchmarking surveys are conducted with comparable publicsector institutions to ensure fairness, competitiveness, and alignment with sector norms. Where appropriate, the Corporate Support and Legal Services Committee recommends revisions to Board remuneration based on the results of these assessments.

## Board Induction and Continued Development

We have established a comprehensive induction programme for newly appointed Directors and Committee Members. This programme includes presentations and briefings delivered by Executives and functional heads, aimed at familiarising new members with the Company's operations, governance frameworks, and regulatory environment. Directors are also exposed to tailored training relating to energy generation, transmission, distribution, and corporate governance to ensure they are well-equipped to execute their oversight responsibilities. All newly appointed Board and Committee members were duly inducted and orientated upon their appointment.

Recognising the dynamic nature of the energy sector and the fiduciary responsibilities of Directors, we place strong emphasis on continuous learning and capacity building. Directors are regularly provided with opportunities for training, exposure to regulatory developments, and benchmarking against peer institutions. These initiatives typically focus on critical areas such as strategy, governance, risk management, and investments, enabling Directors to remain informed and effective in their roles.

## Board Trainings

During 2025, the Board participated in a range of capacitybuilding and development activities, including:

- AFIIA Conference and Governance Forum
- Corporate Governance Training
- Generative AI Training for Leaders

## Corporate Executive Team

Corporate Executive Team (CET) is our Senior Management. In accordance with the Articles of Association, the Board delegates the daytoday management and administration of the Company to the Managing Director, who serves as the Chief Executive Officer ZESCO Limited.

Senior Management consists of the Managing Director supported by eleven (11) Directors, each of whom leads a specific Directorate within the organisational structure.

The Board maintains open and constructive communication with Senior Management to ensure effective oversight. To support informed decision-making, the Board and its Committees receive comprehensive information packages in advance of each meeting.

The Board recognises the distinct roles and responsibilities that define the relationship between itself and Management. It acknowledges its duty to act in the best interest of the public and the shareholders and accepts full accountability for the Company's performance and strategic direction.

### Eng. Peter Chamfya

#### Chief Operating Officer



Former Director Distribution & Customer Services with 20+ years in power generation, transmission, and distribution; experience spans Zambia and consulting across Africa.

### Eng. Ernest Banda

#### Director, Power Generation



Electrical engineer and project finance specialist with 20+ years executing major hydropower and transmission projects, including PIA and EPC contract oversight and fleet operations.

### Eng. Wesley Lwiindi

#### Director, Hydro Power Projects



Mechanical engineer with 33+ years in hydropower O&M and development; Project Director on Kafue Gorge Lower and Kariba North Bank Extension.

### Ms. Patricia Musiya

#### Director, Human Capital & Development



Fellow of the Zambia Institute of Human Resource Management; strong record in governance, organisational development, and labour relations

**Ms. Chama Nsabika**

**Director, Corporate Support Services**



Over 20 years in corporate communications and public relations, with strengths in reputation management, investor relations and strategic storytelling (ex-CEC Plc).

**Ms. Rachael Zekko**

**Director Investments & Finance**



FCCA with 20+ years in financial management, treasury and strategic planning; experience in resource mobilisation, debt restructuring and financial modelling.

**Eng. Lioko Sitali**

**Director, Transmission, Operations & Trade**



Extensive expertise in power system operations, grid code compliance, and large hydro station management, focused on stable, reliable dispatch of the national grid.

**Ms. Wabei Mangwambwa**

**Director Audit & Risk**



Fellow of ACCA and ZICA; deep experience in audit, risk and fraud examination with prior roles at ZCCM-IH and Zambia Revenue Authority; ZICA 2012 Innovative Accountant Award recipient.

**Eng. Francis Namakanda**

**Director, Projects & Planning**



Registered electrical engineer with 21 years in transmission project planning, design and commissioning; led interconnections and grid reinforcement; former SAPP Planning Sub-committee Chair.

**Mr. Fitzpatrick Kapepe**

**Director, Strategy & Business Development**



Chartered Accountant and energy finance specialist; contributed to strategic plan, tariff negotiations and power purchase agreements to drive financial sustainability.

**Ms. Natasha Nonde**

**Company Secretary**



Legal and governance professional; advocate of the Superior Courts of Zambia; experience across energy, banking, international development, private practice and the Judiciary.

**Eng. Hadley Haabene**

**Director, Distribution & Customer Services**



Experienced Electrical Engineer with a strong track record in the energy sector, skilled in negotiation, project planning, and management, with an MBA in International Business Management from Edith Cowan University and a keen focus on energy policy within the electricity sub-sector.

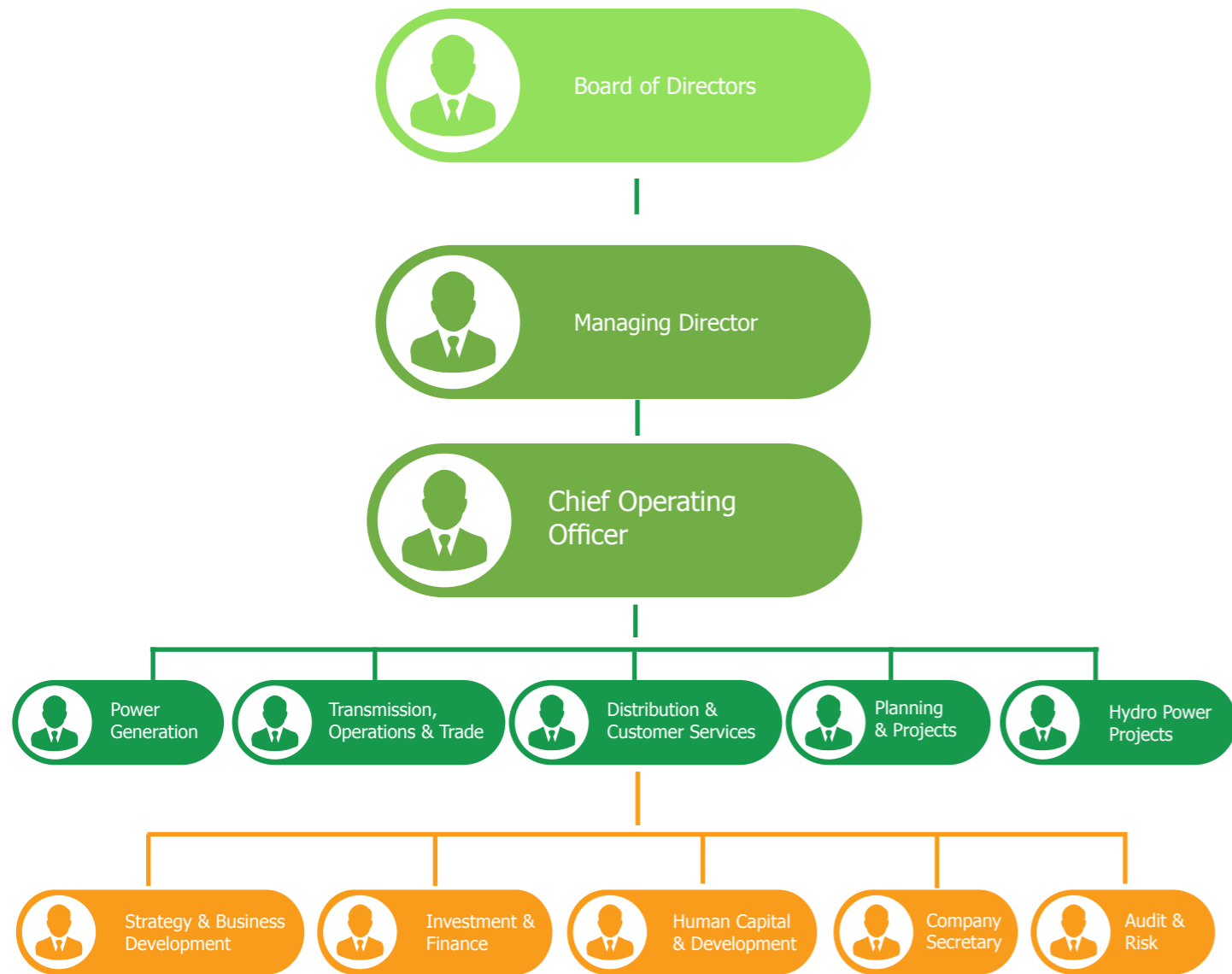


**CET Skills Matrix**

Name	Corporate Governance	Finance & Audit	Engineering & Technical	Risk & Compliance	Human Capital	Strategy & Markets	ESG & Sustainability	Public Sector & Policy	Stakeholder Engagement	ICT & Cyber
Eng. Justin Loongo	X	X	X	X	X	X	X	X	X	X
Eng. Peter Chamfya			X							
Eng. Ernest Banda			X							
Eng. Lioko Sitali			X							
Rachael Inonge Zekko	X	X								
Patricia Musiya					X					
Wabei Mangambwa		X		X						
Fitzpatrick Kapepe		X				X		X		
Eng. Francis Namakanda			X							
Eng. Hadley Haabene			X							
Natasha Nonde	X			X				X		
Chama Nsabika	X								X	

Name	<30	30–39	40–49	50–59	60+
Eng. Justin Loongo					X
Eng. Peter Chamfya					X
Eng. Wesley Lwiindi					X
Eng. Ernest Banda				X	
Eng. Lioko Sitali				X	
Rachael Inonge Zekko				X	
Patricia Musiya				X	
Wabei Mangambwa					X
Fitzpatrick Kapepe				X	
Eng. Francis Namakanda				X	
Eng. Hadley Haabene				X	
Natasha Nonde		X			
Chama Nsabika			X		





# Operational Sustainability

## Power Generation

ZESCO owns and operates the KGPS (990 MW), KNBPS (720 MW), VFPS (108 MW), the combined SHPS (58.8 MW) and provides O&M services to KNBEPC, a wholly owned subsidiary of ZESCO, at the 360 MW KNBEPS under a 15-year agreement.

In a significant step toward enhancing water resource management and generation planning, the Corporation commenced implementation of a Centralized Hydrological Telemetry Monitoring System in July 2025, with completion expected in July 2026. This strategic initiative involves the installation of an integrated network of real-time hydrological monitoring stations across key river catchments, enabling continuous data collection on rainfall, river flows, and reservoir levels.

Upon completion, the system will provide real-time hydrological data to support critical operational decisions, including reservoir release scheduling, generation forecasting, and drought early warning. By improving the accuracy and timeliness of inflow predictions, the system will enable more efficient utilization of available water resources and reduce uncertainty in generation planning.

The implementation of this system represents a major upgrade to ZESCO's hydrological monitoring capabilities, transitioning from manual data collection methods to a modern, automated platform. This investment in digital infrastructure underscores the Corporation's commitment to leveraging technology for improved operational resilience and sustainable water resource management in the face of increasing climate variability.

## Hydrology Performance

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

The hydrological crisis, driven by 2023/2024 El Niño conditions, resulted in significant, long-lasting impacts into 2025 with energy deficits experienced most of the year.

The 2024/25 rainfall season across Southern Africa was primarily influenced by a transition from ENSO Neutral conditions to a weak La Niña, which typically enhanced precipitation across parts of the region. In line with forecasts, issued by both the Southern Africa Regional Climate Outlook Forum (SARCOF) and the Zambia Meteorological Department (ZMD), the season delivered near-normal to above-normal rainfall across most parts of Zambia. River flow responses across the country's major catchments reflected the spatial and temporal distribution of rainfall received, with notable improvements in hydrological conditions compared to the previous El Niño-affected season.

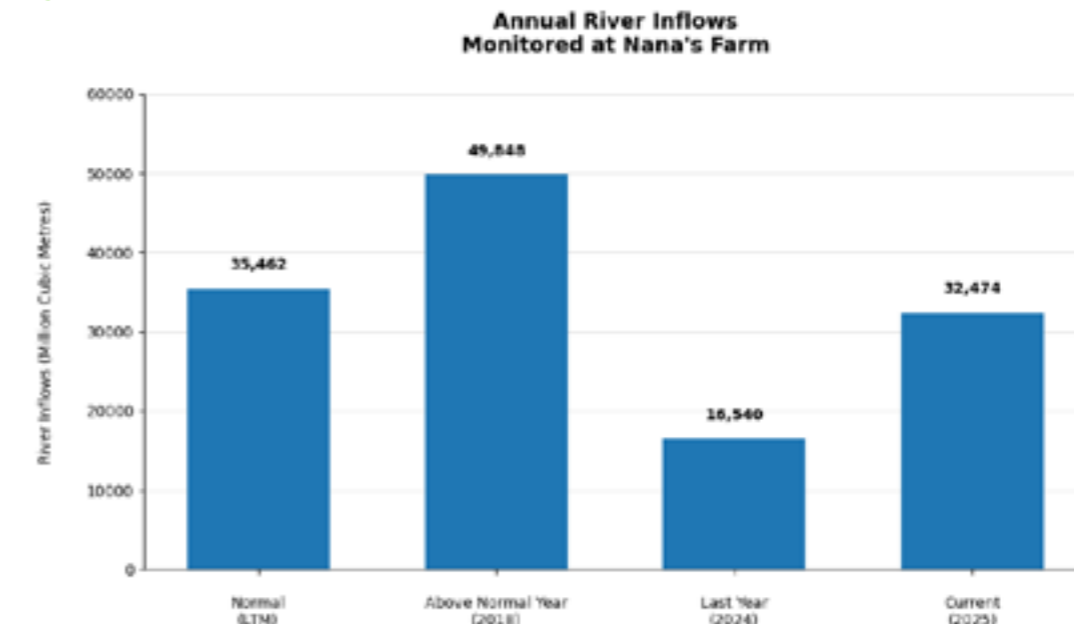
Following the hydrological stress inherited from the 2024 season, ZESCO adopted precautionary operational measures designed to safeguard environmental sustainability while stabilizing energy production. Reservoir operations were carefully managed to avoid over drawdown, ensuring that minimum ecological flows were maintained to protect downstream ecosystems and sustain livelihoods dependent on the Kafue River.

## Kafue River Catchment

The Kafue River hosts three key hydropower reservoirs i.e., ITT, KGPS, and KGL— a combined maximum reservoir capacity of over 6 BCM of water. The ITT dam, which is the main upstream storage reservoir, recorded annual average inflows of 131m<sup>3</sup>/s (or 4,136 MCM) compared to the previous year (2024: 86 m<sup>3</sup>/s or 2,724 MCM). The inflows remained significantly lower than the LTM of 300 m<sup>3</sup>/s (or 9,497 MCM).

At the beginning of the year, storage levels at the ITT and KGPS reservoirs were low, standing at just 5.3% and 11.2%, respectively. By the end of the year, however, both reservoirs had shown significant recovery, rising to 8.9% at ITT and 26.5% at KGPS. This upward shift illustrates a marked improvement in water availability, highlighting that the reservoirs managed to rebound from their depleted state.

Figure 1: ITT Inflows



At the Kariba Dam, with a designed live (or usable) storage capacity of 65,000 MCM, the ZRA allocated 28,000 MCM of water for electricity generation, shared equally between the South (Zimbabwe) and North (Zambia) Bank power stations.

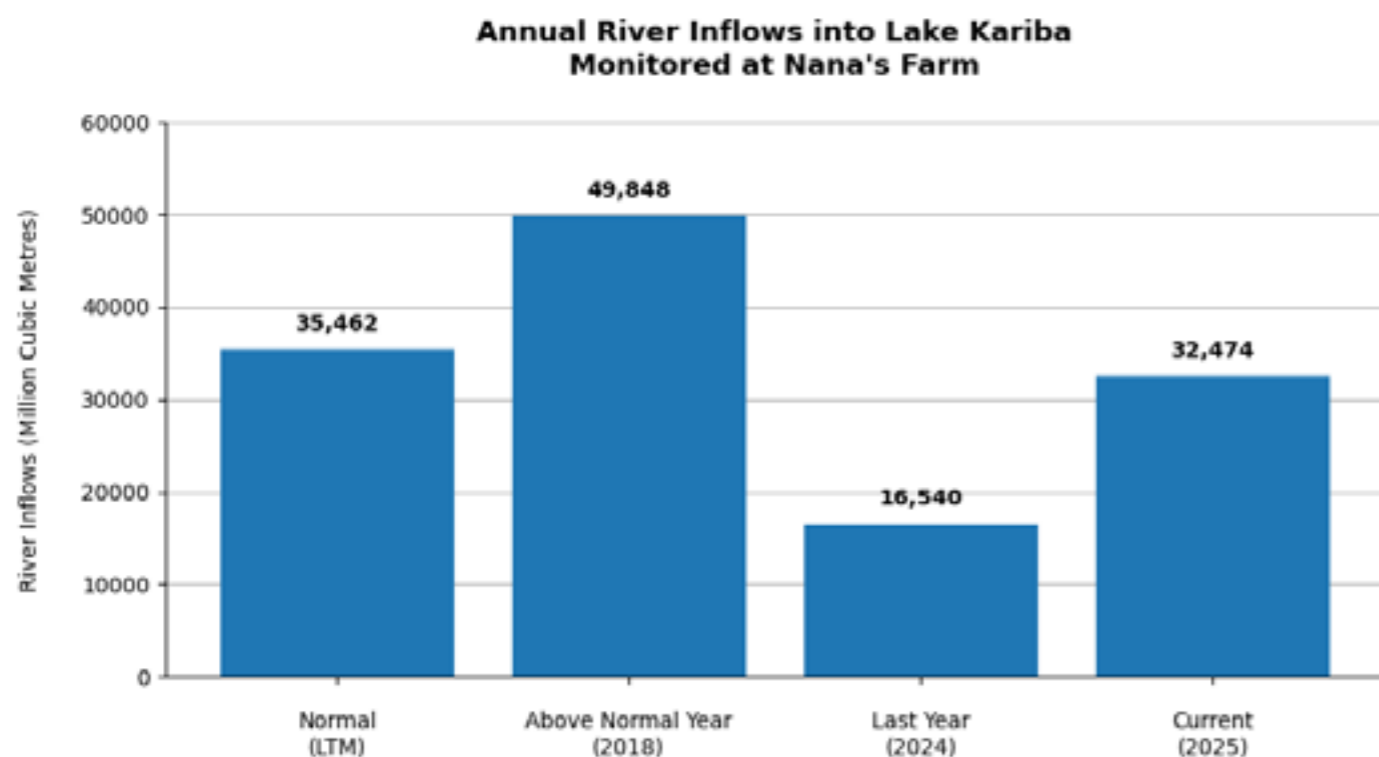
The Kariba Dam recorded annual average inflows of 1,030 m<sup>3</sup>/s (or 32,474 MCM), almost double recorded in the previous year (2024: 524 m<sup>3</sup>/s or 16,540 MCM). However, these inflows remained lower than the LTM of 1,124 m<sup>3</sup>/s (or 35,462 MCM).

At the end of the year, live storage for Kariba Dam was 5.3%, higher than the previous year (2024: 1.9%) compared to the level at the beginning of the year of 1.9%.

The 2025 annual water allocation of 14,000 MCM for Kariba North Bank was projected to be fully utilized before the end of the year. In response, intergovernmental negotiations were initiated to secure an increase in the allocated volume in October and December. Following these discussions, the ZRA allowed an additional 3,810 MCM for use at Kariba North Bank, over and above the initial allocation.

However, the persistent hydrological challenges underscored the vulnerability of relying solely on hydropower. As a result, efforts have been directed toward diversifying the energy mix, with alternative clean energy sources such as solar energy projects being initiated. These initiatives, detailed under the expanded infrastructure section, of the report illustrate a strategic shift toward building resilience and ensuring sustainable energy supply in the face of water scarcity.

Figure 3: Lake Kariba Reservoir Inflows



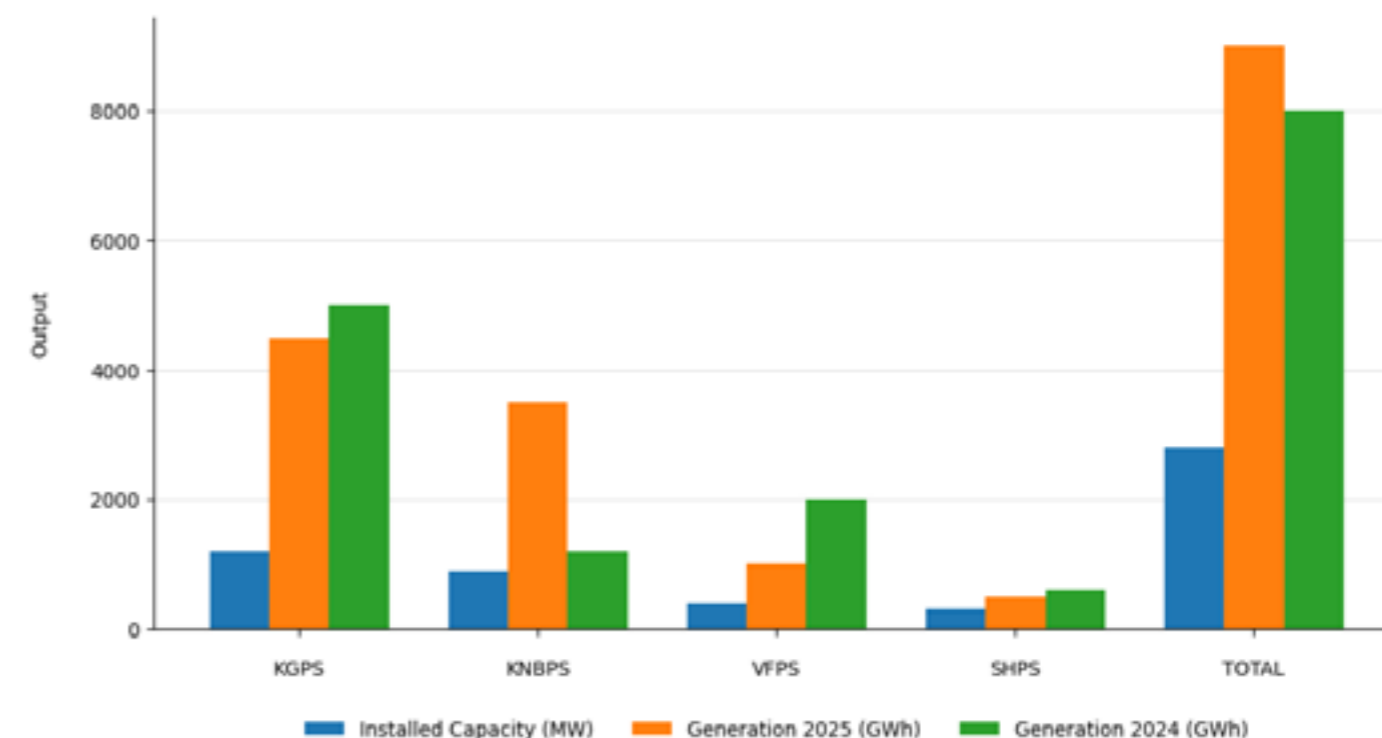
### Generation System Performance

The total generation from the power stations in 2025 was 8,738.4 GWh, which was higher than the previous year (2024: 7,524.5 GWh). Despite some improvement, performance against firm energy generation targets—representing the expected reliable annual output—remained below expectations.

KNBPS generated 3,430.8 GWh, falling short of its 3,500 GWh target. Likewise, KGPS generated 4,317.9 GWh against a target of 4,700 GWh, a shortfall driven mainly by lingering hydrological limitations.

Station	Installed Capacity (MW)	Generation 2025 (GWh)	Generation 2024 (GWh)
KGPS	990	4,317.9	4,826.4
KNBPS	720	3,430.8	1,739.29
VFPS	108	816.0	770.34
SHPS	58.8	173.8	188.5
TOTAL	1,876.8	8,738.5	7,524.5

### Generation Performance



In line with the Corporation's strategic objective of implementing an Effective Maintenance Regime the Annual Average Plant Availability Factor was 82%, higher than the previous year (2024: 79%). The replacement of old 330kV oil-filled cables at KGPS commenced in the year as per the 2025 Annual Maintenance Plan and is projected to be completed in 2026, this will result in improve security of supply.

Table 2: Plant Availability Factor (%)

Business Unit	2025 Achievement (%)	2024 Achievement (%)
KGPS	82.0	88.1
KNBPS	88.6	87.8
VFPS	86.4	71.6
SHPS	69.4	68.7
AVERAGE	81.6	79.0

### Plant Availability (%)



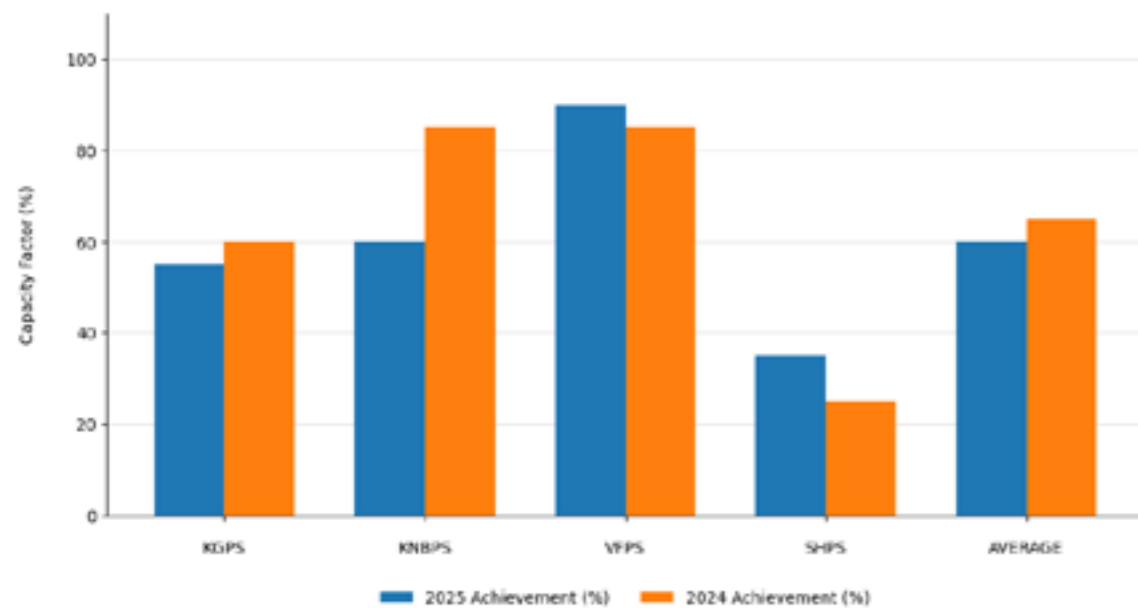
The overall Plant Capacity Factor for 2025 was 55.33%, lower than the previous year (2024: 59.3%). Performance across business units varied considerably -

KGPS (49.8%)  
 KNBPS (54.4%)  
 VFPS (86.3%) and  
 SHPS (30.8%).

Table 3: Plant Capacity Factor (%)

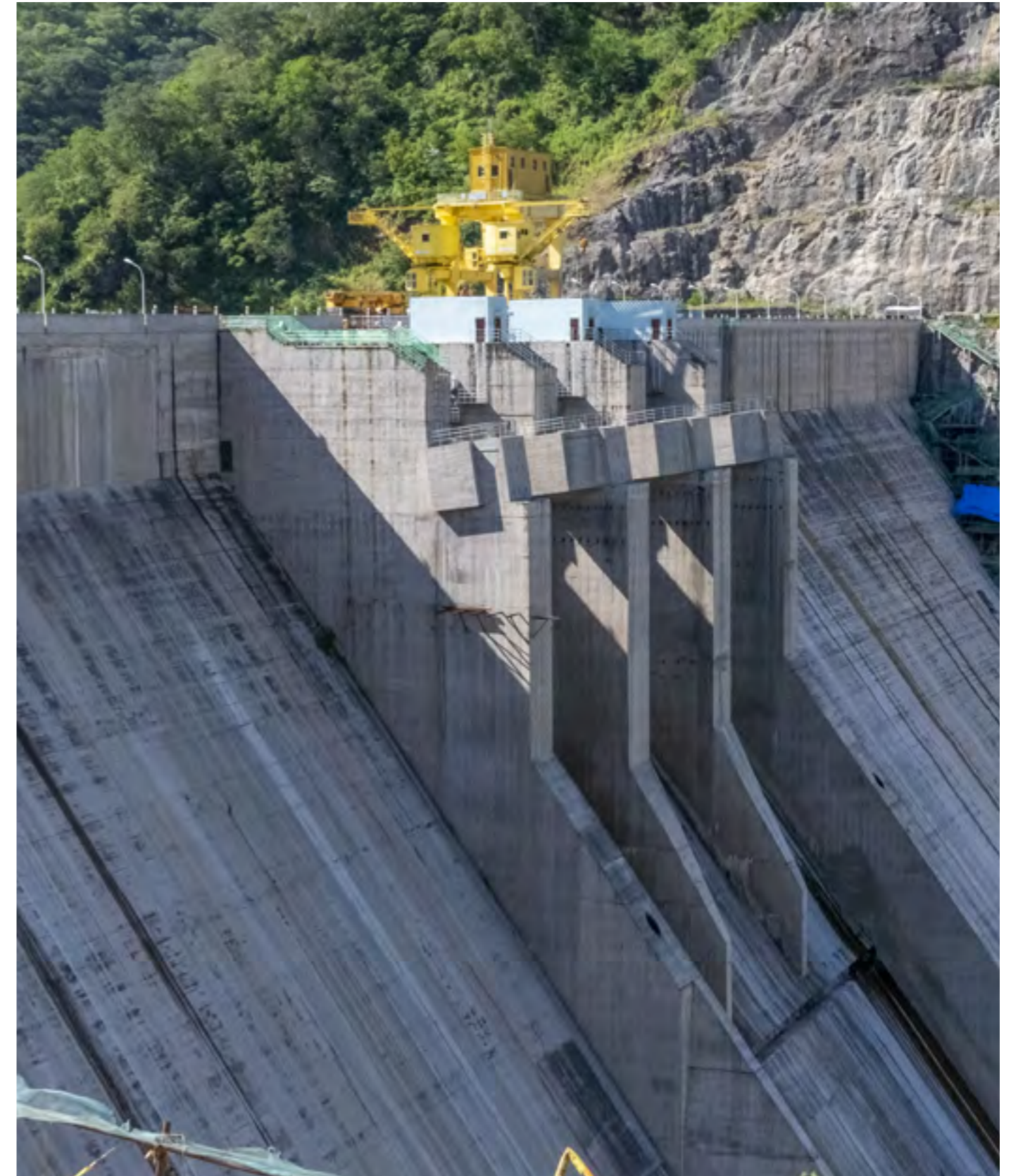
Business Unit	2025 Achievement (%)	2024 Achievement (%)
KGPS	49.8	55.5
KNBPS	54.4	81.2
VFPS	86.3	82.0
SHPS	30.8	18.6
AVERAGE	55.3	59.3

### Plant Capacity Factor (%)



### Major planned equipment/plant outages - 2026

- Sequential outage of two turbine-generator units and associated generator-transformers (TQ) to facilitate the replacement of seven old oil-filled 330 kV cables with new XLPE cables and installation of new distributed control system (DCS) at KGPS to improve security of supply and reliability.
- Sequential outage of one turbine-generator unit to facilitate the replacement of old excitation systems at KNBPS to improve reliability, and
- Shut down of the Lusiwasi 12 MW small hydropower station to facilitate rehabilitation works to reinstate generation capacity and improve equipment availability and reliability.



# Transmission Operation and Trade

## 1.0 Core Mandate

The Transmission Operations and Trade (TOT) Directorate serves as the system operator for Zambia's electricity sector. Its core mandate encompasses:

- Operation, Security, and Reliability: Managing the entire Interconnected Power System (IPS) and all transmission assets. Operation and Maintenance of the 330kV to 66kV Transmission network.
- National and Regional Power Trading: Overseeing electricity imports, exports, and trading within the Southern African Power Pool (SAPP).
- Real-Time System Balancing: Conducting 24/7 grid management and coordination of cross-border interconnections from the National Control Centre (NCC).

## 2.0 2025 System Performance Review

The year 2025 was defined by significant operational challenges due to climate-induced constraints, testing the resilience of the national grid.

### 2.1 Energy Security and Demand

- Peak Demand: 2,203.80 MW (a decrease of 4.14% from 2024).
- Average Demand: 1,643.49 MW (an increase of 5.49% from 2024), indicating more consistent, high usage throughout the year.
- Key Challenge: Supply adequacy was severely constrained due to drastically reduced hydropower generation caused by adverse hydrology (drought conditions).

### 2.2 Generation Capacity, Mix, and Performance

- Installed Capacity: 3,964.8 MW
- Hydro: 3,174.8 MW (79.2%)
- Thermal: 380.0 MW (9.5%)
- Solar: 348.0 MW (8.7%)
- Diesel: 105.0 MW (2.6%)
- Actual Average Generation: 1,506.10 MW (only 38% of installed capacity).
- Hydro: 1,248.25 MW (82.88% of generation) – Significantly below potential.
- Thermal: 216.17 MW (14.35%) – Hampered by forced outages.
- Solar: 22.81 MW (1.51%) – Impacted by low capacity factors and project delays.
- Diesel: 18.87 MW (1.25%) – Constrained by fuel supply issues.
- Sustainability Impact: Extreme reliance on underperforming hydro resources exposed the system's critical vulnerability to climate change.

### 2.3 System Reliability

- Disturbances: The grid experienced 53 system disturbances.
- Internal: 26 (49%) originating from the internal ZESCO network.
- External: 27 (51%), originating from interconnected regional systems.

Considering the SAPP Disturbance Control Standard (DCS) the IPS scored 100% indicating the resilience of the system.

- Major Event: One significant disturbance led to a widespread loss of supply, caused by the loss of a key generator coinciding with the disconnection of import lines from Zimbabwe (ZESA).

### 2.4 Key Strategic Initiative: Open Access & ISMO Preparation A major strategic achievement was the foundational work for market reform.

- Regulatory Foundation: Implementation progressed under Statutory Instrument No. 40 of 2024.
- Institutional Readiness: A Project Implementation Unit (PIU) and Market Operator Unit were established.
- Framework Development: Significant progress was made on 7 critical operational documents (e.g., Trading Guidelines, Curtailment Procedures) to create a transparent, rules-based market framework under the future Independent System and Market Operator (ISMO) model.

In 2026, emphasis will be on:

- Final approval and publication of priority documents.
- Operationalization of the Interim ISMO structure.
- Alignment of ISMO operations with regional market frameworks.

## 3.0 2026 Sustainability Outlook

The TOT strategy for 2026 is a proactive pivot towards diversification, enhanced resilience, and the continuation of institutional reforms.

### 3.1 Supply Availability and Energy Security

- Strategy: Meet demand through optimized local generation supplemented by strategic imports from the SAPP region. Projected imports are critical to balancing the system throughout the year.
- Critical Success Factors: The timely commissioning of new generation projects and the critical transmission infrastructure needed to evacuate power, especially from the Southern part of the country.

### 3.2 Generation Mix Diversification

This is the central pillar of the 2026 strategy, aiming for a fundamental shift in the energy portfolio:

- Projected Installed Capacity: 4,802.0 MW
- Hydro: 3,174.00 MW (66.10% - down from ~80% in 2025)
- Solar: 788.00 MW (16.41% - up from 8.7% in 2025)
- Thermal: 735.00 MW (15.31%)
- Diesel: 105.00 MW (2.19%)
- Objective: To drastically reduce exposure to hydro-climatic variability and create a more balanced and resilient power supply

### 3.3 Reliability, Resilience, and Regional Integration

- Reliability Priorities:
  - Reduce total system disturbances.
  - Commission the Wide Area Monitoring Protection and Control System (WAMPACS) to improve disturbance response.
- Enhance real-time monitoring and automation at the NCC
- Regional Integration: TOT will continue to:
  - Facilitate vital imports during domestic shortfalls.
  - Optimize energy exports during surplus conditions.
  - Support and benefit from regional grid stability.

### 3.4 Institutional Sustainability

The transition to the ISMO model will continue, focusing on finalizing governance structures and stakeholder engagement to ensure a smooth implementation that supports long-term market sustainability and investment.

## 4.0 Conclusion

**2025 Summary:** The year was marked by navigating a severe hydro-climatic crisis, which highlighted systemic vulnerabilities but was met with maintained system continuity and critical foundational progress on market reforms.

**2026 Outlook:** The focus shifts decisively towards building resilience. TOT is transitioning from managing resource vulnerability to executing a strategic build-out of a more diversified, reliable, and sustainable power system. Success is contingent on the timely completion of key generation and transmission projects, the effective integration of new capacity, and the continued institutionalization of the ISMO framework.

## Distribution System Performance

The total purchase for the year 2025 was 6,074.79 GWh and recorded distribution loss of 575.89 GWh (9.48%) which translated to revenue losses of ZMW1.071 billion calculated at an average rate of K1.86/KWh.

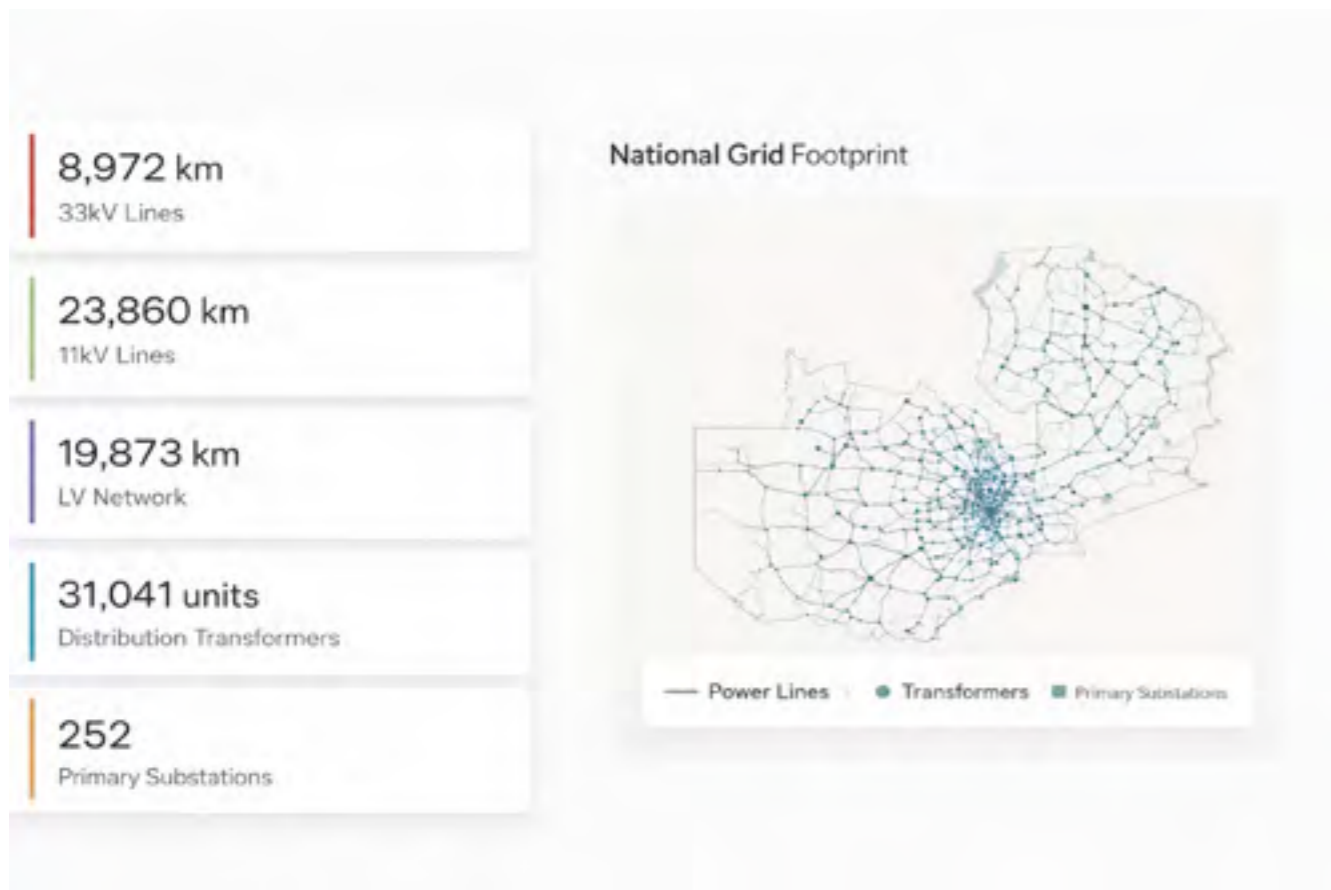
The corporation's total billing for the year under review was K 6.79 billion while the collection was K 6.11 billion, giving a collection efficiency of 90%.

Purchases Vs Sales	2024	2025
Energy Purchase (GWh)	6,714.68	6,074.79
Energy Sales (GWh)	5,969.82	5,498.90
Loss (GWh)	744.87	575.89
% Loss	11.26	9.48

Billing Vs Collection	2024	2025
Billing (K 'Billion)	4.81	6.79
Collection (K' Billion)	3.5	6.11
Collection Rate (%)	72	90

The customer base as at 31 December 2025 was 1,438,153. The system performance was negatively impacted by load management due to climate change and none of the four performance indices were achieved; SAIFI was 11 times against the target of 5 times or less and SAIDI was 184hrs against ERB requirement of 27hrs or less.



## Asset Condition Assessment & Required Reinforcement

An asset condition assessment revealed the following issues necessitating financial reinforcement:

- Transformers beyond 25 years: 18%
- Overloaded feeders: 2%
- Substations at capacity limit: 14 No. (6%)
- Increased failure rates due to aging infrastructure
- Energy meter due retirement: over 60,000



## Key Drivers of Distribution Losses

### 1. Technical Losses (Structural Inefficiencies)

- Aging and overloaded infrastructure, including long LV lines and undersized conductors, which increase I<sup>2</sup>R losses.
- Inefficient or overloaded distribution transformers contribute to energy dissipation through copper and core losses.
- Poor phase load balancing and low power factor, both of which increase circulating currents and heating losses.

### 2. Non Technical Losses (Commercial Losses)

- Electricity theft through illegal connections, meter bypassing, and unauthorized hookups.
- Faulty, tampered, or obsolete metering systems that under register consumption.
- Billing inaccuracies, including poor meter reading quality and incorrect customer classification.
- Unmetered supply points, including public lighting and temporary connections.

### 3. Operational and Governance Issues

- Deferred maintenance resulting in degraded performance and higher fault rates.
- Limited network visibility due to inadequate monitoring and automation (AMI/SCADA).
- Weak enforcement mechanisms for theft, tampering, and non compliance

### Measures Implemented by ZESCO to Reduce Distribution Losses

ZESCO historically faced high distribution losses before reducing them below 10% through targeted commercial and technical measures.

#### Measures to Reduce Non Technical Losses

ZESCO implemented targeted hotspot identification, strengthened meter reading and billing, achieved 100% customer and BSP metering, introduced community engagement, used penalties and reward systems, restructured revenue protection, created an Integrity unit, and strengthened the full commercial cycle.

#### Measures to Reduce Technical Losses

Technical measures included diagnostics of weak network segments, construction and upgrade of substations, transformer reinforcement, uprating of conductors, load balancing, correction of loose joints, and power factor improvement through capacitor installation.

#### Key Achievements

For the year under review, losses dropped from 11.26% to 9.48% below ERB requirement of 10%. ZESCO achieved full customer metering, strengthened infrastructure, and improved governance.

#### Leadership Implications

A balanced strategy of infrastructure upgrades, governance strengthening, digitalization, and community engagement is required for sustained loss reduction.



Item	2022	2023	2024	2025	Notes
Backlog at Start of Year	67,198	23,666	13,626	20,198	
Inflow Jobs during the Year	26,570	68,572	82,427	16,625	
Connections Done	70,102	78,612	75,855	83,194	
Backlog Carried Forward	23,666	13,626	20,198	19,806	

## Distribution Projects

### Advanced Metering Infrastructure (AMI)

ZESCO is implementing a national Advanced Metering Infrastructure (AMI) program to modernize the grid. AMI enables smart meters, real-time monitoring, automated billing, and improved outage management to enhance reliability and reduce losses.

Region	Zone	Initial Customer Base	Zone Cumulative Smart Meters Installed				
				Lusaka South	Central	2,030	2,191
South	1,770	1,878					
Lusaka North	West	864	1,109				
	East	1,777	1,925				
Southern	Southern	1,262	1,321				
	Western	367	325				
Central	Central	1,293	1,283				
	Eastern	1,323	60				
Kitwe	Kitwe	832	1,018				
	Mufulira	143	170				
Northern	Northern	271	288				
	Muchinga	197	240				
	Luapula	325	347				
Ndola	Ndola	770	839				
	Luanshya	240	250				
Northwestern	Chingola	384	412				
	Northwestern	329	370				
Cumulative Smart Meter Installed from Project start.	14,026						

### 1. Strategic Objectives

- Improve reliability through real-time outage detection.
- Reduce distribution losses via tamper detection and monitoring.
- Enhance billing accuracy through automated meter reading.
- Improve customer service with self-service apps and remote top-ups.

### 2. Technology & Architecture

Smart meters (AM550, MT880), hybrid LTE/4G, PLC and Ethernet communication, Symbiot software suite, HES/MDMS integration, and customer mobile/web portals.

### 3. Implementation Progress Pilot

ZESCO launched a six-month smart grid pilot in Roma Township (2026) with Beacon Power Services. A USD 37 million AMI partnership with Iskraemeco supports National deployment. 3000 smart meters procured and installation started.

### 4. Expected Benefits

- Reduced losses and improved revenue protection.
- Automated meter reading and remote operations.
- Improved power quality and grid visibility.
- Customer benefits: accurate billing, monitoring, convenient top-ups.

### 5. Strategic Importance

AMI underpins ZESCO's modernization agenda, enabling smart grid development, renewable integration, efficient operations, and better customer experience.



### Reduce Vandalism and Theft

Reduce vandalism and theft by increasing surveillance on key installations

- Increase surveillance on key installations by installing live monitoring intruder alarm systems on GMTs and PMTs.
- Procure Static Security Guard Services to ensure 24/7 guard services at all major substations and facilities
- Create Supervisory Structures under ZESCO Security for intensive supervision of Static Guard Services.
- Procure Guard Foot and Motorised Night Patrol Services to protect unguarded all Vital installations and Assets.
- To ensure implementation of Target hardening measures, including welding of transformers (PMTs), casing of cables and securing locks on fenced and housed Ground Mounted Transformers (GMTs).
- Monitor the implementation of the Youth Action Against Vandalism (YAAV) Initiative.
- Conduct Media and Community Sensitizations around vulnerable installations to raise awareness Vandalism and related crimes.
- Conduct recruitment of Credible informers to ensure accurate intelligence information,
- Investigation and prosecution of perpetrators.
- Increase surveillance on key installations by installing long-range Closed-Circuit Television
- Install monitoring intruder alarm systems on GMTs and PMTs.



# Environmental Sustainability

In 2025, we advanced our commitment to environmental sustainability by embedding ecological and social safeguards into electricity generation, transmission, and distribution operations. We aligned our practices with the Environmental Management Act No. 12 of 2011 and international frameworks such as the UN Sustainable Development Goals securing multiple regulatory approvals from the Zambia Environmental Management Agency (ZEMA), as well as pursuing a low-carbon, climate-resilient developmental pathway.

A total of ZMW 24.8 million was invested in environmental and social initiatives, with the majority (ZMW 21.7 million) allocated to compensation for Project Affected Persons, alongside funding for compliance reviews, ecological studies, and stakeholder engagement. These efforts underscore our dedication to delivering reliable electricity that meets current national needs while conserving ecosystems, protecting communities, and ensuring long-term resilience for future generations.

## Environmental and Social Efforts

We supported baseline environmental and social studies, biodiversity and forestry assessments, socio-economic surveys, livelihood restoration and vulnerability assessments, to guide project design and development. Engagement with traditional leaders, local authorities, and communities was prioritized to build consent and social acceptance, to promote inclusivity in project development. Renewable energy projects, particularly large-scale solar PV developments in Luapula, Southern, and Central Provinces, accounted for a significant share of environmental and social expenditure, covering compensation for loss of property and livelihoods, ecological assessments, stakeholder engagement, and grievance redress. Land acquisition was coordinated with traditional and local authorities and the Ministry of Lands, ensuring orderly conversion of customary land, with compensation for impacts paid upfront to restore livelihoods and minimize disruptions.

Corporate Social Responsibility Memoranda of Understanding were instituted with various chiefdoms and entities for the development of solar projects. We pursued this initiative to establish a benefit-sharing mechanism to uplift the living standards of communities in our areas of operation. The thematic areas of focus included education, health, electrification, social welfare, environmental management, climate change, water and sanitation, agriculture, skills development and entrepreneurship, cultural heritage, sports development, and women's enterprise development.

Environmental and social sustainability activities undertaken on various projects are summarized in the table below.;

PROJECT NAME	KEY ENVIRONMENTAL & SOCIAL ACTIVITIES/ MILESTONES
<b>Generation</b>	
	Air quality, water quality, and noise monitoring across eleven sampling points along the proposed tunnel footprint were undertaken as specialist studies of the ESIA.
<b>Kafue Gorge Power Station Head Race Tunnel</b>	An Archaeological and chance finds assessment was completed. Several sacred sites were identified, including one near the project area that requires restoration, for which a protection plan was initiated.  <b>Stakeholder engagements included:</b> District Development Coordinating Committees (DDCCs) meetings in Kafue and Chikankata Districts and community meetings in Nanduba, Chabota, and Namalundu Villages.
<b>Luapula 789MW Hydro Scheme</b>	ZESCO, AfDB, MCDF, and SNEL (DRC) and SAPP conducted visits to hydropower sites in Milenge and Mwense Districts. Factors such as accessibility, topography, infrastructure proximity, and community impact were assessed, and project viability was ascertained.  Evaluations for Expression of Interest (EOI) for the Environmental and Social Consultant was undertaken under the coordination of SAPP.
<b>Uprating and Rehabilitation of Chishimba Falls Hydro Power Station</b>	The Forestry Department was engaged to propagate 2000 seedlings for planting in the 2025/2026 rainy season to offset the remaining 4000 balance of the 9000 trees species affected.

## Renewable Energy

Ambient air quality and noise assessments, Forest Resource Assessments, with the Forestry Department (FD) and ecological surveys by the Department of National Parks and Wildlife (DNPW) were conducted as specialist studies of the ESIA.

### Kafue Gorge Lower 200MWac & Siavonga 200MWac Solar PV Project

Twenty (20) and Thirteen (13) PAPs on the KGL and Siavonga sites, respectively, were compensated and relocated to facilitate development of the solar plants, on the 250 hectares of land secured for each site.

A Corporate Social Responsibility (CSR) MoUs between JIGSCO and the Sikoongo and Bagande Royal Establishments were approved by the Attorney General and executed by the Parties for implementation. The projects reached a major milestone, with groundbreaking ceremonies held in December 2025, officiated by the Minister of Energy.

Chief Mabumba granted consent for 150 hectares of land for the solar plant and 33kV evacuation line to the Mansa 66/33/11kV Substation.

The GRM was rolled out in Makasa, Kolala, Sande, Mpandika, Jeremia, Fungafunga, Mukanda, Musebo, and Chamalawa Villages. Grievances raised by 12 PAPs regarding additional compensation were addressed and closed with the support of traditional leadership.

The Attorney General approved the Corporate Social Responsibility (CSR) MoU between ZESCO and the Mabumba Royal Establishment, which has since been fully executed by the Parties for implementation.

One hundred and thirty-two (132) PAPs were compensated for land and structures.

Forest resource assessment, ambient air, and noise quality assessments were conducted.

Scoping meetings were held with the Kasama DDCC and the Sombe community in Chief Mwamba's Chiefdom, as part of the ESIA process.

### Kasama 100MWac Solar PV Plant

The Socio-economic survey was concluded, and ninety-one (91) PAPs will be impacted by the project.

A Wayleave for the 330kV evacuation line was fully acquired, with corner point beacons placed along the line and at all boundary points of the acquired 150-hectare solar site.

A no objection from ZEMA was granted for Scoping Report and Terms of Reference for the ESIA study.

Consultative engagements were held with Chief Cooma, four (4) headmen, and various Government Heads of Departments (HODs).

### Choma 35MWac Solar PV Plant

Twelve (12) PAPs with structures and fruit trees within the 152 hectares of the project footprint were established during the socio-economic survey.

Wayleave acquisition and land verification for the 150-hectare site in Munaputu Village were successfully completed.

### Mukuni 100MW Solar Plant

The acquisition of 200 hectares of land was initiated for the development of the Solar Plant in Kazungula District, with the assistance of the Mukuni Royal Establishment.

A no objection was issued by ZEMA for Chadiza 2.5MW, Kawambwa 5MW, Kaputa 2.5MW, Nyimba 5MW, Senanga 5MW, Rusangu 2.5MW, Chikuni 2.5MW, and Mafinga 5MW Solar PV sites.

### Green Cities

Land acquisition for all the sites is anticipated to be concluded in Q1 2026

## Transmission

Stakeholder engagement activities, including DDCC and community meetings, were conducted across Choma, Namwala, Itezhi Tezhi, and Mumbwa Districts.

A no objection was issued by ZEMA to proceed for submission of the final EIS.

### Muzuma – Nambala 330kV Line

Disclosure of compensation entitlements were was conducted for 89 PAPs whom have since consented.

Wayleave acquisition was completed.

<b>Reinforcement of the Central Transmission Corridor</b>	Disclosure of compensation entitlements was conducted, and subsequently, 25 additional PAPs were paid for affected land and structures.
<b>Zambia – Malawi 400kV Interconnector</b>	Key safeguard activities included socio-economic surveys, wayleave acquisition, and the verification of the 47km line route (portion in Zambia), verification which were concluded.
<b>Angola – Zambia Interconnector</b>	Terms of Reference for the recruitment of a consultant to conduct the ESIA study were submitted to SAPP for consideration.
<b>Botswana – Zambia Interconnector</b>	Terms of Reference for the recruitment of a consultant to conduct the ESIA study were submitted to SAPP for consideration.
<b>Kabwe Stepdown – Kapiri–Mpongwe 132kV Line</b>	Valuation of fruit trees affected was conducted in collaboration with the Provincial Agricultural Coordinators Office (PACO) in Chisamba, Kabwe, and Kapiri Mposhi Districts. A total of four hundred and forty-nine (449) fruit trees belonging to seventy-three (73) PAPs were valued.  Noise and air quality assessments were also conducted in Chisamba District (Bulemu, Chileya, and Kafuto Villages), Kabwe District (Mpima area) and Kapiri Mposhi District (Lufunte and Sokoni Villages, Dong Yang and Ndili Farms) as part of specialist studies of the ESIA.
<b>Southern Province Network Reinforcement</b>	Stakeholder engagements were undertaken in Monze, Choma, Itezhi-Tezhi, and Namwala Districts as part of the ESIA process.  ESIA was completed, and a Decision Letter was issued by ZEMA in April 2025
<b>Copperbelt Province Network Reinforcement</b>	Land and wayleave acquisition was undertaken for substation sites and evacuation lines, accounting for 85% to completion.  ZEMA issued a no objection to the submitting of the final EIS.  Compensation entitlements were disclosed to the 111 PAPs who have since consented.
<b>Pensulo – Mansa 330kV Line</b>	Chief Mibenge was engaged for the endorsement of the site plan for the proposed Samfya 330/132/66/33kV Substation.
<b>Lusaka Transmission Distribution Rehabilitation Project (LTDRP)</b>	Compensation entitlements were paid to eighty-three (83) PAPs on the Chawama – Coventry 132kV Line on the Project.
<b>Nambala – Kitumba Mine 330kV Line</b>	A scoping meeting, facilitated by Nondenox Environmental Consultants, was held at Kitumba Primary School in Chief Kaindu’s area, Mumbwa District, as part of the stakeholder engagement process.
<b>Msoro – Mfuwe 66kV Line</b>	Disclosure of compensation entitlements for structures, crops, and fruit trees belonging to six (6) PAPs was conducted in Mambwe District following the diversion of the Lupande River on towers 73 and 74. All the PAPs consented to the disclosed compensation entitlements and have since been paid.
<b>Muzuma - Kafue West 330kV Double Circuit Transmission Linet</b>	Eighty-nine (89) PAPs were identified along the project footprint, and disclosure of compensation entitlements was concluded.  A Groundbreaking ceremony was undertaken on 8 December 2025.
<b>Zambia – Tanzania Interconnector 300kV Project</b>	Grievance Redress Mechanism (GRM) was rolled out, and 150 focal point persons were selected for the entire project footprint.  Biodiversity assessments were undertaken to manage the anticipated impact on the seven (7) forest reserves to be traversed, and species of biological significance were identified in Kasama Forest.  Gender Based Violence (GBV) Service Mapping for the affected communities in Mungwi and Kasama Districts was conducted.
<b>Luano – Kansanshi – Lumwana– Kalumbila 330kV Line</b>	Wet and dry season ecological surveys and wayleave acquisition exercises were conducted as part of the ESIA study for the 220km Luano – Kansanshi, 72km Kansanshi – Lumwana, and 65km Lumwana – Kalumbila transmission line segments. The surveys included forest resource inventory, avifauna, and aquatic assessments, in collaboration with DIGBY Wells and Armitage Environmental Consultants. These were conducted as specialist studies of the ESIA.  Wayleave acquisition was concluded.
<b>Kalumbila 330kV Line</b>	Disclosure of the ESIA and RCAP was successfully conducted in the project footprint: Shalamba Village, Musele Chiefdom, Kalumbila District; Kainamfumu Village, Kapijimpanga Chiefdom, Solwezi District; Ngosa, Chamakumbi, and Mutenda Villages, Shimukunani, Chingola District; Kangwena and Kichikwe Villages, Kalilele Chiefdom, Mushindamo District.  Stakeholder engagements included PDCC and DDCC meetings, a courtesy call on His Royal Highness (HRH) Chief Mukumbi in Kalumbila, identification and training of translators for socio-economic surveys in Solwezi District, and engagement with Headman Kalubamba.  A socio-economic survey identified 909 PAPs to be impacted.

## Distribution

### EASTERN COMPONENT

Engagements were held with Chief Ndake in Nyimba and Chieftainess Kawaza in Sinda to secure site access for project works.

Compensation entitlements were disclosed to fifteen (15) PAPs in the two Districts. Fruit trees belonging to twenty-five (25) PAPs along the 33/11 kV lines were valued, and two (2) additional PAPs were identified in Sinda, bringing the total to 40 PAPs.

Progress meetings with SWECO and contractors were held to ensure compliance with environmental and social safeguards.

### WESTERN & SOUTHERN COMPONENTS

Line route verification was conducted with the Energy Regulation Board (ERB) in Livingstone, prior to issuance of the Project Decision Letter by ZEMA in April 2025. Compensation was paid to Twenty-four (24) PAPs for structures and fruit trees.

ERB conducted route verification for the Mongu subcomponent, covering 11kV and 33kV networks from the proposed Kasima Substation

Stakeholder engagement meetings to strengthen the GRM were held in Mongu and Livingstone.

Planning of 0.4kV powerlines in Mutwiwamwambwa and Kashambe Villages in Mongu were completed, identifying one hundred and thirty-one (131) beneficiaries.

### KABWE COMPONENT

Stakeholder engagement and PAP identification were conducted along three 33kV lines: Mulungushi University – Mulungushi Textiles, Kabwe Main – Mulungushi University, and Chibwe Primary School – Kalundu. Engagement was also conducted along the Zambia Railway reserve for the proposed line from Kabwe Main Substation to Mulungushi University. A total of twenty-six (26) PAPs were identified, with impacts on fruit trees, exotic trees, and structures.

A survey of the Kabwe Main – Mulungushi University 33kV Overhead Line (OHL), along the 30m of the railway reserve, was undertaken. Stakeholder engagements with the local communities were also conducted along the stretch.

Seven (7) PAPs were identified along the project footprint.

Site inspection was undertaken by ZEMA, ERB, and Zambia Railways Limited (ZRL), prior to issuance of the Decision Letter granted in March 2025.

The rollout of the GRM was carried out in Muzoka, Nachibanga, and Harmony Villages within Choma and Pemba Districts.

Fourteen (14) PAPs were compensated for affected trees and structures in these Districts.

### Mulungushi 33kV OHL

### Choma–Pemba 33kV

### Lundazi – Lusuntha 33kV Interlink Distribution Line Project

Disclosure of compensation entitlements for six (6) structures belonging to four (4) PAPs was conducted in Lundazi District. All the PAPs were paid their compensation entitlements.

A no Objection for submission of the final EPB was issued by ZEMA in April 2025.

### 11kV Line to Cancer Diseases Hospital (CDH) and ZAMMSA in Ndola District

Eight (8) fruit trees and parcels of bare land owned by individuals and institutions, including the National Heritage Conservation Commission (NHCC), Dag Hammarskjöld Crash Site, Ndola Girls Technical School, FD, and Zambia Forestry and Forest Industries Corporation Plc (ZAFFICO) were mapped. Wayleave consents were obtained from the identified stakeholders.

Corporate Executive Team (CET) approved the roll out of the Environmental, Social, Health and Safety Risks and Impact Management (ESHSRIM) Manual across the Corporation.

The GRM pilot was rolled out in October 2025 to manage grievances across the Corporation. The programme is set to be launched in Q2, 2026.

### National Energy Advancement Transformation (NEAT) Grid Extension

ZESCO We progressed with the design of the electrical network, scoping of works, and customer identification using GPS coordinates in Lusaka Province. The exercise covered key locations in Chibombo District, including Kasukwe Village, John Highway Market, and Malambanyama Village, as well as Chisamba District, where areas such as Mupamapamo and Zimbabwe were mapped.

GRM was rolled out in Kasaka, Nansenga, Masanza, and Kabalwa areas and complemented by financial literacy training for twenty (20) PAPs.

### Kabalwa – Nansenga - ITT 33kV Line

An Environmental and Social Safeguards audit was carried out by ZEMA, and 80% compliance was reported.

## Social Interventions and Stakeholder Engagement

During the year, we strengthened the integration of social development initiatives within the environmental sustainability agenda. Recognizing that environmental outcomes are closely linked to community participation, the Corporation placed emphasis on inclusive engagement, transparency, and livelihood protection, upholding the principles of Free Prior Informed Consent (FPIC), which is an international, ethical, and legal framework requiring that affected parties must be fully informed about, and consent to, activities affecting their land, resources, or health, before any action is taken. It ensured that consent was freely given, without coercion, and is central to protecting the rights of individuals.

Public consultations formed a key component of project development, providing platforms to disseminate accurate information, address concerns, manage expectations, and incorporate stakeholder feedback into project planning. Projects were monitored to ensure that compensated PAPs had no outstanding grievances, and vulnerable households requiring additional support were identified and assisted.

We expanded the rollout of GRMs across selected projects in collaboration with Social Welfare Officers from the Ministry of Community Development and Social Welfare. Projects such as the Zambia–Tanzania Interconnector, which has an established GRM with 150 focal point persons appointed along the entire project route, ensured accessibility and timely resolution of concerns. Further, the ZTIP Gender-Based Violence (GBV) service mapping for affected communities, will enhance protection measures and provide referral systems once the project commences. In addition, financial literacy and livelihood support programs were introduced to build household resilience and promote sustainable socio-economic development following compensation payments.



Monitoring results informed corrective actions and adaptive management measures, strengthening ZESCO's environmental and social performance across all operations.

## LIVELIHOOD RESTORATION

We prioritized the restoration and improvement of livelihoods for PAPs as part of its commitment to sustainable development and social responsibility. Comprehensive livelihood restoration programs were implemented to ensure that PAPs not only regained their pre-project living standards but also had opportunities for economic advancement.

Key interventions included:

**Financial Literacy and Counselling:** Prior to receipt of compensation entitlements, PAPs were given financial literacy training and counselled for on the prudent use of funds.

**Post-Compensation Monitoring:** Regular assessments were conducted to verify that PAPs were utilizing compensation effectively and had no outstanding grievances.

## STAKEHOLDER ENGAGEMENTS

**Nambala 100MWac Solar PV Project:** Consultations were held with traditional leaders in Mumbwa District, including Headman Mwanduba and Headman Jeke Mumba. A community scoping meeting was conducted in Katumpa Village under Chief Moono's Chiefdom for the proposed evacuation line.

**Kasama 100MWac Solar PV Project:** Scoping meetings were convened with the Kasama DDCC and the Sombe community in Chief Mwamba's Chiefdom as part of the ESIA process for the 100MWac solar development.

**Choma 100MWac Solar PV Project:** Consultative engagements were held with four (4) headmen, and Chief Cooma, and various Government Heads of Departments (HODs) in Choma District.

**Chipata West 100MWac Solar PV Project:** Stakeholder consultations included meetings with the DDCC and the Msekera community.

**Muzuma – Nambala 330kV Transmission Project:** Stakeholder engagement activities were carried out across Choma, Namwala, Itezhi Tezhi, and Mumbwa Districts, including DDCC and community meetings.

## MONITORING

We maintained a comprehensive environmental monitoring and reporting framework throughout 2025, focusing on continuous improvement and regulatory compliance. Key components included:

### 1. Emissions Monitoring

Periodic tracking of emissions using recognized methodologies.

### 2. Water Quality and Resource Management

Routine monitoring of water abstraction, effluent discharge, and ecological flows to ensure compliance with national and international standards.

### 3. Waste Management

Monitoring of hazardous and non-hazardous waste streams with a strong focus on proper disposal practices and enhancing resource efficiency. Hydrocarbons remain the company's primary hazardous waste, which is managed responsibly through disposal by ZEMA-licensed vendors in compliance with regulatory requirements.

### 4. Biodiversity and Environmental Impact

Biodiversity assessments were undertaken on key projects, including the ZTIP and Mansa 200MWac Solar PV development, to safeguard existing ecosystems and integrate conservation measures into project planning and implementation.

### 5. Data Management and Digital Reporting

A key milestone in 2025 was the internal pilot rollout of a digitalized GRM system for the NEAT project, designed to streamline stakeholder engagement, improve transparency, and ensure timely resolution of environmental and social concerns.

## 6. Assurance Verification and Management System Integrity

Annual internal and external audits were conducted across ZESCO's operations to verify environmental performance data, evaluate compliance with statutory and corporate requirements, and identify opportunities for continuous improvement.

ZESCO continued to operate under a certified ISO 14001 Environmental Management System, with external certification successfully maintained across all operational facilities.

## 7. Continuous Improvement and Stakeholder Engagement

Performance-driven improvement: Continuous improvement systems have been strengthened by integrating environmental monitoring results, compliance audits, and grievance data into structured management review processes. This approach enabled the timely closure of over 70% of identified environmental and social gaps within the reporting period and informed updates to Environmental and Social Management Plans, contractor controls, and operational procedures.

Structured and transparent engagement: We undertook more than 120 formal stakeholder engagements during the year, including consultations with regulators, internal teams, and host communities. Through quarterly sustainability updates and strengthened Grievance Redress Mechanisms, approximately 85% of reported grievances were resolved within agreed timelines, reinforcing transparency, accountability, and stakeholder trust.

## Highlights of the Year's Activities

### World Environment Day 2025 Commemoration

We participated in the annual World Environment Day (WED) commemorations held on 5th June 2025, following an invitation from the Ministry of Green Economy and Environment. The commemorations were held in Lusaka and Ndola under the global theme, "Beat Plastic Pollution."

World Environment Day is the United Nations' principal platform for promoting environmental awareness and action. Established in 1972 by the United Nations General Assembly following the Stockholm Conference on the Human Environment, WED has been observed annually since 1973 and has grown into the largest global environmental outreach event.

The 2025 theme, "Beat Plastic Pollution," highlighted the urgent need to reduce plastic waste, promote sustainable consumption, and strengthen waste management systems.



Figure 1: ESD North Staff Commemorating WED 2025



Figure 2: ESD South Staff March Past WED 2025

## Stakeholder Engagement and Contribution

ZESCO embeds stakeholder engagement within its strategy, governance framework and risk management processes to support sustainable value creation. Strong, transparent and trusted stakeholder relationships are essential to safeguarding our social licence to operate, managing reputational risk and advancing long-term financial and operational sustainability. Engagement outcomes inform strategic priorities and capital allocation decisions across the short, medium and long-term.

The Board provides oversight of stakeholder relationships, ensuring alignment between stakeholder interests, material matters and long-term objectives. The Corporate Affairs Department oversees implementation of the stakeholder engagement framework, while the Corporate Executive Team acts as custodian of key stakeholder relationships. Structured reporting, regular briefings and risk forums enable continuous monitoring of non-technical risks and ensure that stakeholder concerns are proactively addressed.

Guided by principles of inclusivity, materiality, responsiveness and transparency, we maintain both structured and responsive engagement with Government, regulators, investors, customers, employees, communities and industry partners. Through policy participation, infrastructure collaboration, regional cooperation and proactive communication, the organisation strengthens Financial, Manufactured, Human and Social & Relationship Capital, reinforcing governance credibility, operational resilience and national energy security.

### Our Six Capitals – An Integrated Value Creation Ecosystem

Our stakeholder engagement model supports the responsible use and enhancement of six interdependent capitals that drive sustainable value creation. The organisation's value creation model functions as an integrated ecosystem, where each capital plays a distinct yet interdependent role in sustaining long-term performance.

Our value creation model can be compared to a growing tree. Natural resources form the soil, funding provides the water, infrastructure serves as the trunk, employees as the leaves, stakeholder trust as the roots and innovation as the growth system. When these elements work together, the organisation produces sustainable value for Zambia.

CAPITAL	STRATEGIC ROLE	HOW IT IS INFLUENCED THROUGH STAKEHOLDER ENGAGEMENT	PRIMARY STAKEHOLDERS AFFECTED	VALUE CREATED
Natural Capital	Environmental foundation supporting sustainable energy generation	Environmental compliance engagements, community consultations, energy efficiency awareness and impact mitigation initiatives	Government	Regulators
Financial Capital	Enables liquidity, capital access and long-term financial sustainability	Debt restructuring, investor engagements, tariff consultations and funding agreements	Investors & Lenders	Government
Manufactured Capital	Physical infrastructure backbone of electricity generation and transmission	Infrastructure development approvals, PPAs, interconnector agreements, supplier coordination and project commissioning	Government	Regulators
Human Capital	Organisational capability and performance delivery	Executive-employee engagements, cultural transformation programme, performance optimisation initiatives and leadership alignment	Employees	Board
Social & Relationship Capital	Trust, legitimacy and stakeholder confidence	Town Hall meetings, media engagement, community development initiatives and public transparency efforts	Media	Customers
Intellectual Capital	Governance systems, innovation and institutional knowledge	Policy participation, regulatory dialogue, digital engagement platforms and operational improvement frameworks	Regulators	Government

The table below outlines our key stakeholder groups, their concerns, our responses and the contribution of these engagements to sustainable value creation.

## Government, Shareholders & Board of Directors



### Role

Provide strategic oversight, policy direction and governance accountability to ensure alignment with national energy priorities, financial sustainability and long-term value creation.



### Expectations

Policy alignment, governance effectiveness, financial sustainability, infrastructure development

### Engagement Activities

Concluded key Power Purchase Agreements with Independent Power Producers; formalised regional interconnector cooperation through signed MOUs; launched implementation of USD 292 million grant financing for strategic transmission infrastructure projects.

### Contribution to Value Creation

Strengthened national energy security; enhanced strategic alignment with government priorities; accelerated infrastructure expansion; reinforced governance accountability.



## Investors & Lenders



### Role

Provide capital and financial support required for infrastructure development, operational stability and long-term growth, with a focus on transparency, risk management and creditworthiness.



### Expectations

Policy alignment, governance effectiveness, financial sustainability, infrastructure development

### Engagement Activities

Concluded key Power Purchase Agreements with Independent Power Producers; formalised regional interconnector cooperation through signed MOUs; launched implementation of USD 292 million grant financing for strategic transmission infrastructure projects.

### Contribution to Value Creation

Strengthened national energy security; enhanced strategic alignment with government priorities; accelerated infrastructure expansion; reinforced governance accountability.

## Employees



### Role

Deliver operational performance and service excellence. They are central to organisational culture, safety, innovation and the successful execution of our strategic objectives.

### Engagement Activities

Facilitated executive-employee engagement forums on strategic direction and remuneration; launched an 18-month Cultural Transformation and Performance Management Optimisation Programme; strengthened leadership communication and internal engagement.



### Expectations

Job security, strategic clarity, fair remuneration, organisational culture

### Contribution to Value Creation

Improved employee alignment with corporate strategy; strengthened performance culture; enhanced workforce morale and engagement.



## Suppliers



### Role

Provide goods, services and technical expertise essential to maintaining infrastructure, enabling project delivery and ensuring supply chain continuity.

### Engagement Activities

Maintained structured procurement engagement processes; strengthened contract management and supplier performance oversight; promoted transparent and compliant sourcing practices.



### Expectations

Fair procurement processes, payment certainty, contract transparency, partnership stability

### Contribution to Value Creation

Enhanced supply chain resilience; reduced procurement risk; strengthened supplier partnerships.

## Regulators



### Role

Oversee compliance with electricity sector laws, tariff approvals and industry standards to ensure accountability, affordability and sector sustainability.

### Engagement Activities

Participated in tariff consultations and regulatory submissions; engaged in policy dialogue supporting sector reform and financial sustainability of the electricity sector.



### Expectations

Regulatory compliance, tariff justification, sector reform participation

### Contribution to Value Creation

Strengthened regulatory relationships; improved compliance credibility; supported balanced affordability and sustainability.

## Media



### Role

Act as a key channel for public communication, shaping perception and stakeholder sentiment through coverage of our performance, governance and infrastructure developments.

### Engagement Activities

Facilitated high-profile media coverage of strategic energy infrastructure projects and regional interconnector initiatives; supported Board-led site engagements; conducted journalist capacity-building sessions; delivered over 60 radio and digital broadcast engagements; strengthened proactive digital stakeholder communication platforms.



### Expectations

Transparency, operational updates, leadership visibility, accountability

### Contribution to Value Creation

Improved public awareness of infrastructure investments; enhanced leadership visibility; strengthened media sentiment and reputation management.

## Customers & The Public



### Role

Include residential, commercial and industrial electricity users who depend on reliable, affordable and transparent energy supply for economic and social wellbeing.

### Engagement Activities

rolled out nationwide market and mall sensitisation campaigns on vandalism prevention, safety, energy efficiency and net metering; engaged sector stakeholders on drought-related supply constraints; published weekly load management schedules to enhance transparency.



### Expectations

Reliable electricity supply, affordability, service transparency, energy awareness

### Contribution to Value Creation

Increased public awareness and compliance; improved transparency during supply constraints; strengthened customer trust and social licence to operate.



## Local Communities



### Role

Communities located near our operations who are directly affected by infrastructure projects and environmental impacts, and who contribute to the organisation's social licence to operate.

### Engagement Activities

Implemented targeted community development initiatives including health facility support, educational material donations, cultural heritage sponsorships and disaster relief assistance in flood-affected areas.



### Expectations

Social and environmental impact, community support, disaster response

### Contribution to Value Creation

Strengthened community relations; enhanced corporate citizenship profile; reinforced social licence to operate.



## Local Government authorities



### Role

Municipal and district authorities responsible for local governance, infrastructure coordination and service delivery alignment within areas where we operate.

### Engagement Activities

Conducted multi-province Town Hall meetings addressing electricity supply challenges and investment plans; coordinated emergency response engagements with local authorities in flood-affected communities.

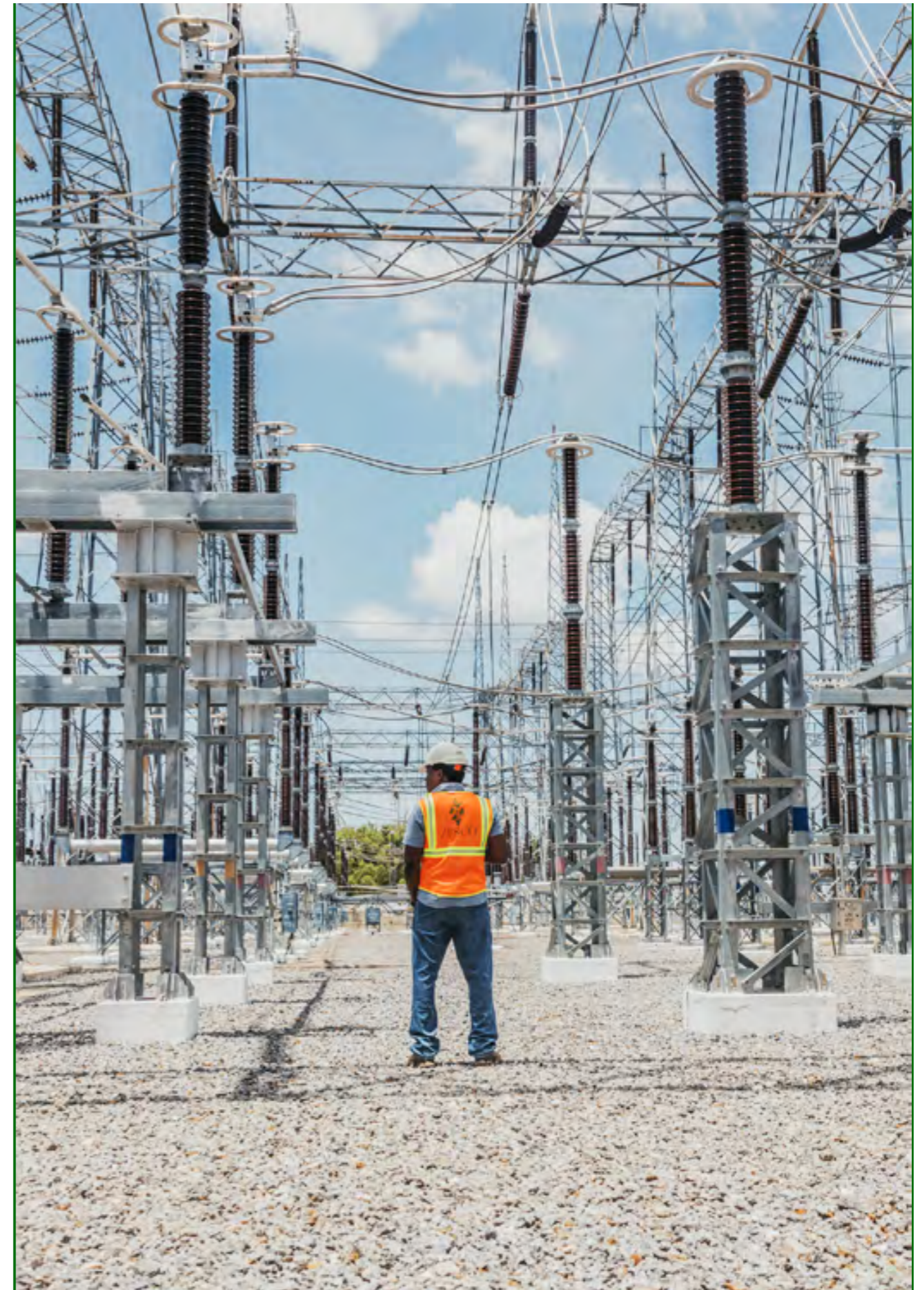


### Expectations

Infrastructure coordination, service delivery alignment, crisis response

### Contribution to Value Creation

Improved municipal alignment; strengthened intergovernmental coordination; enhanced responsiveness



# Human Capital and Development

The strategic role of a competent and professional team is vital to the achievement of the Corporation's strategic objectives. This is achieved through the monitoring of the employees' productivity and careers progression circle.

Highlights	Improvements
<p>The Workforce comprised 10,144 employees, against the Establishment of 12,000.</p> <p>93% of staff scheduled for competence-based Capacity Building training were trained. This comprised of 1,883 employees.</p> <p>Further, 755 employees with Customer - service interface were trained in customer care with the achievement rate of 101%. A total cost of K10.6 million was invested in capacity building training.</p> <p>Joint Industrial Committee (JIC) and Medical Joint Industrial Council (MJIC) meetings were held with the Workers Union for Industrial Harmony. Further, ZESCO held quarterly staff engagement meetings across the regions.</p> <p>ZESCO conducted Wellness Clinics for staff and 1,411 employees participated.</p> <p>Increased rate of Industrial Attachment and Internship from 157 in 2024 to 269 in 2025 contributing to national skills development for Economic growth.</p>	<p>Employment stability was recorded at 95% contract renewal rate. 402 out of 425 expired contracts were renewed.</p> <p>There was a shift toward longterm employment to provide employment security of tenure. Contract employment reduced from 33% in 2024 to 28% in 2025.</p> <p>Staff were Redeployment across departments to align competences.</p> <p>Constituted adhoc promotions committees for staff promotions to fill vacancies in a transparent, consistent, fair and merit-based manner.</p> <p>Established Zonal Managers positions to enhance operational efficiency in service delivery.</p> <p>Increased the Staff Establishment from 8,300 to 12,000 to support business growth and improved service delivery. This represented 85% of the filled establishment.</p> <p>ZESCO employed Graduate Female Engineers from universities.</p> <p>Increased uptake of internships/attachments in contribution to national skills development.</p> <p>Undertook skills and capacity building benchmarking exercise with an international member country .</p> <p>Implemented a Culture Transformation and Enhanced Performance Management program a change management initiative for improved performance and service delivery an initial phase towards the objective to undertake Job Evaluation and Analysis in 2026.</p> <p>Commenced the process of restructuring the management of staff retirement benefits to Pension Scheme facilities.</p> <p>Procured Protective Attire (PPE) and ensured the distribution across user departments.</p> <p>Commenced Weekly Aerobics for staff wellness and change initiatives for team building.</p>
Lowlights	Challenges
<p>Prevalence of RTA accidents</p>	<p>Rising disciplinary cases due to offences of dishonest conduct related to theft incidences.</p> <p>Safety risks from electrocutions, RTAs.</p> <p>Cost pressure by expanded workforce resulting into increased wage not matching with revenue collection due to insufficient power supply resultant from the drought.</p>

## 1.0 Introduction

Human Capital remains central to our ability to reliably generate, transmit, distribute and trade electricity across the Nation and the region. In 2025, the Corporation focused on ensuring the availability of the right skills, fostering a performance driven culture, strengthening safety practices, and building organisational resilience in line with the 2022–2031 Strategic Plan.

Our approach to Human Capital Sustainability follows the principle: Inputs (People & Skills) >>Activities (Training, Safety, Engagement) >>Outputs (Productivity & Reliability) >>Outcomes (Value for Customers, Government, and Society).

## 2.0 Human Capital Profile

**Table 1: Workforce Profile at a Glance**

	2025 Performance
<b>Headcount 2025</b>	10,144
<b>Establishment</b>	12,000
<b>Establishment Utilization</b>	85% of 12,000
<b>Headcount 2024</b>	8,926
<b>Technical vs. Non-Technical Ratio (2025)</b>	43% : 57%
<b>Management vs. Represented Ratio (2025)</b>	28% : 72%
<b>Skilled vs. Semi/Unskilled Ratio (2025)</b>	53% : 47%

In 2025 the human capital headcount grew from 8,926 in 2024 to 10,144 at a rate of 13.6%. The growth was attributed to the employment of long-term serving casual workers to permanent and pensionable employment. Other employment activities were targeted at filling vacancies in critical areas. The regularization of casual labour to permanent employment supports field operations. Therefore, the staff compliment was at 85% of the approved establishment.

To support career progression and optimise human Capital, staff redeployment was undertaken across the organisation to ensure staff skills are aligned to positions of competence areas and skills suited for operational requirements.

## SEPARATIONS

In the year 2025, a total of 394 employees separated from employment. This was a 19% reduction compared to 2024 which stood at 488. Separations were mainly due to Retirements and Disciplinary grounds as shown below:

Category	2024	2025
<b>Disciplinary</b>	108	127
<b>Retirements</b>	108	164
<b>Resignation</b>	116	35
<b>Medical Discharge</b>	6	10
<b>Expiry of Contracts</b>	116	23
<b>Death</b>	34	35
<b>Total</b>	488	394

## Revision of Organisational Structure

The Organisation Structure was revised from 8 to 10 Directorates. The new Directorates were Strategy & Business Development and Corporate Support Services.

## Workforce Age Distribution

The staff age demography was as follows:

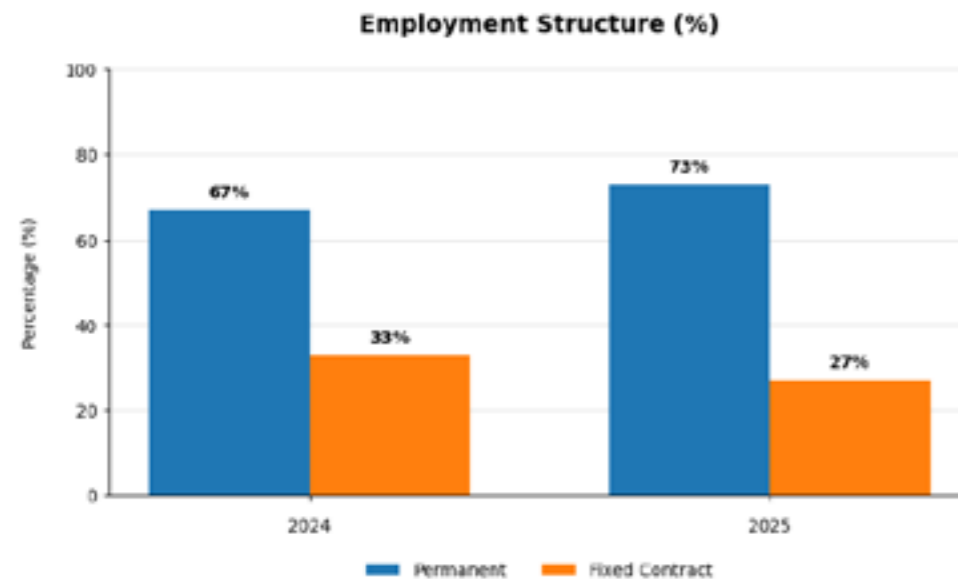
**Table 3 : Staff Age Demography**

	Total	Male	Female	%
19-24	303	209	94	3
25-35	2575	1924	651	25
36-45	4262	3294	968	42
46-55	2706	2187	519	27
>56	298	273	25	3
<b>Total</b>	<b>10144</b>	<b>7887</b>	<b>2257</b>	<b>100</b>

The staff age demography is utilized for succession planning to mitigate future succession risk and retirement planning. This further depicts the nature of the organisation that has been in existence for long now.

## Employment Categories

The 10,144 staff comprised of Permanent and Pensionable and Fixed Term contract employment categories as highlighted below:



## Staff Headcount by Category

The staff hierarchy and gender distribution is stipulated below:

**Table 4: Staff Headcount by Category**

Staff Category	M	F	Total	Percentage of Headcount	M	F
Executive Management	6	5	11	0.1	67%	33%
Senior Management	362	125	487	4.8	74.2%	25.8%
Middle Management	1416	881	2297	22.6	61.7%	38.3%
Represented	6103	1246	7349	72.4	83.1%	16.9%
<b>Total</b>	<b>7887</b>	<b>2257</b>	<b>10144</b>	<b>100</b>	<b>78</b>	<b>22</b>

The composition of female staff in decision making positions was 26%. This comprised of the Executive and Senior Management staff categories. However, the rate was lower than the target of 30%.

Similarly, the overall gender distribution against the Headcount was at 78% for males and 22% for females. A deliberate strategy was undertaken to increase the participation of female employees in the technical field. A total of ten (10) graduate engineers were employed in collaboration with Universities.

### Staff Development

The Corporation facilitated long and short-term training of employees in various capacity building programmes. Capability Building Investments

In 2025, K10.6 million was invested in competency-based training in skills development. A total of 745 employees with customer interface were targeted for training and the achievement rate was 101%.

### Capacity Building Benchmarking

Capacity building benchmarking with some international power utility companies was undertaken. The information gathered was utilised for the review of the Institution's staff development policy framework.

### National Skills Development and Talent Pipeline

A total of 269 students were on internship and Industrial attachment. This was an increase from the total of 157 in the year 2024. This contributes to skills development for National development.

### Industrial Harmony

Stakeholder engagements:  
Regular Joint Industrial Council (JIC) and Medical Joint Industrial Council meetings (MJIC) were held and discussions were concluded amicably.

### Occupational Health, Wellness, and Safety

The Institution had 67 affiliated health care facilities across the nation for the provision of health care services to staff. This was in addition to NHIMA services.

A total of 201 occupational accidents were recorded mainly due to Road Traffic Accidents (RTA) . The prevalent cases were RTAs. The Institution procured and distributed the required Personal Protective Equipment (PPE) to ensure a secure and compliant work environment for frontline staff.



# EXPANDED INFRASTRUCTURE

During the year 2025, we made substantial progress under **Strategic Focus Area 3: Expanded Infrastructure** by advancing renewable generation, strengthening transmission capacity, and expanding the distribution network in order to support security of supply and improve access to electricity.

Under Generation, we continued to support the diversification of the national energy mix through the implementation of Solar PV projects and provision of grid access to private investors. In the year under review, a total of 114MW was commissioned from two solar PV projects namely Chisamba 100MW Phase I (developed by Kariba North Bank Power Corporation a ZESCO Subsidiary) and 14MW from Mansa Solar project. In addition to this, 500MW of utility scale Solar PV projects were launched and all are targeted to be commissioned by end of 2026. Further, under net-metering, 246 prosumers were registered with 17.3MW of Rooftop solar installed.

On the other hand, the Transmission system continued to be expanded and notable projects implemented include;

- Commissioning of new Jimmy 132/11kV Substation and associated 132kV Line from Chawama to Coventry,
- Installation of new 330/132kV, 1x250MVA Transformer at Kabwe Step Down,
- Upgrading of Lusaka West 330/132/33kV Substation with 3x250MVA, 330/132kV Transformers and
- Decommissioning of old 3x 45MVA Transformers and commissioning of New 3x90MVA, 132-88/34.5/11kV Transformer at Kafue Town Substation

On the Distribution system, we continued with several projects aimed at network modernization and increasing household access to electricity. An overview of the major access to electricity programs under implementation is as follows;

- **NEAT:** 18,257 subsidized connections were made,
- **LTRDP Last Mile:** 15,306 customers were connected in lowincome townships, and the target is 63,000 customer connections by 2028.
- **ItezhiTezhi – Nambala Corridor Project:** 40 last mile connection made and Off-grid solar installations at 7 Health Centres and 3 rural schools were completed
- **ASCENT:** Coexecution agreement was signed with the Rural Electrification Authority (REA) in December 2025 (2025–2030),

## RENEWABLE GENERATION PROJECTS

The main objective is to enhance the national energy mix, achieve surplus generation and contribute to security of supply.

### Chisamba 100MW Phase I Solar PV Project

The project was developed by Kariba North Bank Power Corporation (KNEPC, a ZESCO subsidiary) in Chisamba District of Central Province. The project was commissioned on 30 June 2025, and total cost was USD 100million.

### Chisamba 100MW Phase II Solar PV Project

The project is being developed by ZESCO Limited in Chisamba District of Central Province at a total cost of USD 76million.

The overall construction progress for the year 2025 was at 25% and projected commissioning date is June 2026.

### Mansa 50MW Solar Project

The project is being developed in Mansa District of Luapula Province by ZESCO Limited, and the total cost is USD 48 Million.

The overall construction progress for the year 2025 was at 90% with 14MW commissioned on 25 December 2025. The project is targeted to be completed by April 2026.

### Kafue Gorge Lower 100MW and Siavonga 100MW Solar PV Projects

The projects are being developed in Chirundu and Siavonga Districts of Southern Province by JIGSCO (an SPV between JIGSAW Investment and ZESCO Limited). The total project costs are USD 90million and USD 80million respectively.

The overall construction progress for the year 2025 was at 5% for each site and the projected commercial operation date (COD) is December 2026.

### Chipata West 100MW Solar PV Project

The project is being developed in Chipata District of Eastern Province by ZESCO Limited at a total cost of USD 81 Million.

The overall construction progress for the year 2025 was 12% and the targeted commercial operation date (COD) is September 2026.

### Choma 35MW Solar PV Project

The project is being developed in Choma District of Southern Province by ZESCO Limited at a total cost of USD 30 Million.

The site was handed over in November 2025 and construction is in progress. The targeted commercial operation date (COD) is September 2026.

### Kasupe 7.5MW Phase I and 7.5MW Phase II (with Battery Energy Storage System) Solar Projects

The projects are being developed in Chilanga District of Lusaka Province, and the total costs are USD 8.2 Million and 9.4Million respectively.

The overall construction progress for the year 2025 was at 60% for phase I and 15% for phase II. The targeted commercial operation date is June 2026.

### Green Cities Solar PV Projects

The project is being developed by ZESCO Limited and involves construction of 2.5MW and 5MW Solar PV Plants with battery energy storage system on selected sites across the country.

In 2025,

i.Procurement of EPC contractors was completed for six green cities (Chadiza, Monze, Senanga, Kawambwa, Mafinga and Kaputa) while procurement was in progress for Nyimba and Mongu.

ii.Site handover was done and construction commenced at the 5MW Monze Solar PV Site.

## TRANSMISSION PROJECTS

The main objective is to increase the transmission network power transfer capacity, access to electricity, improve power supply security and also facilitate regional power trading through rehabilitations and construction of substations and transmission lines.

ZTIP is part of the World Bank Regional Energy Transmission Trade and Decarbonization (RETRADE) Project aimed at funding transmission infrastructure in the Southern African region. The total estimated projects cost is USD 292 million and the scope involves,

1.Construction of 330kV Transmission lines from Pensulo to Nakonde(via Mpika and Kasama) and

2.Construction of a new 330/400kV Substation at Nakonde and installation of dynamic voltage support devices (±250MVar) at Nakonde and Pensulo Substations.

In 2025,

Total grant funding of USD 262 Million was secured from IDA and UK Government on 22 April 2025 and

Procurement of implementation Contractors was progress.

### Zambia-Tanzania (ZTIP) Interconnector Project

### Other Interconnector Projects (Mozambique-Zambia, Malawi-Zambia, Botswana-Zambia, Kolwezi-Solwezi and Zimbabwe-Zambia-Botswana and Namibia (ZIZABONA))

Mozambique-Zambia Interconnector project – IGMoU and IUMoU signed, updating of the 2017 feasibility study on the Technical, Economic, and ESIA in progress and Viability assessments for PPP model undergoing review

•Botswana-Zambia Interconnector project – IGMoU signed.

•ZIZABONA project: updating of the Market study of the Feasibility studies in progress. Component A (Zimbabwe-Zambia) progressing to financial closure.

•Kolwezi – Solwezi Interconnector; The feasibility studies finalized and Private-Public Partnership viability assessment in progress

### Installation of new 250MVA ,330/132kV Transformer at Kabwe Step Down & 330kV, 30Mvar Reactor at Msoro Substation

The project scope involves installation of new 330/132kV, 250MVA transformer at Kabwe Step down in Central Province and 30Mvar reactor at Msoro Substation in Eastern Province. The total project cost is USD 12Million.

The new 250MVA transformer at Kabwe Stepdown was commissioned on 30 July 2025 while overall work progress at Msoro was at 63%.

### 330kV Muzuma Kafue-West Transmission Line Project

The project scope involves the construction of 189km of 330kV double-circuit transmission line from Kafue West to Muzuma Substation in Choma. The project duration is 18 months, total cost is USD 88Million and projected completion date is June 2027.

In 2025, the implementation contractor was procured, site handed over, construction and design reviews were in progress.

### 330kV Lusaka West-Kabwe Step Down Double Circuit Transmission Line Project

The project scope involves the construction of 141km of 330kV double circuit transmission line from Lusaka West to Kabwe Step down Substation. The project duration is 24 Months, total cost is USD72 Million and projected completion date is September 2027.

The overall construction progress for the year 2025 was 26%.

<p><b>Reinforcement of Power Supply to Livingstone Town - Phase I</b></p>	<p>The project scope involves construction of new 66/11kV Linda Substation, construction of 12km of 66kV double circuit transmission line from 330/220kV Mukuni Substation to new 66/11kV Linda Substation and extension of Mukuni Substation.</p> <p>The project is being financed by the European Investment Bank (EIB), total project cost is USD 12.5Million and projected completion date is June 2027.</p> <p>In 2025, the implementation contractor was procured, and the site handed over on 18 December 2025.</p>
<p><b>Decommissioning of existing 3 x 45MVA, 88/33kV Transformers and Installation and Commissioning of New 3 x 90MVA, 132-88/34.5/11kV Transformers at Kafue Town Substation</b></p>	<p>The project scope involves decommissioning the old transformers, installations and commissioning of new 3x 90MVA Transformers.</p> <p>The project duration is 12months, total cost is USD 18 million and projected completion date is June 2026.</p> <p>In 2025, the overall project progress was at 44% and the first new 90MVA, 132-88/34.5/11kV transformer was commissioned in December 2025</p>
<p><b>Decommissioning of 120MVA, 330/220kV Transformer T7B and Installation of 315MVA, 330/220kV Transformer at Kitwe Substation</b></p>	<p>The project scope involves first decommissioning of old 120MVA transformer and then installation of a 315MVA transformer.</p> <p>The project cost is USD 3.9Million and projected completion date is September 2026.</p> <p>The overall construction progress for the year 2025 was at 44%.</p>
<p><b>DISTRIBUTION PROJECTS</b></p>	
<p>The main objective is to increase the distribution network power transfer capacity, improve access to electricity and security supply through rehabilitation and construction of substations and lines.</p>	
<p><b>Lusaka Transmission and Distribution Rehabilitation Project (LTDRP)</b></p>	<p>The project scope involves construction of substations and associated switching stations, installation of cables and uprating of transformers in Lusaka.</p> <p>The total project cost is Euro78 million loan from European Investment Bank and USD 29 million equity from ZESCO.</p> <p>During the year 2025, the project was at 99.5% completion.</p>
<p><b>LTDRP Last Mile: Rehabilitation, Extension and Strengthening of the Low Voltage Electrical Distribution Network in Lusaka</b></p>	<p>The project aims to integrate customer connections in low-income townships in Lusaka City to realize the full benefits of the network built under LTDRP Project. The project is grant funded by the European Union up to 2030.</p> <p>The target is to connect 63,000 customers in Chainda, Kamanga Mtendere, Garden, Mandevu, Ngwerere, Chawama, John Howard, Linda, Msisi, Kuku, Bauleni, Jack and Ngombe Townships.</p> <p>A cumulative total of 15, 306 customers had been connected, and grid extension works were completed.</p>
<p><b>Sustainable Electricity Supply Southern Division (SESSD) project</b></p>	<p>The project scope involves the:</p> <p>Construction of 1 x 132-66/33/11kV Substation and 2 x 33/11kV Substations as well as rehabilitation of 1 x 88/33/11kV and 1 x 33/11kV Substations in Kabwe</p> <p>Construction of 33/11kV Substations in Petauke, Nyimba, Sinda and Mazabuka (one in each town),</p> <p>Construction of 1 x 66/11kV Substation in Livingstone and Rehabilitation of 1 x 33/11kV Substation in Livingstone,</p> <p>Construction of a 132-66/33/11kV Substation in Mongu</p> <p>Rehabilitation of a 66/33kV Substation in Katete (Azele Substation) and</p> <p>Construction of 11kV and 33kV Distribution lines.</p> <p>The total project cost is Euro 37.8Million, and targeted completion date is third quarter of 2026.</p> <p>The overall construction progress for the year 2025 was at 68.83% completion.</p>



<p><b>Electrification and Grid Extension in the Itezhi-Tezhi – Nambala 220kV Transmission Line Corridor</b></p>	<p>The project scope involves the construction of distribution lines and installations of off-grid Solar PV systems for three rural schools and seven health centres along the 220kV Itezhi-tezhi-Nambala transmission corridor. The project cost is USD 1.8Million, duration is 12 Months and is loan financed by the African Development Bank.</p> <p>During the year 2025,</p> <p>Solar installations on 10 sites comprising of 3 schools (Mwambanzovu, Ng'azo and Bayangwe) and 7 Rural Health Centres (Chibuluma, Nansenga, Kabanga Buunga, Lubanda, Chishila and Banamwaze) were completed in July 2025.</p> <p>Construction of 52km of 33kV overhead line was completed.</p> <p>Installation works for five (05) 33/0.4 kV distribution transformers and associated 400V OHL for the last mile connections were completed and 40 customers were connected.</p> <p>Extended scope to connect two schools, install off-grid solar solutions for eight schools and more last mile services was approved.</p>
<p><b>National Energy Advancement and Transformation (NEAT) Project</b></p>	<p>This is multiphase program is supported by the World Bank and will help Zambia to step up the financial sustainability, reliability, and resilience of its electricity sector by 2033. The NEAT subsidy connection project seeks to accelerate access to reliable and sustainable energy by rural communities.</p> <p>The program targets over 23,649 connections including households, Small and Medium Enterprises (SMEs) and government institutions.</p> <p>In the year 2025,</p> <p>The program was launched in Itezhi Tezhi District on 29 May 2025 and</p> <p>A total of 18, 257 subsidised connections were made.</p>
<p><b>Accelerating Sustainable &amp; Clean Energy Access Transformation (ASCENT) Project</b></p>	<p>This program aligns with the Vision 2030, which aims to achieve universal access to electricity by 2030 and is further anchored on the Mission 300 Initiative, targeting access to modern energy for 300 million Africans by 2030.</p> <p>The project is funded by the Word Bank and aims to facilitate for 210,000 on-grid connections. The initial target is 100,000 customers connections by end of 2026. During the year, Rural Electrification Authority (REA) (Implementing Agent) and ZESCO Limited (Co-executing Agent) signed a Co-execution Agreement for the implementation of a connection fee subsidy program for a duration of five (5) years from 22 December 2025 to 22 December 2030.</p>
<p><b>Internally Funded Distribution Projects.</b></p>	<p>The project scope involves (i) replacement of 11kV Switchgears at Mbala and Matero Substations, (ii) construction of new 33/11kV substations at New Mungule, Dublin and Kozo and (iii) construction of 33kV Kimiteto-Tundula overhead Line.</p> <p>The total project cost is about USD 26 million.</p> <p>The overall construction progress was above 80% on all sites with an exemption of Mungule which was at 40% progress.</p>



## INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

ZESCO continues to leverage Information and Communication Technologies (ICT) as a strategic enabler of operational efficiency, increased network reliability, ensure regulatory compliance, and enhance the overall customer experience. These efforts were aligned with our digital transformation agenda and its commitment to delivering efficient, effective, and excellent services.

We advanced our digital transformation agenda through the digitisation, automation, and integration of enterprise systems, customer platforms, power system operations and strengthening cybersecurity

### 1. Digital Customer and Enterprise Systems

Net Metering Online Application Portal for Prosumers

- To support renewable energy and grid modernisation, we launched the Net Metering Online Application Portal in the first quarter of 2025, complying with Statutory Instrument No. 38 of 2024. This portal is available on the ZESCO website. The digital platform has made prosumer onboarding easier and more standardised, enhanced transparency, and reinforced regulatory compliance.
- The Net Metering Online Application Portal was further enhanced to support the Net Metering Promotion Programme, which aims to onboard 1,000 prosumers through the waiver of application and connection fees. These enhancements accelerated prosumer onboarding by simplifying the application process and reducing entry costs. As at 31 December 2025, the portal had received 1,207 applications, with 521 prosumers onboarded.

### 2. Substation Automation and SCADA Integration

As part of our ongoing network modernisation efforts, we upgraded our Supervisory Control and Data Acquisition (SCADA) systems at the Lusaka and Copperbelt Distribution Control Centres. Through this upgrade, 118 out of 171 substations and switching stations in Lusaka and Kitwe were integrated into the new SCADA environment, enabling real time visibility, remote monitoring and operational control.

The enhanced SCADA platform strengthened network automation, improved fault detection and response times, and enhanced operational efficiency, contributing to improved network reliability, increased energy availability, and greater overall system resilience.





### 3. Advanced Distribution Management System (ADMS)

The Advanced Distribution Management System (ADMS) was deployed and commissioned at the Lusaka Distribution Control Centre (LDCC) to advance the modernisation of distribution network operations. The implementation transitioned distribution operators to a fully digital operating environment, with automated outage management initiated in Lusaka West as part of phased rollout.

The ADMS integrates substation automation, geo-referenced network model and topology, outage management, and real time operational data, enabling improved coordination between distribution substations and the LDCC. This implementation enhances situational awareness, supports data driven decision making, and enables automated outage management, resulting in reduced outage durations, improved crew coordination, and strengthened customer service delivery.

### 4. Renewable Power Generation Plant Integration into the National Control Centre

As part of ongoing network automation initiatives, new solar generation stations were integrated into the National Control Centre for real-time system monitoring, operational oversight and coordinated dispatch of renewable energy resources.

These integrations align with our goals of energy diversification, resilience, and sustainable grid operations. The stations incorporated include the 100 MW Chisamba Solar PV Plant (Phase I) managed by KNBE, and Phase I of the 50 MW Mansa Solar PV Plant—commissioned this year, with full system integration ongoing at year-end. These initiatives increase system visibility, enhance grid flexibility and operational efficiency, and contribute to a more dependable and sustainable energy portfolio.

### 5. WhatsApp Channel

The ZESCO WhatsApp channel was launched in July 2025 to strengthen our capacity to disseminate critical information and respond efficiently to customer inquiries, thereby aligning with our strategic priority of enhancing customer satisfaction.

### 6. Bulk Power Purchase Management System

In line with our digital transformation journey, we developed and implemented the Bulk Power Purchase Management System (BPPMS) to automated manual processes for bulk billing and the management of full lifecycle of Power Supply Agreements. The system has replaced manual workflows with an automated, controlled process, improving billing accuracy and timeliness, strengthening financial controls, reducing operational risk, and enhancing revenue assurance and working capital management.

### 7. ICT Governance, Security and Compliance

Following recertification audit, we maintained our ISO27001:2022 Information Security Management System (ISMS) certification in the 4th quarter of 2025, reflecting our information security governance framework across both Information Technology (IT) and Power System environments.

This recertification is essential to ZESCO's mandate of ensuring the confidentiality, integrity, and availability of information assets for employees, contractors, customers, and other stakeholders, and to meet the requirements of the Safety, Health, Environment and Quality (SHEQ) standards.

Additionally, the Corporation received a Data Protection Certificate from the Data Protection Commission in the third quarter of 2025, confirming its registration as both a Data Controller and Data Processor.

### 8. Cyber Security Oversight and Risk Management

We maintained Cyber Security as a top priority across our Information Technology (IT) and Power System environments by enhancing governance, proactive risk assessments, and enhanced user awareness. Key initiatives included a comprehensive cyber security posture assessment in all ten provinces and the deployment of Microsoft Information Protection (MIP) controls to classify, label, and protect sensitive information, ensuring compliance and preventing unauthorized access.





## Our Key Risks and Uncertainties

The year 2025 remained challenging for Zambia's energy sector, as the lasting effects of the severe drought experienced in the prior year continued to affect operations. Ongoing climate-related factors continued to impact operational stability, particularly in the following:

### Generation

- Marginal improvements in hydrological conditions in 2025 supported an increase in ZESCO's water allocation to 13.5 BCM from 8 BCM in 2024.

### Transmission

- The limited capacity of the Central Transmission Corridor, strained by high volumes resulting in transmission capacity

### Distribution

- Climate change-induced drought continued to disrupt distribution operations, causing load shedding, which limited ZESCO's ability to meet customer demand.
- The power shortages also reduced productivity across households and key sectors such as mining, agriculture, and manufacturing.

### Opportunities Amidst Challenges

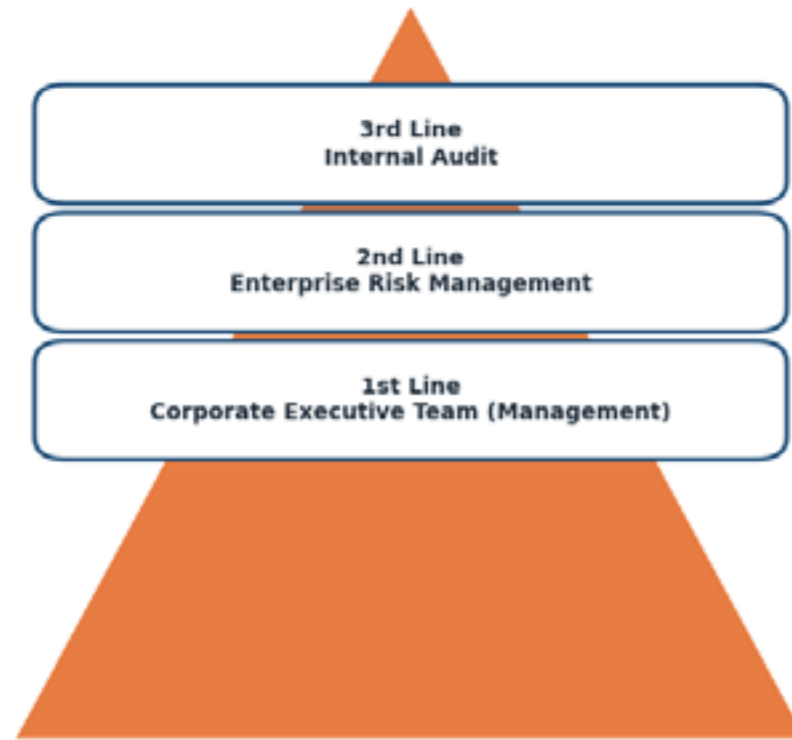
- The 2025 operating environment, while characterised by supply constraints and climate variability, presented strategic opportunities for ZESCO to strengthen resilience, financial sustainability, and energy security
- Leveraging solar PV investments to diversify generation, enhance supply resilience, and mitigate climate risk through:
  - ZESCO We signed PPAs for over 332 MW of solar capacity under the Micro-Generator Scheme, Presidential Solar PV Initiative, and IPPs aimed at diversifying away from hydro dependence, strengthening grid resilience and expanding access to electricity.
  - Connection of 139MW of solar PV power plants into the national grid (100MW Chisamba I, 25MW out of 100MW Mailo and 14MW out of 50MW Mansa Solar PV).
  - Construction of solar plants at Chipata (50MW), Kasama (50MW), Choma (25MW), Siavonga (100MW), Chisamba phase II (100MW) and Kafue Gorge Lower (100MW).
- Enhancing regional trade through network expansion:
  - Secured funding (~USD293m) for the Zambia - Tanzania interconnector to link the Southern African Power Pool (SAPP) to the Eastern Africa Power Pool for expanded electricity trading opportunities.
  - Public-Private, Partnership (PPP) -driven infrastructure expansion: A US\$300 million joint venture investment between ZESCO and Anzana to connect approximately 2 million people along the Lobito Corridor by 2030.

## Governance

ZESCO We has have implemented the Three Lines of Defence model, clarifying roles and responsibilities and improving coordination between Management, Risk Management, and Internal Audit. This approach strengthens accountability, enhances risk visibility, and promotes integrated risk management across the Corporation.

The Board of Directors have has the ultimate responsibility for ZESCO's our strategy and for ensuring that effective risk governance and internal control frameworks are in place. The Board oversees the management of significant risks and ensures alignment with the risk appetite.

**Figure 1: Three Lines of Defence**



## Environmental, Social and Governance - Integration

ZESCO We recognizes the importance of Environmental, Social, and Governance (ESG) principles in achieving sustainable utility operations. Environmentally, the Corporation invests in renewable energy and improves energy efficiency. Socially, it promotes inclusive electrification, community engagement, and employee welfare. From a governance perspective, ZESCO we strengthens transparency, ethical practices, and stakeholder accountability. These ESG initiatives are aligned with the Corporation's strategic objectives.

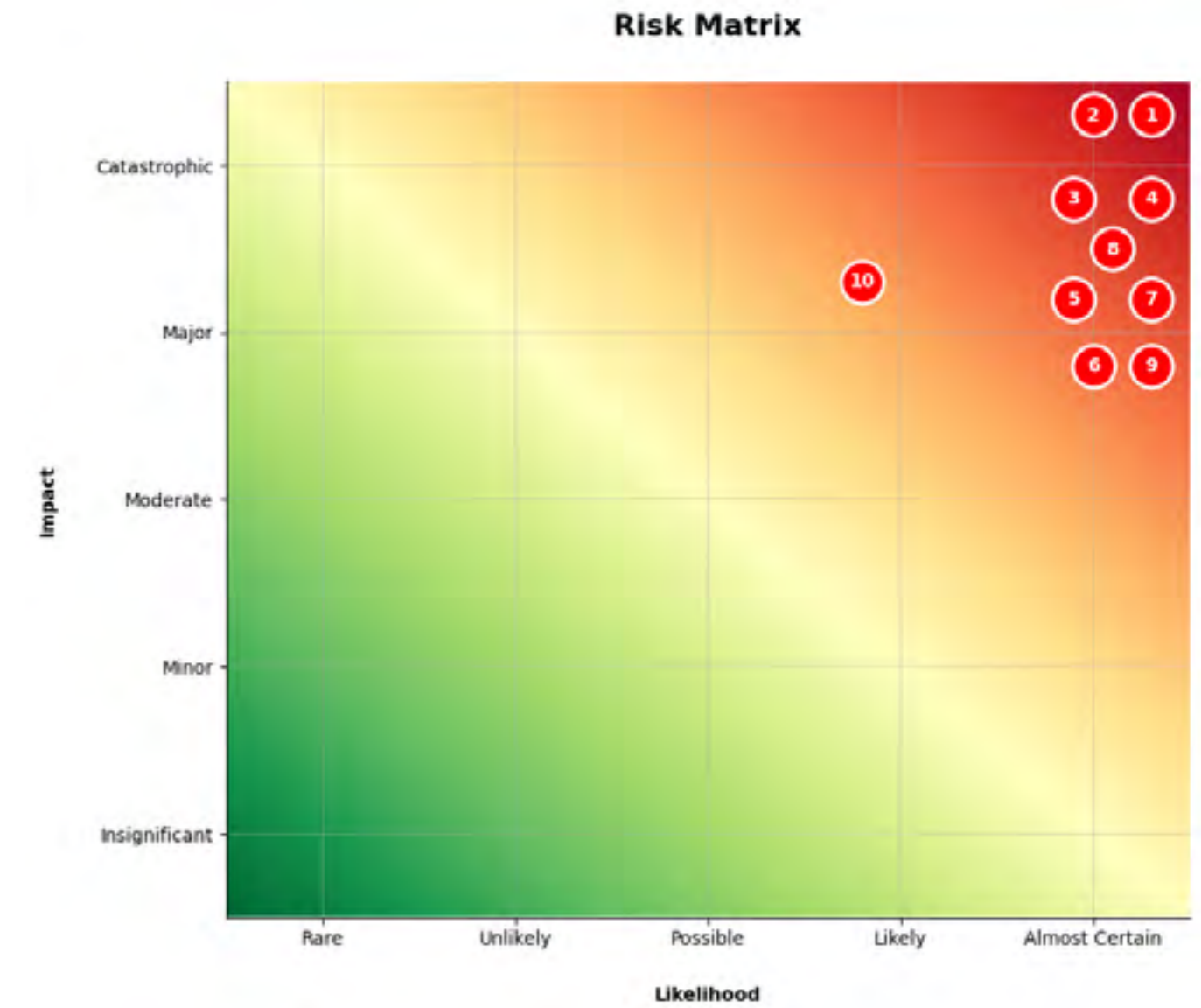
## Corporate Risk Register

The Corporate Risk Register provides the Corporate Executive Team (CET), the Board, and other key stakeholders with critical information on the principal risks that may hinder ZESCO's ability to achieve its our Strategic Objectives. It also enables risk management stakeholders to clearly understand the status of each risk.

Risks have been identified following a thorough assessment of both the internal and external business environments. Corporate risks are aligned with the five Strategic Pillars and the associated strategic objectives.

## Heat Map

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



### Climate Change Risks I5, L5: 25 (Very high)

Risk Description	Potential Risk Impact	Risk Mitigation
<p>Extreme weather conditions resulting in a reduction of water available to operate hydroelectric power plants or other water-dependent generation facilities. This is mainly due to Climate Change (Global warming) - resulting in poor rainfall patterns and increased evaporation.</p>	<ol style="list-style-type: none"> <li>1. Reduction in generation ability resulting in revenue losses.</li> <li>2. Increased possibility of cavitation to turbines resulting from operating below the recommended efficient levels.</li> <li>3. Increased load rationing.</li> </ol>	<ol style="list-style-type: none"> <li>1. Diversification of energy (Wind, Solar PV, Diesel generators, geothermal).</li> <li>2. Upgrade the interconnector capacity and construction of new interconnectors (ZTIP, ZIZABONA, Malawi-Zambia, Mozambique -Zambia, Solwezi-Kolwezi, Angola-Zambia).</li> <li>3. Importation of power and sourcing power from the IPPs like Ndola Energy and Maamba Energy.</li> <li>4. Upgrade &amp; rehabilitation of the small hydropower stations.</li> </ol>

### Delayed government approval to convert on lent loans to equity I5, L5: 25 (Very high)

Risk Description	Potential Risk Impact	Risk Mitigation
<p>The potential challenges that may hinder or delay the successful conversion of ZESCO's debt to equity. Caused by:</p> <ul style="list-style-type: none"> <li>• Prolonged sovereign Debt negotiations: ZESCO on-lent debt stood at approximately USD 383.69 million in principal amounts and interest USD 52.64 million as of December 2025</li> </ul>	<p>Worsening financial position (credit worthiness)</p>	<p>Continued government engagement.</p>

### Non-cost reflective tariffs I5, L5: 25 (Very high)

Risk Description	Potential Risk Impact	Risk Mitigation
<p>The risk that the tariffs approved and applied to retail and customer connection charges are not reflective of the cost of generation, transmission, and distribution.</p>	<ol style="list-style-type: none"> <li>1. Liquidity challenges resulting in: <ul style="list-style-type: none"> <li>• Delayed customer Connections.</li> <li>• Continued subsidization of electricity connections.</li> </ul> </li> <li>2. Failure to meet KPIs on customer satisfaction.</li> <li>3. Reputational damage.</li> </ol>	<ol style="list-style-type: none"> <li>1. Implementation of strategy</li> <li>2. Continuous engagement with the regulator and tariff benchmarking.</li> </ol>

### Reduced Power Supply I5, L5: 25 (Very high)

Risk Description	Potential Risk Impact	Risk Mitigation
<p>The risk that the local electricity demand exceeds the generation capacity potentially leading to reduced power supply. The power deficit was reduced to approximately 420 MW as of December 2025.</p> <p>Causes include:</p> <ul style="list-style-type: none"> <li>• Grid unavailability (Downtime).</li> <li>• Transmission capacity constraints.</li> <li>• Unscheduled maintenance (Faults) of Generation, Transmission &amp; Distribution supply equipment.</li> <li>• Unfavorable hydrological conditions.</li> </ul>	<ol style="list-style-type: none"> <li>1. Liquidity challenges.</li> <li>2. Increased load management.</li> <li>3. Reputational damage.</li> <li>4. Default on obligations.</li> <li>5. Failure to meet regulatory KPIs.</li> </ol>	<ol style="list-style-type: none"> <li>1. Diversification into other sources of energy, including solar and geothermal energy.</li> <li>2. Expanded energy infrastructure.</li> <li>3. Importation of power.</li> <li>4. Adherence to maintenance plans.</li> <li>5. Demand side management.</li> </ol>

### Liquidity Risk I4, L5: 20 (High)

Risk Description	Potential Risk Impact	Risk Mitigation
<p>Inability to meet obligations as they fall due.</p> <p>Liquidity challenges resulting in a negative working capital of about K67,811m as of December 2025. The liquidity challenge is because of:</p> <ul style="list-style-type: none"> <li>• Legacy IPP debt and associated interest charges.</li> <li>• Non-cost reflective tariffs.</li> <li>• Challenges to collect debt.</li> <li>• Overcommitment – expenditure versus revenue.</li> <li>• Increase in cost of power purchase.</li> </ul>	<ol style="list-style-type: none"> <li>1. Operational disruptions.</li> <li>2. Increased project costs.</li> <li>3. Delays in project implementation.</li> <li>4. Default in debt obligations resulting in increased interest charges on delayed payments.</li> <li>5. Reputational damage (Credit worthiness).</li> <li>6. Threat of going concern.</li> </ol>	<ol style="list-style-type: none"> <li>1. Installation of smart meters to capture timely revenue collection.</li> <li>2. Debt swaps.</li> <li>3. Engaging the government on conversion of long-term debt to equity.</li> <li>4. Strengthening budgetary controls.</li> <li>5. Implementing the Multi-year Tariff Framework.</li> <li>6. Adherence to payment terms on IPPs obligations.</li> <li>7. Diversification of energy mix.</li> <li>8. Development of in-house ICT solutions.</li> <li>9. Commercialization of In-house ICT solutions.</li> <li>10. Implementation of innovative financing initiatives.</li> </ol>

### Damage to physical assets I4, L5: 20 (High)

Risk Description	Potential Risk Impact	Risk Mitigation
<p>The intentional damage or destruction and theft of electrical infrastructure, such as power lines, substations, transformers, and other critical components of the power grid.</p> <p>Vandalism cases were reduced to 2,257 (ZMW65m) in 2025 compared to 2,478 (ZMW44m) in the same period 2024.</p> <p>Vandalism is mainly due to:</p> <ul style="list-style-type: none"> <li>• Social-economic impact</li> <li>• Unsecured installations</li> <li>• Power outages</li> </ul>	<ol style="list-style-type: none"> <li>1. Financial loss.</li> <li>2. Operational disruptions.</li> <li>3. Increased customer complaints.</li> <li>4. Increased safety risks.</li> <li>5. Failure to meet the Regulator's KPIs</li> </ol>	<ol style="list-style-type: none"> <li>1. Sensitization of the public on vandalism through initiatives such as Youth Action Against Vandalism.</li> <li>2. Regional collaborations.</li> <li>3. Enhanced security patrols.</li> <li>4. Target hardening and changing of materials prone to theft like copper.</li> </ol>

### Inability to conduct job evaluation I4, L5: 20 (High)

Risk Description	Potential Risk Impact	Risk Mitigation
<p>The inability to conduct jobs evaluations due to the lack of authorization from the Emoluments Commission.</p>	<ol style="list-style-type: none"> <li>1. Demotivated workforce.</li> <li>2. Increased in staff turnover.</li> <li>3. Industrial unrest.</li> <li>4. Failure to optimize the organizational structure.</li> </ol>	<ol style="list-style-type: none"> <li>1. Continuous engagement with the Emoluments Commission.</li> <li>2. Engagements with social partners and employees.</li> </ol>

### Safety Risks I4, L5: 20 (High)

Risk Description	Potential Risk Impact	Risk Mitigation
<p>Safety risks associated with exposure to workplace hazards (flaush burns, electrocution, falls from height, fire, road traffic accidents).</p> <p>In 2025, our ZESCO's safety performance declined to 2.92% from 3.33% in 2024, with a slight reduction in Lost Time Injuries (53 vs. 55) but an increase in fatalities (5 vs. 4), attributed to electrocutions, electrical flash burns, falls from height, and road traffic incidents.</p>	<ol style="list-style-type: none"> <li>1. Loss of life (fatality) leading to compensation and low productivity due to LTIs.</li> <li>2. Penalties.</li> <li>3. Litigation costs.</li> <li>4. Reputational damage.</li> <li>5. Property damage.</li> </ol>	<ol style="list-style-type: none"> <li>1. Training (Fire Marshall and First Aid).</li> <li>2. Risk assessments, Inspections, SHEQ compliance audits and SHEQ circle / green area meetings</li> <li>3. Incident investigation and reporting.</li> <li>4. System authorisation</li> <li>5. Provision of PPE.</li> </ol>

### Aged and Obsolete Equipment I4, L5: 20 (High)

Risk Description	Potential Risk Impact	Risk Mitigation
The risk of assets being aged and that they may not have after-sales support; with no available spares and that they may require a complete overhaul.	<ol style="list-style-type: none"> <li>1. Prolonged downtime leading to operational disruption</li> <li>2. Financial loss</li> <li>3. Increased maintenance cost</li> <li>4. Reputational damage</li> </ol>	<ol style="list-style-type: none"> <li>1. Scheduled maintenance</li> <li>2. Resolutions of defects</li> <li>3. Training and capacity building</li> <li>4. Upgrade of the old power stations</li> </ol>

### Delayed project implementation I4, L4: 16 (Medium)

Risk Description	Potential Risk Impact	Risk Mitigation
<p>The inability or failure to deliver projects in a timely manner.</p> <p>Caused by:</p> <ul style="list-style-type: none"> <li>• Inadequate project funding coupled with an unhealthy balance sheet, which is not attractive to potential projects financiers.</li> <li>• Technological incompatibility as well as aged infrastructure.</li> <li>• Poor Project Management.</li> </ul>	<ol style="list-style-type: none"> <li>1. Financial loss.</li> <li>2. Extended power deficit.</li> <li>3. Customer dissatisfaction.</li> <li>4. Reputational damage.</li> </ol>	<ol style="list-style-type: none"> <li>1. Renegotiating payment terms with existing contractors.</li> <li>2. Training of Project Management staff.</li> <li>3. Collaborating with external partners for financial support.</li> <li>4. Effective implementation of Project Management implementation.</li> </ol>



# Strengthening Our Strategic Alignment With The Sustainable Development Goals

We acknowledge the vital role of the United Nations Sustainable Development Goals (SDGs) in fostering a sustainable and inclusive future for Zambia and the global community.

We have continued to embed these principles into our strategy and daily operations. Throughout the reporting period, we deepened our alignment with the SDGs by strengthening initiatives that reflect our unique responsibilities within the electricity generation, transmission and supply industry and our potential to drive meaningful national impact.

Our continued voluntary support of the SDGs, together with our commitment to Zambia's Eighth National Development Plan (8NDP), ensures that our efforts contribute directly to national development priorities and long-term energy sustainability.

By integrating economic efficiency, ecological responsibility and social inclusion across our activities, we strive to enhance operational efficiency, support environmental protection and deliver value to our customers, employees and



The lifeline tariff reduces energy poverty by ensuring that low-income households afford essential electricity services, freeing up income for food, healthcare, and education.

We worked diligently to restore 24-hour electricity supply and successfully accomplished this objective by December 2025.

We remained sensitive to the need for stable electricity supply for essential services and provided 24 hour power supply to essential services to prevent any disruption.

•By providing generators to power markets during loadmanagement hours, we ensured that small businesses could continue operating without interruption. This intervention helped protect livelihoods, stabilize income streams, and reduce vulnerability to poverty

We continued to promote consumer education on safe electricity usage through sensitization programs conducted across the provinces, engaging both local government officials and customers. Further sensitization was carried out by setting up information desks in market areas and through radio, television, and social media platforms. This fosters widespread awareness encouraging safer energy practices.

By embedding aerobics into workplace culture, we are strengthening physical health, mental health, networking and employee well being.

We donated medical and maternity equipment to Sande Rural Health Post located in Mansa district, Luapula Province. The clinic caters for 4,218 local people and 300 patients a month.

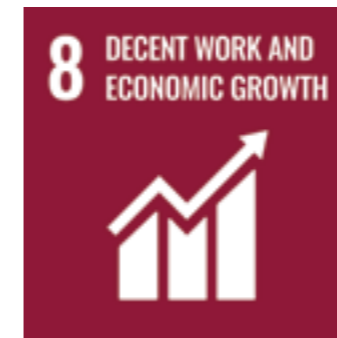
We donated texts books to Imwiko Primary School in Mongu District, Western Province as support towards improved learning outcomes for the 2,114 pupils.

Following the handover of the newly constructed school in Kafue Gorge Lower, Chikankata District, we continue to provide financial support to Chasunta School, which currently has an enrolment of 386 learners against a capacity of 500.

Through the lifeline tariff, we promote universal access to affordable, reliable, and clean energy services by making electricity financially accessible to vulnerable households.

By connecting power under the National Energy Advancement and Transformation Project(NEAT), electricity access was expanded with 18,257 new connections in 2025.

Under the World Bank-funded ASCENT Project, electricity connection fees were significantly subsidized from ZMW4,846 to ZMW300, making modern energy services far more affordable for underserved households.



We maintain a workforce of more than 10,000 employees and supports additional indirect employment across the value chain, contributing significantly to economic opportunities nationwide.

We promote a positive and supportive working environment by offering competitive remuneration and favorable conditions of service that enhance employee wellbeing and performance.



We implemented grid expansion projects to strengthen transmission and distribution capacity, improve network reliability, and support sustainable industrial development.

The major projects undertaken among others included;

- 1.Construction of the 132kV overhead line from Chawama to Jimmy, Commissioning of the 132/11kV Jimmy Substation with two associated 11kV switching stations, and
2. Construction of 33/11kV Woodland's substation.
3. Commissioning of the 330/132Kv,1X250MVA transformer at Kabwe stepdown substation
- 4.Commissioning of 132/33Kv 10mva Transformer at Mwasemphangwe substation in Lumezi, Eastern province.



By specifically targeting low income consumers, the lifeline tariff reduces socioeconomic disparities in energy access and supports inclusive development



Projects undergo Environmental and Social Impact Assessments (ESIA) in compliance with the Environmental Management Act, 2011 (No.12 of 2011) and its supporting regulations.

We continued to rely on Environmental and Social Management Plans in the execution of our projects to address identified concerns and integrate appropriate mitigation measures, ensuring minimal impact on communities and customers.



# SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

Ensuring a safe and healthy working environment for employees and contractors remains a priority, supported by ZESCO's integrated Safety, Health, Environment and Quality (SHEQ) management system based on, but not limited to, the requirements of relevant ISO 45001 (Occupational Health & Safety), ISO 14001 (Environment) and ISO 9001 (Quality) international standards. We are also dedicated to delivering a consistent level of customer satisfaction through safe and healthy practices, while upholding environmental integrity, in line with our Vision.

We enhance the wellbeing of our workforce by implementing measures that address various health and safety aspects in the workplace, including safety training, equipment maintenance and setting out operating protocols. Employees are responsible for following operational guidelines and reporting safety concerns. We track our safety performance using the number of accidents and the number of fatalities among employees and contractors, together with the lost-time injuries (LTIs) for employees.

The Board and CET oversee SHEQ performance through the Technical Committee and policies. SHEQ risks are integrated into our enterprise risk management framework, ensuring accountability and transparency. Regular audits and certifications validate compliance with statutory and regulatory requirements.

## INTERNATIONAL STANDARDS



ISO 14001:2015 Environmental Management System



ISO 45001:2018 Occupational Health and Safety Management System



ISO 9001:2015 Quality Management System



ISO/IEC 27001:2022 Information Security Management System

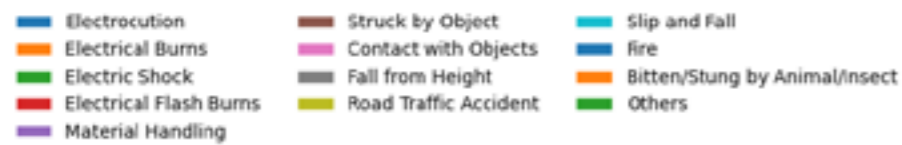
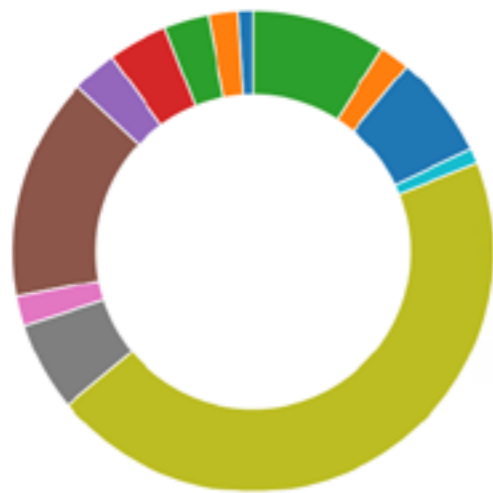
KPI	Target		Target Met?	Actual	
	2024	2025		2025	2024
Fatalities (Employees)	0	0	●	4	3
Fatalities (Contractors)	0	0	●	0	5
LTIs (Employees)	0	0	●	102	63
Accidents (Employees)	0	0	●	201	118
Accidents (Contractors)	0	0	●	21	8

## Accidents (Employees & Contractors)

### Accidents Employees

S/N	INCIDENT TYPE	NUMBER
1	Electrocution	2
2	Electric Shock	5
3	Electrical Flash Burns	9
4	Material Handling	7
5	Struck by Object	29
6	Contact with Object	6
7	Fall from Height	12
8	Road Traffic Accident	93
9	Slip and Fall	2
10	Fire	12
11	Bitten/Stung by Animal/Insect	5
12	Others	19
<b>TOTAL</b>		<b>201</b>

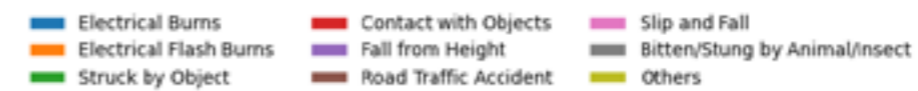
2025 Accidents - Employees



### Accidents Contractors

S/N	INCIDENT TYPE	NUMBER
1	Electrical Burns	1
2	Electrical Flash Burns	1
3	Struck by Object	4
4	Contact with Object	3
5	Fall from Height	2
6	Road Traffic Accident	1
7	Slip and Fall	2
8	Bitten/Stung by Animal/Insect	2
9	Others	5
<b>TOTAL</b>		<b>21</b>

2025 Accidents - Contractors



Initiatives were developed across the organisation to address the concerning accident upward trend and promote continuous improvement. These include Visible Felt Leadership (VFLs), spot checks, awareness sessions focused on safety within our business operations, seminars and workshops. Additional safety initiatives will be implemented across all levels of the organisation to further reduce workplace injuries as well as contractor related incidents. These include defensive driving training to promote driver and vehicle safety, because 46% of the accidents recorded were road traffic accidents, enforcement of conducting mini-risk assessments before undertaking any task, training focused on safety such as Managing Occupational Health and Safety, Incident Investigation and Root Cause Analysis and Hazard Identification and Risk Assessment targeting supervisors and team leaders within our business operations.

We will support our workforce to understand and manage safety-related risks by enhancing communication and occupational health and safety processes.

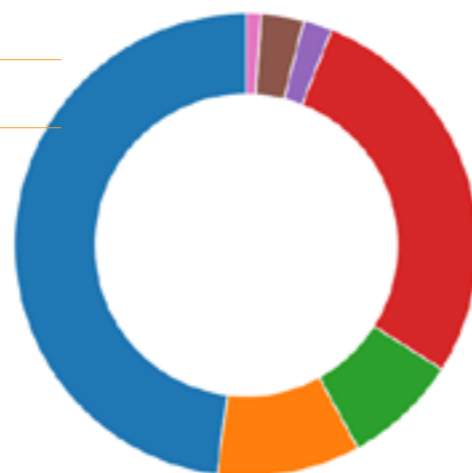
KPI	Target		Target Met?	Actual	
	2024	2025		2025	2024
Fatalities (Public)	0	0	●	48	30
Accidents (Public)	0	0	●	57	97

We remain committed to public safety in line with our value of Zero Harm. Nationwide public safety campaigns continue to play a vital role in educating the public on the safe use of electricity and the dangers of electrical contact. Key focus areas include raising awareness about the hazards of illegal connections, overloaded electrical outlets and the importance of using qualified electrical installers. We also encourage the public to avoid and report low-hanging power lines, meter tampering and vandalism of electrical infrastructure in their communities.

Sadly, we recorded 57 accidents affecting the public during the year, with 28 electrocutions and 15 electrical flash burns. The rest of the accidents are as follows:

S/N	INCIDENT TYPE	NUMBER
1	Electrocution	28
2	Electrical Burns	5
3	Electric Shock	5
4	Electrical Flash Burns	15
5	Slip and Fall	1
6	Fire	2
7	Others	1
<b>TOTAL</b>		<b>57</b>

2025 Accidents - Public



■ Electrocution    ■ Electrical Flash Burns    ■ Fire Incidents (ZESCO Related)  
■ Electrical Burns    ■ Slip and Fall    ■ Others  
■ Electric Shock

We shall enhance public sensitization with the use of infographics, on the safe use and dangers of electricity.

### Health and Wellness

We are committed to supporting the health and wellbeing of our employees through a range of proactive and inclusive programmes. These initiatives empower employees to make safe, healthy choices through prevention, care, education and support.

Regular medical surveillance protocols, fitness-for duty assessments and wellness campaigns help detect and prevent occupational and lifestyle-related illnesses and injuries early.

### Quality

- The power quality recorders were 90% available

The year 2025 was a success in relation to Kaizen implementation. Five Kaizen teams participated in the annual Kaizen conference, hosted by the Kaizen Institute of Zambia (KIZ) where the Kabwe Kaizen team emerged overall winner beating 43 other teams. Representatives from the Kabwe team further went and participated at the International Conference for Quality Control Circles (ICQCC) in November which was held in Taiwan. A gold award was granted to the team.

The project we presented at the Kaizen conference was about Curbing vandalism of copper conductors in Highridge township of Kabwe. The results were that:

- Vandalism complaints reduce from 12 to 4, and
- Downtime hours reduced from 150 to 75

The impact was that the project:

- Reduced the cost of replacing vandalized cables
- Improved quality of supply due to reduced faults caused by vandalism



# 2025 ZESCO LIMITED GROUP FINANCIAL STATEMENTS

ZESCO Limited  
Consolidated Financial Statements  
For the year ended 31 December 2025

**ZESCO LIMITED**

(Incorporated in Zambia)

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025****CONTENTS**

Report of the Directors

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Statement of responsibility for the annual consolidated financial statements

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Consolidated and separate statement of profit or loss and other comprehensive income

Consolidated statement of changes in Equity

Statement of changes in equity – Company

Statement of financial position

Statement of cash flows

Notes to the consolidated financial statements

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

The principal activities of the ZESCO Limited ("Company") and its subsidiaries, Kafue Gorge Lower Power Development Corporation Limited, Kalungwishi Hydropower Company Limited, Fibrecom Limited and 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 profit for the year amounted to K5.3 billion (2024: K15.4 billion). The Directors do not recommend payment of a dividend in respect of the year ended 31 December 2025.

**DIRECTORS**

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

<b>Name</b>	<b>Position</b>	<b>Retired</b>	<b>Appointed</b>
Mr. Vickson Ncube	Board Chairperson	1 December 2024	23 January 2025
Mr. Justine Loongo	Managing Director		7 February 2025
Ms. Edna Mwaala Mudenda	Member	1 December 2024	23 January 2025
Mr. Charles Kaisala	Member	May 2025	
Mr. Christopher Mubemba	Member	1 December 2024	23 January 2025
Mrs. Natasha Nonde	Company Secretary		24 July 2025

## ZESCO LIMITED

### REPORT OF THE DIRECTORS (CONTINUED)

#### CORPORATE GOVERNANCE

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

#### PROPERTY, PLANT AND EQUIPMENT

The Group invested a total of K7.1 billion (2024: K 7.6 billion) in property, plant and equipment during the year, as disclosed in note 14 to the financial statements. In the opinion of the directors of the Group, the fair values of property, plant and equipment are not less than the amounts at which they are included in the financial statements.

#### INTANGIBLE ASSETS

During the year the Group acquired software amounting to K4.7 million (2024: K0.36 million).

#### EXPORTS

The value of electricity exports by the Group were K5 billion (2024: K7.2 billion).

#### DONATIONS

The Group as part of Corporate Social Investment made donations during the year amounting to K5.7 million (2024: K3.7 million).

#### RESEARCH AND DEVELOPMENT

The Group did not spend on research and development activities during the year. In 2024, the Group spending was K4 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:

	2025	2024
January	9,024	6,719
February	9,018	6,710
March	9,027	6,756
April	9,123	6,869
May	9,143	6,898
June	9,143	6,876
July	9,146	6,881
August	9,188	6,945
September	9,261	6,971
October	9,290	6,969
November	10,052	6,975
December	10,319	7,050

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 K3,394,914,911 (2024: K3,152,432,222).

## ZESCO LIMITED

### REPORT OF THE DIRECTORS (CONTINUED)

#### HEALTH AND SAFETY OF EMPLOYEES

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

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

- Ensuring that operations are safe by minimising risk and eliminating harm to employees, contractors, visitors and customers.
- Establishing and reviewing 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 to achieve its strategic objectives and establish and entrench a SHEQ driven culture within the Group.

## ZESCO LIMITED

### REPORT OF THE DIRECTORS (CONTINUED)

#### LOANS TO MANAGEMENT

The loans given or outstanding from Management as at 31 December 2025 was Knil (2024: Knil).

#### KEY DEVELOPMENTS DURING THE YEAR

- The company's 10 Year Strategic Plan being implemented fast tracked the execution of renewable energy projects in the year.
- The company commissioned phase I of 100MW Solar PV plant in Chisamba in quarter 2 of 2025. Further, the development of phase II 100MW Solar PV plant commenced.
- The company also commissioned part of the Mansa 50MW Solar PV plant during the period.
- Furthermore, the company commissioned the joint venture Mado 25MW Solar PV plant in Serenje.
- The Company cleared the backlog in 2025 from over 60,000 non-standard jobs at the beginning of 2022.
- The Energy Regulation Board (ERB) approved ZESCO's application for implementation of a multi-year tariff framework for the period 1 November 2025 to 31 October 2027.
- The company continued to onboard customers with consumption above 5000kVA to Power Supply Agreement Contracts, a measure implemented to increase revenue.
- Following the declaration of drought as national disaster by the President in April 2024, The Energy Regulation Board approved ZESCO's application for an emergency retail tariff effective 1st November 2024. The emergency tariff was subject to review by ERB every 3 months, and it expired on 31 October 2025. This was to raise US\$15 million monthly to partially cover the emergency Power import costs of US\$ 94 million (788MW) to mitigate the energy crisis. Further, a force Majeure was declared on all Bulk Purchase customers and were offered an option of emergency power that was imported at higher tariffs to support economic activities.
- Following the launch of the Net metering program in Quarter 3 2024, 581 customers were onboarded in 2025, contributing 2.9 GWh to the grid.
- Total Independent Power Producers IPP debt which stood at about USD 1,800 million at the end of 2021 reduced to USD 187 million as of 31st December 2025.
- Commencement of the construction of the Zambia Tanzania interconnector to increase regional power trade through the East African Power Pool (EAPP).
- Commissioned the Pensulo-Mansa Transmission line to improve power supply in the Northern circuit.
- GRZ provided financial support of K533 million towards payment of some power purchase invoice from Ndola Energy in December 2025.
- A tripartite debt swap of K257 million between Government of the Republic of Zambia, Zambia Revenue Authority and ZESCO Limited was undertaken during the year.

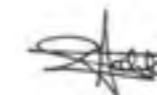
## ZESCO LIMITED

### REPORT OF THE DIRECTORS (CONTINUED)

#### AUDITORS

Messrs Grant Thornton were appointed as Auditors for 2025 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



Mrs. Natasha Nonde  
**COMPANY SECRETARY**  
Lusaka

Date: 30 March 2026

## ZESCO LIMITED

### STATEMENT ON CORPORATE GOVERNANCE

- 1 The Company subscribes to tenets of good corporate governance. ZESCO LIMITED's mandate, structure and operations are primarily premised on the Electricity Act No. 11 of 2019 and its subsequent amendments thereof, and other applicable laws. ZESCO LIMITED has in place various policies, structures, and procedures to ensure that the decision-making process, governance and administration of the institution are in accordance with applicable laws and good corporate governance practices.
- 2 The Company is governed by a Board of Directors, comprising Seven (7) members, who are appointed by the Industrial Development Corporation (IDC). The Board of Directors are drawn from industry and professional bodies.
- 3 Following the expiry of the previous Board of Directors' tenure in December 2024, a new Board was appointed by the IDC in January 2025. The Board has four (4) Directors, comprising of one (1) female and three (3) males. The Board provides oversight into 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 with a 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 Ten (10) meetings were held. Out of the ten (10) meetings held, four (4) were scheduled and the remainder of six (6) were Special meetings.
- 6 The Board's key focus areas are summarised as follows:
  - a) Strategy
  - b) Corporate Governance
  - c) Financial Performance
  - d) Risk Management
- 7 The proceedings of the meetings were duly recorded, and minutes were signed after confirmation by the Directors.

## ZESCO LIMITED

### STATEMENT ON CORPORATE GOVERNANCE

#### Board Committees

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

#### Audit and Risk Committee

- 9 The Audit, Risk and Compliance Committee, as recognised in Section 19 of the Public Finance Management Act, No. 1 of 2018, oversees financial reporting, risk management and compliance for the Company.
- 10 The Committee is comprised of the following Members:
  - a) Ms. Edinah Mudenda
  - b) Mr. Charles Kaisala
  - c) Ms. Mlungu Kampati
  - d) Mr. Kennedy Zeula
  - e) Mr. Morgan Macheleta
  - f) Mr. Justin Loongo
- 11 During the year, the Committee met five (5) times to consider audit, risk and compliance matters and make appropriate recommendations to the Board.

#### Procurement, Investments and Finance Committee

- 12 The Procurement, Investments and Finance Committee oversees investment performance and management to ensure prudent management of assets and maximisation of returns.
- 13 The Committee is comprised of the following Members:
  - a) Mr. Mwape Chipala
  - b) Mr. Stein Liyanda
  - c) Ms. Charlene Bangwe
  - d) Ms. Prudence Malilwe
  - e) Mr. Justin Loongo
- 14 The Committee met seven (7) times to review the Entity's financial performance, consider investment proposals, make investment decisions, and propose appropriate recommendations to the Entity.

ZESCO LIMITED

STATEMENT ON CORPORATE GOVERNANCE

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.

16. The Committee is comprised of the following Members:

- a) Mr. Charles Kaisala
- b) Mr. Chibulu A. Musonda
- c) Mr. Crispin Munyati
- d) Dr. Christopher Mubemba
- e) Mr. Justin Loongo

17. The Committee met four (4) times in 2025 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) Dr. Christopher Mubemba
- b) Mr. Mwape Chipala
- c) Ms. Claire Limbambwa
- d) Ms. Tembi Simuchoba
- e) Mr. Justin Loongo

20. The Committee met five (5) times in 2025 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) Ms. Edinah Mudenda
- b) Dr. Christopher Mubemba
- c) Ms. Monica Chisela
- d) Ms. Beatrice Malonda
- e) Mr. Justin Loongo

23. The Committee met four (4) times in 2025 to consider matters pertaining to Corporate Governance and Support Services and make appropriate recommendations to the Board.

ZESCO LIMITED

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Attendance of meetings	Board Meetings			Committee Meetings		
	Scheduled Meetings	Special Meetings	Meetings Attended	Scheduled Meetings	Special Meeting	Meetings Attended
<b>Board</b>						
Mr. Vickson Ncube - Chairman	4	6	10			
Ms Edinah M Mudenda	4	6	10			
Dr Jolly Kamwanga	2	4	6			
Mr Charles Kaisala	3	5	8			
Mr. Mwape Chipala	4	6	10			
Dr. Christopher Mubemba	4	6	10			
Mr. Justin Loongo	4	6	10			
<b>Procurement, Investment and Finance Committee</b>						
Mr. Mwape Chipala				3	2	5
Ms. Prudence Malilwe				4	7	11
Ms. Charlene Bangwe				3	7	10
Mr. Stein Lyanda				4	7	11
Mr Justin Loongo				4	7	11
<b>Audit and Risk Committee</b>						
Ms. Edinah M. Mudenda				4	1	5
Mr. Charles Kaisala				2	0	2
Ms. Milangu Kampata				4	1	5
Mr. Kennedy Zeula				4	1	5
Mr. Morgan Macheleta				4	1	5
Mr. Justin Loongo				4	1	5
<b>Human Capital and Development Committee</b>						
Dr. Christopher Mubemba				4	1	5
Ms. Tembi Simuchoba				3	1	4
Ms. Claire Limbambwa				4	1	5
Mr. Mwape Chipala				3	1	5
Mr. Justin Loongo				4	1	5

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## 24 Attendance of meetings

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

	Board Meetings			Committee Meetings		
	Scheduled Meetings	Special Meetings	Meetings Attended	Scheduled Meetings	Special Meetings	Meetings Attended
<b>Technical Committee</b>						
Mr. Charles Kaisala				2	0	2
Dr. Christopher Mubemba				4	0	4
Mr. Crispin Muniya				4	0	4
Mr. Chibulu A. Nsonda				4	0	4
Mr. Justin Loongo				4	0	4
<b>Corporate Support Services and Legal</b>						
Dr. Christopher Mubemba				4	0	4
Ms. Edinah Mudenda				4	0	4
Ms. Monica Chisela				4	0	4
Ms. Beatrice H. Malonda				4	0	4
Mr. Justin Loongo				4	0	4

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## 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 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 to enhance Board effectiveness.

26.2 A board evaluation exercise is underway for the year 2025.

## 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 Corporate Support and Legal Committee makes recommendations for review of Board remuneration.

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

ZESCO LIMITED

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 eleven (11) Directors who each head a Directorate.
- 28.3 There is open communication between the Board of Directors and Senior Management. The Board and its Committees are supplied with full information prior to each meeting to enable them to discharge their responsibilities.
- 28.4 The Board understands the relationship between itself and the members of Management. It acknowledges that its role is to promote the interest of the public and the shareholders and recognises that it is accountable to the public and the shareholders for the performance of the Company.

ZESCO LIMITED

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

The Directors confirm that in their opinion:

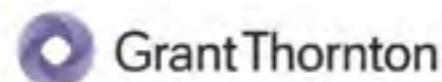
- (a) the financial statements give a true and fair view of the financial position of ZESCO Limited and its subsidiaries as at 31 December 2025, and of its financial performance and its cash flows for the year then ended;
- (b) at the date of this statement there are reasonable grounds to believe that 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 IFRS Accounting Standards.

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

Signed at Lusaka on 30 March 2026

  
Mr. Vickson Neube  
CHAIRMAN

  
Eng. Justin Loongo  
MANAGING DIRECTOR



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**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF ZESCO LIMITED**

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

**Opinion**

We have audited the financial statements of ZESCO Limited (The Company) and its subsidiaries (The group), which comprise the consolidated and separate statement of financial position as at 31 December 2025, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying group and company financial statements give a true and fair view of the group and company financial position of ZESCO Limited as at 31 December 2025, and of its consolidated and company financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Standards Board (IASB) and the requirements of the Companies Act, 2017.

**Basis for Opinion**

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

**Partners**

Edgar Hamuwale (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**

**Material uncertainty related to going concern**

We draw attention to note 28 in the financial statements which indicates that the Group recorded a profit after tax of K5.3 billion (2024: loss of K15.4 billion) and current liabilities exceeded its current assets by K51.9 billion (2024: K48.7 billion) and at the reporting date the Group had negative retained earnings of K51.7 billion (2024: K57.7 billion). At the reporting date, the total borrowings amounted to K50 billion (2024: K61.1 billion) on which some of the loan covenants were breached. Government of the Republic of Zambia has issued a formal letter of support to the Group. These conditions indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Key audit matters**

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

Key audit matters	How the matter was addressed in our audit
<p><b>Measurement of financial assets</b></p> <p>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.</p>	<p>Our procedures included but were not limited to the following:</p>
<ul style="list-style-type: none"> <li>The Directors are required to apply the forward-looking approach to recognize expected credit losses based on IFRS 9's impairment requirements.</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Assessing the design and implementation of the impairment model adopted with focus on compliance with the requirements of IFRS 9: "Financial Instruments".</li> <li>Reviewing management's evaluation of possible outcomes and the probability of occurrence.</li> <li>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.</li> <li>We obtained the analysis prepared by management in calculating the fair value of the assets.</li> <li>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.</li> <li>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.</li> </ul>

## 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
<p><b>Long service retirement benefit</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Key assumptions that are involved in the calculation of the defined benefit obligation as per note 23 to the financial statements are:</p> <ul style="list-style-type: none"> <li>Discount rate; and</li> <li>Expected rate of salary increment.</li> </ul>	<p>In considering the actuarial valuation of pension obligations, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>Obtained the actuarial report based on 31 December 2025 numbers.</li> <li>Reviewed the valuation in relation to IAS 19 requirements.</li> <li>Reviewed key inputs used within the report as well as challenged key assumptions made.</li> <li>Performed a retrospective review to assess obligation for reasonableness.</li> <li>Compared the discount rates used to Government Bond yield rates available with the Bank of Zambia.</li> <li>We reviewed the level of salary increment considered by the Group for 2025 and projections for the future.</li> </ul>
<p><b>Valuation of property, plant and equipment</b></p> <p>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.</p> <p>Where indicators of impairment are identified, management performs impairment assessment on the recoverable amount of property, plant and equipment.</p> <p>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.</p> <p>We identified impairment of property, plant and equipment as a key audit matter as determining recoverable amount involves significant judgements.</p>	<ul style="list-style-type: none"> <li>Obtained an understanding of the management's process of identifying the impairment indicators and performing impairment assessment where impairment indicators exist.</li> <li>Performed risk assessment procedures for the assets where the impairment indicators were identified.</li> <li>We compared the assumptions used to the preceding period and considered the reasonableness.</li> <li>In considering the appropriateness of the valuation model we compared the models used to that of the prior year.</li> <li>We corroborated the inputs used against publicly available information.</li> <li>Assessed adequacy of disclosures in the financial statements.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF  
ZESCO LIMITED

## Other Information

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

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

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

## Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF ZESCO LIMITED

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

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF ZESCO LIMITED

#### Report on other legal and regulatory requirements

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

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

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

  
Chartered Accountants



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

Lusaka

Date: 30 March 2026

## ZESCO LIMITED

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

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	Group		Company	
		2025 K'000	2024 K'000	2025 K'000	2024 K'000
Revenue	5	32,722,742	30,843,971	32,531,638	30,696,307
Cost of sales	6	(19,498,687)	(26,439,072)	(23,477,023)	(33,686,985)
<b>Gross Profit/(Loss)</b>		<b>13,224,055</b>	<b>4,404,899</b>	<b>9,054,615</b>	<b>(2,990,678)</b>
Other operating income	7	2,908,980	3,618,377	2,746,598	3,621,824
Other gains/losses	8	5,927,606	(4,997,730)	5,290,620	(4,403,699)
Selling and distribution expenses		(40,080)	(18,047)	(58,100)	(16,855)
Administration expenses		(11,106,374)	(11,296,485)	(10,196,092)	(10,283,988)
Other income/expenses	9	70,498	(4,570,961)	121,380	(4,524,513)
Finance costs	10	(2,989,140)	(2,352,131)	(2,728,157)	(2,080,864)
Share of profit/(loss) of associates	17.2	(37,965)	31,487	-	-
Share of profit/(loss) of a joint venture	17.2	275,407	741,995	-	-
<b>Profit/(Loss) before tax</b>		<b>8,232,987</b>	<b>(14,438,616)</b>	<b>4,250,864</b>	<b>(20,678,773)</b>
Income tax charge	12	(1,924,480)	(990,334)	(95,833)	(19,082)
<b>Profit/(Loss) for the year</b>		<b>6,308,507</b>	<b>(15,428,950)</b>	<b>4,155,031</b>	<b>(20,717,855)</b>
<b>Other Comprehensive Income</b>					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Revaluation surplus					
Reversal of impairment of subsidiaries					
Other comprehensive income for the year, net of income tax		(1,030,786)	-	-	-
<b>Total Comprehensive Profit/(Loss) for the year</b>		<b>5,277,721</b>	<b>(15,428,950)</b>	<b>4,155,031</b>	<b>(20,717,855)</b>

ZESCO LIMITED		CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		FOR THE YEAR ENDED 31 DECEMBER 2025	
GROUP		Share capital	Revaluation reserve	Retained earnings/ (Accumulated losses)	Total
		K'000	K'000	K'000	K'000
Balance at 1 January 2024		2,825,118	138,398,814	(42,942,447)	98,281,485
Revaluation of Assets		-	-	-	-
Other comprehensive income for the year		-	-	-	-
Loss for the year		-	-	(15,428,950)	(15,428,950)
Amortisation of revaluation reserve		-	(675,155)	675,155	-
Balance at 31 December 2024		2,825,118	137,723,659	(57,696,242)	82,852,535
Other comprehensive income for the year		-	-	-	-
Profit for the year		-	-	5,277,721	5,277,721
Amortisation of revaluation reserve		-	(675,155)	675,155	-
Balance at 31 December 2025		2,825,118	137,048,504	(51,743,366)	88,130,256

ZESCO LIMITED  
STATEMENTS OF FINANCIAL POSITION  
AT 31 DECEMBER 2025

	Note	Group		Company	
		2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>ASSETS</b>					
<i>Non-current assets</i>					
Property, plant and equipment	14	202,762,232	201,763,950	165,814,497	166,738,546
Intangible assets	15	186,092	184,641	158,280	184,489
Right of use assets	16	125,459	110,182	5,772	4,116
Investments in subsidiaries and associates	17	48,968	48,968	14,252,126	13,986,934
Investments in a joint venture	17	1,011,728	736,321	-	-
<b>Total non-current assets</b>		<b>204,134,479</b>	<b>202,844,062</b>	<b>180,230,675</b>	<b>180,934,085</b>
<i>Current assets</i>					
Inventories	18	1,663,480	1,510,039	1,348,901	1,250,580
Trade and other receivables	19	13,881,651	9,661,983	15,189,153	9,963,913
Amounts due from related parties	21	585,132	597,605	618,465	603,938
Cash and bank balances		2,470,653	1,513,388	2,110,075	1,387,937
<b>Total current assets</b>		<b>18,600,916</b>	<b>13,283,015</b>	<b>19,266,594</b>	<b>13,206,388</b>
<b>Total Assets</b>		<b>222,735,395</b>	<b>216,127,077</b>	<b>199,497,269</b>	<b>194,140,473</b>
<b>Equity And Reserves</b>					
<i>Capital and reserves</i>					
Issued capital	20	2,825,118	2,825,118	2,825,118	2,825,118
Revaluation reserve		137,048,504	137,723,659	137,032,650	137,706,586
Accumulated losses		(51,743,366)	(57,696,242)	(57,994,627)	(62,823,394)
<b>Total equity</b>		<b>88,130,256</b>	<b>82,852,535</b>	<b>81,863,141</b>	<b>77,708,310</b>
<i>Non-current liabilities</i>					
Borrowings	22	46,885,419	57,527,510	24,766,982	31,245,368
Retirement benefit obligations	23	6,295,034	4,599,690	6,285,080	4,592,544
Capital grants and contributions	24	6,673,113	4,672,118	5,223,104	4,672,118
Deferred tax liability	13	4,202,207	4,411,862	-	-
Lease liabilities	27	53,885	112,939	4,035	3,896
<b>Total non-current liabilities</b>		<b>64,109,658</b>	<b>71,324,119</b>	<b>36,279,201</b>	<b>40,513,926</b>

ZESCO LIMITED  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2025  
COMPANY

	Share Capital K'000	Revaluation Reserve K'000	Retained earnings/ earnings/	(Accumulated losses) K'000	Total K'000
<b>Balance at 1 January 2024</b>	2,825,118	138,380,522		(42,779,675)	98,425,965
Loss for the year	-	-		(20,717,855)	(20,717,855)
Revaluation surplus	-	-		-	-
Amortisation of revaluation reserve	-	(673,936)		673,936	-
<b>Balance at 31 December 2024</b>	2,825,118	137,706,586		(62,823,594)	77,708,110
Loss for the year	-	-	4,155,031	-	4,155,031
Realignment	-	-	-	-	-
Amortisation of revaluation reserve	-	(673,936)		673,936	-
<b>Balance at 31 December 2025</b>	2,825,118	137,032,650		(57,994,627)	81,863,141

ZESCO LIMITED

STATEMENTS OF FINANCIAL POSITION  
AT 31 DECEMBER 2025 (CONTINUED)

	Notes	Group		Company	
		2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>Current liabilities</b>					
Trade and other payables	25	63,206,790	54,032,865	75,466,053	45,414,529
Amounts due to related parties	21	332,689	3,033,836	1,269,062	25,693,693
Borrowings	22	3,104,203	3,617,254	2,896,778	3,617,254
Retirement benefit obligations	23	583,090	160,492	573,689	151,431
Capital grants and contributions	24	233,466	208,838	233,466	208,838
Current tax liabilities	12	3,012,418	879,270	802,201	818,722
Lease liabilities	27	22,825	17,868	13,678	13,970
<b>Total current liabilities</b>		<b>70,495,481</b>	<b>61,950,423</b>	<b>81,351,927</b>	<b>75,918,437</b>
<b>Total liabilities</b>		<b>134,605,139</b>	<b>133,274,543</b>	<b>117,634,128</b>	<b>116,433,363</b>
<b>Total Equity And Liabilities</b>		<b>222,735,395</b>	<b>216,127,677</b>	<b>199,497,269</b>	<b>194,140,473</b>

The responsibilities of the Directors with regard to the preparation of the financial statements are set out on page 13. The financial statements on pages 20 to 103 were approved by the Board of Directors and authorised for issue on 30 March 2026 and were signed on its behalf by:

  
Mr. Vicksen Ncube  
CHAIRMAN

  
Eng. Justin Loongo  
MANAGING DIRECTOR

ZESCO LIMITED

STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	Group		Company	
		2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>Cash Flows From Operating Activities</b>					
Profit/(loss) before tax		8,232,987	(14,438,616)	4,250,863	(20,678,773)
<b>Adjustments for:</b>					
- Share of (profit)/loss of associates	17.2 (a)	37,965	(31,487)	-	-
- Share of (profit)/loss of joint venture	17.2 (i)	(275,407)	(741,995)	-	-
- Interest income	7	(57,134)	68,638	(16,338)	(22,354)
- Impairment of equipment		-	-	-	-
- Finance costs recognised in profit and loss	7	2,989,140	2,352,151	2,728,157	2,080,864
- Net exchange (gain)/ losses recognised on borrowings	22	6,199,342	4,300,051	(6,199,342)	2,186,587
- Loss on transfer of assets (Ibicoom)	14	-	-	-	-
- Loss on disposal of property, plant and equipment		(3,196)	(974)	-	1,820
- Depreciation of non-current assets		5,908,193	5,773,789	5,419,259	5,326,163
- Adjustments on assets		-	(157)	30,872	30,753
- Right of use assets	14	(187,466)	-	6,810	6,810
- Amortization of intangible assets		(3,208)	22,741	-	-
- Assets transfer to KGI		-	43,650	-	-
- Amortization of capital grants and contributions	24	(247,921)	(466,236)	(247,921)	(252,566)
- Impairment of investments		-	-	-	-
- Impairment loss recognised	14	-	-	-	437,870
- Unrealised exchange gains/(losses)		-	-	2,776,570	(103,080)
- Impairment loss reversal recognised on amounts due from related parties	15	-	-	-	-
- Impairment loss recognised on trade receivables	19	-	-	-	-
- Dividend received	17	(930,302)	211,337	-	-
<b>Movements in working capital:</b>		<b>21,662,993</b>	<b>(2,907,138)</b>	<b>8,149,963</b>	<b>(10,979,426)</b>
Increase in inventory		(153,441)	(33,592)	(98,321)	38,825
(Increase)/decrease in trade and other receivables	19	(4,219,669)	(3,721,014)	(8,001,810)	(4,834,720)
Decrease/(increase) in amounts due from related parties	19	12,473	(313,676)	(14,507)	(193,993)
Increase in trade and other payables		9,173,925	11,681,679	30,051,524	10,136,374
Decrease/(increase) in deferred liabilities		2,117,942	2,628,496	2,114,794	2,620,701
Increase/(Decrease) in amounts due to related parties		(2,701,149)	(1,553,399)	(24,424,631)	8,513,499
Decrease in right of use assets		-	-	(1,657)	-
<b>Cash (utilised)/generated from operations</b>		<b>25,893,074</b>	<b>5,781,356</b>	<b>7,775,356</b>	<b>5,301,260</b>
Interest paid		(2,989,140)	(2,352,151)	(2,728,157)	(2,080,864)
Income tax paid		(28,706)	(91,045)	(12,354)	(73,997)
<b>Net cash (utilised)/generated by operating activities</b>		<b>22,875,228</b>	<b>3,337,261</b>	<b>5,034,845</b>	<b>3,146,399</b>

## ZESCO LIMITED

## STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

	Notes	Group		Company	
		2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>Cash Flows From Investing Activities</b>					
Payments for property, plant and equipment		(7,119,456)	(7,589,423)	(4,477,578)	(5,051,538)
Payments to acquire intangible assets	14	(4,659)	(369)	(4,659)	(369)
Proceeds from disposed of / (payment to acquire) investments	15			(265,192)	(1,549,194)
Dividend received				598,967	(6,475)
Interest received	7	57,134	(68,638)	16,338	22,354
<b>Net cash generated from / (used in) investing activities</b>		<u>(7,066,981)</u>	<u>(7,658,430)</u>	<u>(4,132,123)</u>	<u>(6,585,222)</u>
<b>Cash Flows From Financing Activities</b>					
Repayment of borrowings	22	(17,777,033)	(1,186,171)	(1,375,872)	(1,186,171)
Proceeds from capital grants and contributions	24	2,310,534	1,669,071	823,535	1,571,408
Proceeds from borrowings	22	422,548	3,215,758	376,383	2,701,500
Repayment of lease liabilities	27	(2,966)	(2,966)	(2,074)	(3,981)
Write back on investments					
<b>Net cash received from / (used in) financing activities</b>		<u>(15,046,917)</u>	<u>3,695,692</u>	<u>(178,058)</u>	<u>3,082,756</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>761,350</u>	<u>(625,479)</u>	<u>724,664</u>	<u>(358,067)</u>
Cash and cash equivalents at the beginning of the year		1,513,388	2,138,865	1,387,937	1,746,005
Effects of foreign exchange rates		195,935		(2,526)	
Cash and cash equivalents at the end of the year		<u>2,470,653</u>	<u>1,513,388</u>	<u>2,110,075</u>	<u>1,387,937</u>
<b>Comprising of:</b>					
Bank and cash balances*		2,470,653	1,513,388	2,110,075	1,387,937
Bank overdraft					
		<u>2,470,653</u>	<u>1,513,388</u>	<u>2,110,075</u>	<u>1,387,937</u>

\*Included in bank and cash balances are restricted funds amounting to **K509 million**. The cash is held as part of Debt Security Reserves.

## ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 1. Principal activities

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

## 2. IFRS Accounting Standards (IFRS)

## a) Basis of consolidation

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

## b) Basis of preparation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 2. IFRS Accounting Standards (IFRS) (continued)

## b) Basis of preparation (continued)

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

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

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

## (c) New Standards and amendments that are effective at 1 January 2025 and are applicable to the Fund

Some accounting pronouncements which have become effective from 1 January 2025 and have therefore been adopted do not have a significant impact on the Fund's statement of changes in net assets available for benefits and net assets statement.

## (d) Other Standards and amendments that are effective for the first time in 2025 and could be applicable to the Fund are:

- Lack of exchangeability (Amendments to IAS 21)

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

## (e) Standards, Amendments and Interpretations to existing standards that are not yet effective and have not been adopted early by the Fund

At the date of approval of these financial statements, several new, but not yet effective, standards and amendments to existing standards and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been early adopted by the Fund. These include:

The adoption of IFRS 18 'Presentation and Disclosure in Financial Statements', effective for periods commencing on or after 1 January 2027, is expected to have an impact on the presentation of the financial statements, however, no disclosures are included.

Management is still in the process of identifying the possible impact of IFRS 18.

Other Standards and amendments that are not yet effective and have not been adopted early by the Fund include:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7)
- Annual Improvements to IFRS Accounting Standards—Volume 11

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. These amendments are not expected to have a material impact on the Fund's financial statements in the period of initial application and therefore the disclosures have not been made.

ZESCO LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 3. Material accounting policies

## a) Statement of compliance

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

## b) Revenue recognition

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

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

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

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

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

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

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

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

## (c) Sale of electricity

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

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

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

ZESCO LIMITED  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2025

3. Material accounting policies (continued)

d) Interest income

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

e) Rental income

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

f) Fibre income

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

g) Inventories

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

h) Foreign currencies

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

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

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

i) Borrowing costs

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

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

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

ZESCO LIMITED  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2025

3. Material accounting policies (continued)

(j) Capital grants and contributions

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

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

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

k) Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

3. Material accounting policies (continued)

k) Taxation (continued)

(ii) 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.

(i) Property, plant and equipment

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

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

*Generation, Transmission and Distribution Systems:*

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

*Other Assets:*

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

Capital work in progress is not depreciated.

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

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

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

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

3. Material accounting policies (continued)

j) Property, plant and equipment (continued)

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

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

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

m) Leases

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

i) Group as a lessee

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

3. Material accounting policies (continued)

m) **Leases (continued)**

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

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

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

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

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

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

n) **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.

3. Material accounting policies (continued)

n) **Intangible assets**

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

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

o) **Impairment of tangible and intangible assets**

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

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

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

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

p) **Financial instruments**

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

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

ZESCO LIMITED  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2025

3. Material accounting policies (continued)

p) Financial instruments (continued)

(i) Financial assets

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

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

(ii) Classification of financial assets

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

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

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

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

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

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

(j) 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.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2025

3. Material accounting policies (continued)

p) Financial instruments (continued)

(i) 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.

## 3. Material accounting policies (continued)

## p) Financial instruments (continued)

## i) 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.

## ii) 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 investment's revaluation reserve.

## iii) 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.

## 3. Material accounting policies (continued)

## p) Financial instruments (continued)

## ii) 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 2025

## 3. Material accounting policies (continued)

## p) Financial instruments (continued)

*Significant increase in credit risk*

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

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

## v) Definition of default

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

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

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

## (vi) Credit-impaired financial assets

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 3. Material accounting policies (continued)

## p) Financial instruments (continued)

## (vii) Write-off policy

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

## (viii) Measurement and recognition of expected credit losses

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

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

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

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

## (ix) Derecognition of financial assets

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

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

3. Material accounting policies (continued)

p) Financial instruments (continued)

**Financial liabilities and equity**

*Classification as debt or equity*

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

*Equity instrument*

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.

3. Material accounting policies (continued)

r) **Investments (continued)**

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

s) **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.

t) **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 2025

3. Material accounting policies (continued)

s) Retirement benefits and other employee benefits (continued)

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

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

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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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 2025

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

a) Critical judgements in applying accounting policies (continued)

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

b) **Key sources of estimation uncertainty**

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

- i) **Estimated useful lives and residual values of property, plant and equipment**  
The Group's management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2023 and the management has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods.
- ii) **Contingencies**  
Appropriate recognition and disclosure of contingent liabilities is made regarding litigation, tax matters and environmental issues. Accounting for contingencies requires significant judgement by management regarding the estimated probabilities and ranges of exposure to potential loss. The evaluation of these contingencies is performed by various specialists inside and outside of the Group. The Group's assessment of the Group's exposure to contingencies could change as new developments occur or more information becomes available.
- iii) **Impairment of investments in joint ventures and associates**  
Investments in joint ventures and associates are reviewed for impairment at the reporting date. Determining whether an investment balance is impaired requires an estimation of the value in use of the joint venture or associate. The value in use calculation requires an estimate to be made of the timing and amount of future cash flows expected to arise from the joint venture or associate and the application of a suitable discount rate in order to calculate the present value. The discount rates used are based on the Group's weighted average cost of capital adjusted to reflect the specific economic environment of the joint venture or associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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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	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>5. Revenue</b>				
Arose from customers in the following sections:				
Mining	19,264,471	17,182,820	19,895,099	17,519,919
Exports	5,073,887	7,237,873	5,073,887	7,237,873
Residential	4,818,276	1,900,753	4,818,277	1,900,754
Industrial and agricultural	1,957,882	3,355,576	1,957,882	3,355,576
Commercial (retail outlets)	<u>1,608,226</u>	<u>1,166,949</u>	<u>786,493</u>	<u>682,185</u>
	<u>32,722,742</u>	<u>30,843,971</u>	<u>32,531,638</u>	<u>30,696,307</u>
<b>6. Cost of sales</b>				
Local purchases of power	5,551,569	11,585,273	12,302,410	19,109,404
Direct labour costs	1,866,935	1,630,296	1,828,375	1,612,101
Local wheeling charges	1,459,146	1,315,347	1,459,146	1,315,347
Maintenance costs	1,100,628	706,288	902,655	518,921
Power imports (internally financed)	5,806,571	9,700,604	5,806,571	9,700,602
Generation water usage & fuel costs	2,805,343	251,948	269,371	181,294
Export wheeling charges	<u>908,495</u>	<u>1,249,316</u>	<u>908,495</u>	<u>1,249,316</u>
	<u>19,498,687</u>	<u>26,439,072</u>	<u>23,477,023</u>	<u>33,686,985</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 K39 million (2024: K31.3 million) towards power purchases.

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	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>7. Other operating income</b>				
Wheeling income	1,516,194	1,068,179	959,195	2,272,006
Amortisation of capital grants and contributions (Note 24)	247,921	252,566	1,516,194	1,068,179
Interest on late payments	-	-	247,921	252,567
Interest income/expenses	57,134	(68,638)	-	-
Rental income	8,298	7,662	16,338	22,354
Sundry income	<u>1,079,432</u>	<u>2,358,608</u>	<u>6,950</u>	<u>6,718</u>
	<u>2,908,980</u>	<u>3,618,277</u>	<u>2,746,598</u>	<u>3,621,824</u>
<b>8. Other gains/(losses)</b>				
Net exchange gains/(losses)	(5,927,606)	(4,997,730)	5,920,620	(4,401,879)
Loss on disposal of property, plant and equipment	-	-	-	(1,820)
	<u>(5,927,606)</u>	<u>(4,997,730)</u>	<u>5,920,620</u>	<u>(4,403,699)</u>

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

The impact of the appreciation of the Zambian Kwacha during the year is that the Group recorded significant exchange gain 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 2025	Mid – market exchange rate as at 31 December 2025	Average appreciation during the year
<b>Currency</b>			
US Dollar (1 US\$ =)	K27.830	K22.025	21%

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>9. Other expenses</b>				
Provision for bad debts	(2,727,193)	2,201,291	(2,727,877)	2,190,923
Other expenses	<u>2,656,695</u>	<u>2,369,670</u>	<u>2,606,497</u>	<u>2,333,590</u>
	<u>(70,498)</u>	<u>4,570,961</u>	<u>(121,380)</u>	<u>4,524,513</u>
<b>10. Finance costs</b>				
These comprise the following:				
Interest paid on borrowings	2,980,046	2,342,075	2,721,202	2,072,931
Interest paid on overdraft	4,172	4,204	3,073	4,037
Interest on lease liabilities	<u>4,922</u>	<u>5,871</u>	<u>3,882</u>	<u>3,896</u>
	<u>2,989,140</u>	<u>2,352,151</u>	<u>2,728,157</u>	<u>2,080,864</u>

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	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>11. Profit/(Loss) before tax</b>				
Profit/(Loss) before tax is stated after crediting:				
Amortisation of capital grants and capital contributions	<u>247,921</u>	<u>252,566</u>	<u>247,921</u>	<u>252,566</u>
Interest income and after charging:	-	-	<u>16,338</u>	<u>22,354</u>
Interest expense	<u>57,134</u>	<u>(68,638)</u>	-	-
Net exchange gain/(losses) (note 8)	<u>5,927,606</u>	<u>(4,977,730)</u>	<u>5,280,620</u>	<u>(4,401,879)</u>
Employee benefits	<u>3,346,100</u>	<u>4,723,578</u>	<u>5,450,131</u>	<u>6,535,974</u>
Depreciation and amortisation (note 14 and 15)	<u>5,030,934</u>	<u>5,804,921</u>	<u>6,569,198</u>	<u>5,356,916</u>
Finance costs (Note 10)	<u>2,989,140</u>	<u>2,352,151</u>	<u>2,728,157</u>	<u>2,080,864</u>
Pension costs	<u>100,721</u>	<u>135,721</u>	<u>148,366</u>	<u>135,721</u>
Directors' fees – in connection with the management of the Group	<u>71,504</u>	<u>70,609</u>	<u>60,386</u>	<u>70,000</u>
– as Directors	<u>18,480</u>	<u>16,049</u>	<u>4,101</u>	<u>5,970</u>
Donations	<u>3,755</u>	<u>3,755</u>	<u>5,716</u>	<u>2,526</u>
(Loss)/profit on disposal of property, plant and equipment	-	-	-	<u>1,820</u>
<b>12. Current tax</b>				
Income tax charge at 30%				
Deferred taxanion (note 13)	<u>(209,656)</u>	<u>921,464</u>	-	-
Current tax	<u>2,134,136</u>	<u>68,870</u>	<u>95,833</u>	<u>39,082</u>
Income tax charge	<u>1,924,480</u>	<u>990,334</u>	<u>95,833</u>	<u>39,082</u>

Subject to agreement with the Zambia Revenue Authority, the Group had estimated tax losses of K52.767 billion (2024: K48.845 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:

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

12. Current tax (continued)

		Group		Company	
		2025	2024	2025	2024
		K'000	K'000	K'000	K'000
2025 losses available until 2035 (K'000)		(52,767,182)	(48,845,325)	51,708,822	46,442,480
GROUP	Tax year	Tax loss b/f amount	Utilised	Expired	Tax loss c/f
	Tax year expiry				
2015	2025	(1,134,744)	(1,134,744)		
2018	2028	(389,093)	(389,093)		
2020	2030	(6,500,968)	(17,563,014)		
2021	2031	-	(275,589)	(218)	(218)
2022	2032	(16,833,314)	(4,090,248)		
2023	2033	(21,671,634)	(16,833,314)		
2024	2034	-	-		
2025	2025	(6,232,429)	-		
		(52,767,182)	(49,286,002)		(218)

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	735,882	-	735,882
2023	2033	(911,499)	-	(911,499)
2024	2034	(3,013,575)	-	(3,013,575)
2025	2035	-	(463,769)	(463,769)
		(4,660,957)	(463,769)	(5,124,725)

	Group		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Included under current liabilities:				
Payable in respect of prior year	879,201	902,346	818,722	855,638
Arising during the year	2,951,308	68,869	95,833	39,082
Paid during the year	(28,706)	(91,945)	(12,354)	(75,898)
Payable at the end of the year	2,922,603	879,270	902,201	818,722

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

12. Current tax (continued)

Reconciliation of tax charge

The total income tax expense for the year can be reconciled to the accounting profit/(loss) as follows:

Loss before tax	7,540,935	(14,438,616)	4,250,863	(20,678,773)
Applicable tax rate of 30%	2,262,281	(4,331,584)	1,275,259	(6,203,632)
Permanent differences:				
- Capital exchange gains	1,071,802	-	344,436	1,188,662
- Other disallowable items	(15,388,182)	16,352,183	25,516,629	13,656,983
- De-recognised during the year	13,914,420	(10,591,649)	27,516,324	(8,602,931)
- *Tax rate adjustment	2,131	(438,616)	-	-
	1,852,452	990,334	95,833	39,082

\*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	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
13. Deferred tax				
At the beginning of the year	4,411,862	3,507,916	(6,641,298)	(15,244,229)
Charge to equity	-	1,600	-	-
Credit to profit or loss for the year (Note 12)	(209,656)	(902,346)	27,040,492	8,602,931
Derecognised during the year	-	-	-	-
At the end of the year	4,202,207	4,411,862	20,399,194	(6,641,298)

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

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

13. Deferred tax (continued)		COMPANY		2024		2025	
		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	(Credit) charge to profit or loss	(8,823,041)	4,683,973	-	(11,105,169)	(15,244,229)	
Credit to equity		-	-	-	-	-	
Derecognised deferred tax		(5,109,203)	13,748,311	-	(35,678)	8,602,930	
At the end of the year		(13,932,744)	18,432,284	-	(11,140,838)	(6,641,298)	
2025		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	(Credit) charge to profit or loss	(13,932,744)	18,432,284	-	(11,140,838)	(6,641,298)	
Derecognised deferred tax		(1,579,926)	27,234,298	-	3,386,119	27,040,492	
At the end of the year		(15,512,670)	45,666,582	-	(7,754,719)	20,399,194	

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

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

13. Deferred tax (continued)

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

GROUP	Net unutilized tax losses K'000	Accelerated capital allowances K'000	Revaluation surplus K'000	Provisions and other K'000	Total K'000	2024	
						2024	2025
At the beginning of the year restated (Credit) / charge to profit or loss	(221,864)	77,066	225,195	3,427,519	3,507,916	4,411,862	
Charge to equity	700,513	1,417,397	-	(1,449,773)	902,376	4,411,862	
Derecognised deferred tax	-	-	-	3,655,995	3,655,995	4,411,862	
At the end of the year	478,649	1,494,463	225,195	1,960,228	4,111,862	4,411,862	
2025							
At the beginning of the year	478,649	1,494,463	225,195	2,213,555	4,411,862	4,411,862	
(Credit) / charge to profit or loss	(637,811)	5,256,694	-	(4,828,538)	(209,656)	4,411,862	
Charge to equity	-	-	-	-	-	4,411,862	
At the end of the year	(159,162)	6,751,156	225,195	(2,614,984)	4,202,206	4,411,862	
2025							
Deferred tax asset							
Deferred tax liability							
At the end of the year							

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

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 K'000		Capital work in progress K'000		Total K'000
	At 1 January 2024	Charge for the year	At 1 January 2024	Charge for the year	At 1 January 2024	Charge for the year	At 1 January 2024	Charge for the year	At 1 January 2024	Charge for the year	At 1 January 2024	Charge for the year	
<b>DEPRECIATION</b>													
At 1 January 2024	555,346		1,275,592		1,613,614		2,297,190		123,924		48,524		727,794
Charge for the year									350,180		237,183		5,773,759
Transfer to KGL											11,875		11,875
Adjustment											964		964
Eliminated on revaluation											4,024		5,863
<b>At 31 December 2024</b>	<u>1,829,099</u>		<u>1,613,614</u>		<u>2,297,190</u>		<u>474,104</u>		<u>292,594</u>		<u>292,594</u>		<u>6,306,601</u>
Charge for year	1,321,235		1,674,481		2,323,650		353,239		235,588		235,588		5,908,193
Adjustment	24,708								(1,212)		(1,212)		24,708
Transfer from Kalungwashi													(1,212)
Transfer to KGL													(3,132)
<b>At 31 December 2025</b>	<u>3,175,042</u>		<u>3,288,095</u>		<u>4,620,840</u>		<u>827,343</u>		<u>524,793</u>		<u>524,793</u>		<u>12,435,158</u>
<b>CARRYING AMOUNT</b>													
At 31 December 2025	48,007,091		68,021,502		51,983,630		8,218,052		2,003,062		24,528,883		202,762,232
At 31 December 2024	45,001,629		63,199,521		49,170,307		5,885,896		(3,053,118)		41,639,715		201,763,950

## ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

14. Property, plant and equipment

(a) Summary - Group Cost or Valuation	Generation Systems K'000		Transmission Systems K'000		Distribution Systems K'000		Civil works & buildings K'000		Vehicles, Furniture & fittings K'000		Capital work in progress K'000		Total K'000
	At 1 January 2024	Charge for the year	At 1 January 2024	Charge for the year	At 1 January 2024	Charge for the year	At 1 January 2024	Charge for the year	At 1 January 2024	Charge for the year	At 1 January 2024	Charge for the year	
<b>DEPRECIATION</b>													
At 1 January 2024	46,615,846		64,809,649		51,457,323		6,279,965		(2,841,488)		34,393,996		200,715,291
Additions	218,541		3,486		8,954		35		111,925		7,245,562		7,588,503
Transfer of assets to KGL	(3,659)								(28,116)				(31,775)
Reclassification of Assets									(1880)		157		503
Adjustments													
Disposals									(9990)				(9990)
<b>At 31 December 2024</b>	<u>46,830,728</u>		<u>64,813,135</u>		<u>51,467,496</u>		<u>6,280,000</u>		<u>(2,729,582)</u>		<u>41,639,738</u>		<u>208,271,516</u>
Additions	1,902,312				51		434,354		145,968		4,636,770		7,119,456
Transfer of assets to CWTP	2,546		100,285		834,408		46,802		32,402		(1,018,810)		(2,367)
Reclassification of Assets									95,617		(95,617)		
Adjustments	1,027,694		6,396,184		4,302,514		2,284,244		5,015,210		(20,447,344)		(1,421,498)
Transfer from Kalungwashi									(1,635)		(185,831)		(187,466)
Disposals													
<b>At 31 December 2025</b>	<u>51,182,133</u>		<u>71,309,604</u>		<u>56,604,470</u>		<u>9,045,400</u>		<u>2,527,855</u>		<u>24,528,883</u>		<u>215,198,345</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

14. Property, plant and equipment  
(b) Summary – company (continued)

	Generation Systems		Transmission Systems		Distribution Systems		Civil Works and Buildings		Vehicles, Furniture and fittings, and Equipment		Capital Works in Progress		Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	
<b>Depreciation</b>													
At 1 January 2024	885,486	1,613,614	2,297,190	311,736	218,137	1,370,211	(3441)	-	-	-	-	5,326,163	
Charge for the year	1,028,464	3,372,240	3,954,877	1,847,793	1,370,211	(3441)	-	-	-	-	-	11,573,585	
Eliminated on revaluation	(1,839)	(1)	-	-	-	-	-	-	-	-	-	(5,281)	
Eliminated on disposal	-	-	-	-	-	-	-	-	-	-	-	-	
At 31 December 2024	<u>1,912,111</u>	<u>4,985,853</u>	<u>6,252,067</u>	<u>2,159,529</u>	<u>1,584,907</u>	<u>213,175</u>	-	-	-	-	-	<u>16,894,467</u>	
Charge for year	895,050	1,674,481	2,323,650	312,903	213,175	-	-	-	-	-	-	5,419,259	
Eliminated on disposals	-	-	-	-	-	-	-	-	-	-	-	-	
Adjustment at 31 December 2025	-	(1)	(9)	-	-	-	-	-	-	-	-	-	
<b>Carrying Amount</b>	<u>2,807,161</u>	<u>6,660,333</u>	<u>8,575,708</u>	<u>2,472,432</u>	<u>1,798,082</u>	<u>227,281</u>	-	-	-	-	-	<u>22,313,726</u>	
At 31 December 2025	<u>30,334,142</u>	<u>64,686,847</u>	<u>48,103,516</u>	<u>4,017,925</u>	<u>474,199</u>	<u>18,197,868</u>	<u>166,758,546</u>	-	-	-	-	<u>165,811,492</u>	
At 31 December 2024	<u>31,226,646</u>	<u>66,261,042</u>	<u>49,591,252</u>	<u>4,284,026</u>	<u>530,267</u>	<u>11,865,298</u>	<u>18,197,867</u>	-	-	-	-	<u>166,758,546</u>	

## ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

14. Property, plant and equipment  
(b) Summary - Company

	Generation Systems		Transmission Systems		Distribution Systems		Civil Works and Buildings		Vehicles, Furniture and fittings, and Equipment		Capital Works in Progress		Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	
<b>Cost or Valuation</b>													
At 1 January 2024	32,921,570	68,172,579	55,412,570	6,512,730	2,039,829	47,604	13,773,042	4,773,912	178,631,920	5,052,198	-	-	178,631,920
Additions	303,407	3,486	8,954	5	67,604	-	-	-	-	-	-	-	5,052,198
Deposals	(3,659)	(17,639)	(423,220)	(130,790)	29,177	-	-	-	-	-	-	-	(31,779)
Reclassification to intangible assets note 15	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers from Capital Works in Progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments	-	-	(1,230)	-	1,880	-	-	-	-	-	-	-	669
At 31 December 2024	<u>33,338,737</u>	<u>71,246,895</u>	<u>55,845,224</u>	<u>6,443,555</u>	<u>2,115,174</u>	<u>424,571</u>	<u>18,546,953</u>	<u>4,351,380</u>	<u>183,653,003</u>	<u>4,476,002</u>	-	-	<u>183,653,003</u>
Additions	-	-	51	-	-	-	-	-	-	-	-	-	4,476,002
Deposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to KGL	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification to intangible assets note 15	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers from Capital Works in Progress	2546	100,285	834,408	46,802	32,402	154	(1,018,810)	-	(2,367)	-	-	-	(2,367)
Adjustments	-	-	1,441	-	1,54	-	-	-	-	-	-	-	1,575
At 31 December 2025	<u>34,141,303</u>	<u>71,347,180</u>	<u>56,679,224</u>	<u>6,490,357</u>	<u>2,272,281</u>	<u>424,571</u>	<u>18,197,867</u>	<u>4,351,380</u>	<u>183,128,213</u>	<u>4,476,002</u>	-	-	<u>183,128,213</u>
<b>Cost</b>													
Valuation (1996)	1,707,428	-	8,886,131	1,190,487	5,690,232	-	-	-	-	-	-	-	35,590,505
Valuation (2001)	177,987	193,640	1,281,611	51,779	345,694	-	-	-	-	-	-	-	1,511,577
Valuation (2017)	2,424,102	8,076,877	6,810,369	7,896,163	224,655	-	-	-	-	-	-	-	35,590,505
Valuation (2023)	28,650,146	61,330,305	39,231,214	62,801,926	(3,612,686)	-	-	-	-	-	-	-	128,227,131
At 31 December 2025	<u>33,141,303</u>	<u>71,347,180</u>	<u>56,679,225</u>	<u>6,490,357</u>	<u>2,272,281</u>	<u>4,476,002</u>	<u>18,197,867</u>	<u>4,351,380</u>	<u>183,128,213</u>	<u>4,476,002</u>	-	-	<u>183,128,213</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 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, Transmission 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 size 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 2025

## 14. Property, plant and equipment (continued)

## (c) Fair valuation measurement (continued)

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

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

	Level 1	Level 2	Level 3	Fair value as at 31 December 2025
	K'000	K'000	K'000	K'000
Civil engineering works and buildings	—	—	2,476,135	2,476,135
Generation plants	—	8,707,850	—	8,707,850
Transmission and distribution systems	—	7,071,514	—	7,071,514

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

## 14. Property, plant and equipment (continued)

## (c) Fair valuation measurement (continued)

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

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:

	2025 K'000	2024 K'000
Civil Engineering works and buildings	274,439	369,200
Generation plants	461,370	748,075
Transmission and distribution systems	10,796,332	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 2025**

## 14. Property, plant and equipment (continued)

## (g) Fixed assets register

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

## (h) Assets Held as Security

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

15. Intangible assets	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>Cost</b>				
At the beginning of the year	298,036	297,667	297,999	297,630
Additions	4,659	369	4,659	369
At the end of the year	302,695	298,036	302,658	297,999
<b>Accumulated amortisation</b>				
At the beginning of the year	113,395	90,654	113,510	90,859
Amortisation expense	3,208	22,741	30,868	22,651
At the end of the year	116,603	113,395	144,378	113,510
<b>Carrying amounts:</b>				
At the end of the year	186,092	184,641	158,280	184,489

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

Significant intangible assets 5 years

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 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

	Fair value at 31 December 2025			Fair value at 31 December 2024
	Level 1 K'000	Level 2 K'000	Level 3 K'000	K'000
Intangible assets	—	—	192,508	192,508
	Fair value at 31 December 2025			Fair value at 31 December 2024
	Level 1 K'000	Level 2 K'000	Level 3 K'000	K'000
Intangible assets	—	—	184,641	184,641

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.

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
16. Right of use assets				
Cost				
At the beginning of the year	145,745	72,836	28,734	20,782
Additions	8,467	72,909	8,466	7,952
Termination of lease	—	—	—	—
At the end of the year	154,212	145,745	37,200	28,734
Accumulated depreciation				
At the beginning of the year	35,563	24,033	24,618	17,807
Charge for the year	(2,778)	15,563	2,778	2,778
Termination of Lease	(4,032)	(4,033)	(4,032)	(4,033)
At the end of the year	28,753	35,563	31,428	24,618
Carry amounts:				
At the end of the year	125,459	110,182	5,772	4,116

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  
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## 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	Generation and supply of electricity	Zambia, Chikankata	100%
Fibrecom Limited	Provision of IP connectivity	Zambia, Lusaka	100%
Kalungwishi Hydro Power Company Limited	Construction of the Power generation facility	Zambia, Lusaka	100%
Kiyona Energy Limited	Generation and supply of electricity	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) Itzhi Tezhi Power Corporation Limited (Joint Venture)	Generation and supply of electricity	Zambia, Lusaka	50%
(ii) El Sewedy Electric Zambia Limited (Associate)	Manufacturing distribution transformers ranging from 25kv to a maximum of 5,000kv (5mva)	Zambia, Ndola	40%
(iii) Zambia Electrometer Limited (Associate)	Manufacture of electricity meters and compact fluorescent lights.	Zambia, Ndola	40%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 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) Itzhi Tezhi Power Corporation Limited (Joint Venture)

	2025 K'000	2024 K'000
At the beginning of the year	736,321	(5,674)
Share of profit for the year	<u>275,407</u>	<u>741,995</u>
At the end of the year	<u>1,011,728</u>	<u>736,321</u>
Statement of financial position:		
Current assets	<u>2,026,349</u>	<u>3,666,843</u>
Non-current assets	<u>1,393,674</u>	<u>1,455,185</u>
Current liabilities	<u>1,091,023</u>	<u>1,510,761</u>
Non-current liabilities	<u>641,545</u>	<u>1,231,877</u>
Net (liabilities) assets of the joint venture	<u>1,777,455</u>	<u>2,379,390</u>
Proportion of the Group's ownership	50%	50%
<b>Group share of net assets</b>	<b><u>888,728</u></b>	<b><u>1,189,695</u></b>
Statement of comprehensive income:		
Revenue	<u>1,667,657</u>	<u>1,714,326</u>
Net exchange gains	<u>(550,356)</u>	<u>111,758</u>
Total comprehensive income for the year	<u>550,814</u>	<u>1,483,990</u>
Proportion of the Group's ownership	50%	50%
<b>Group share of joint venture's profit for the year</b>	<b><u>275,407</u></b>	<b><u>741,995</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 17. Investments in subsidiaries and associates (continued)

## 17.2 Investments in associates and a joint venture (continued)

	2025 K'000	2024 K'000
<b>(ii) El Sewedy Electric Zambia Limited (Associate)</b>		
At the beginning of the year	133,081	101,594
Share of (loss)/profit for the year	<u>(37,965)</u>	<u>31,487</u>
At the end of the year	<u>95,116</u>	<u>133,081</u>
Statement of financial position:		
Current assets	<u>363,070</u>	<u>333,299</u>
Non-current assets	<u>342,587</u>	<u>299,703</u>
Current liabilities	<u>206,369</u>	<u>234,555</u>
Non-current liabilities	<u>77,679</u>	<u>26,207</u>
Net assets of the Associate	<u>421,610</u>	<u>372,240</u>
Proportion of the Group's ownership	40%	40%
<b>Group share of net assets</b>	<b><u>168,644</u></b>	<b><u>148,896</u></b>
Statement of comprehensive income:		
Revenue	<u>617,250</u>	<u>476,719</u>
Profit for the year	<u>56,152</u>	<u>76,399</u>
Total comprehensive income for the year	<u>(94,913)</u>	<u>78,717</u>
Proportion of the Group's ownership	40%	40%
<b>Group share of associate's (loss)/profit for the year</b>	<b><u>(37,965)</u></b>	<b><u>31,487</u></b>
<b>(iii) Zambia Electrometer Limited (Associate)</b>		
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>

## ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 17. Investments in subsidiaries and associates (continued)

## 17.2 Investments in associates and a joint venture (continued)

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

	2025 K'000	2024 K'000
Statement of financial position:		
Current assets	388	388
Non-current assets	5,950	5,950
Current liabilities	120,006	120,006
Non-current liabilities	3,181	3,181
Net liabilities of the associate	(116,849)	(116,849)
Proportion of the Group's ownership	40%	40%
<b>Group share of net liabilities</b>	<b>(46,740)</b>	<b>(46,740)</b>
Statement of comprehensive income:		
Revenue	-	-
Profit for the year	-	-
Total comprehensive loss for the year	-	-
Proportion of the Group's ownership	40%	40%
<b>Group share of associate's loss for the year</b>	<b>-</b>	<b>-</b>
<b>Summary of associates position:</b>		
At the beginning of the year	48,968	17,481
Share of profit and loss for the year:		
ElSewedy Electric Zambia Limited	(37,965)	31,487
Zambia Electrometer Limited	11,003	48,967
<b>Total closing position for both associates</b>	<b>11,003</b>	<b>48,967</b>

## ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 17. Investments in subsidiaries and associates (continued)

## Company

These represent the investment interest in the following companies at cost:

	2025 K'000	2024 K'000
Kafue Gorge Lower Power Development Corporation Limited	14,615,533	14,480,170
Kariba North Bank Extension Power Corporation Limited	5,139,370	5,139,370
Itzhi Tezhi Power Corporation Limited (ITTPC)	164,255	164,255
Fibrecom Limited	207,440	148,764
Kalungwishi Power Corporation Limited	199,278	186,928
Kiyona Energy Limited	58,828	25
Elsewedy Electric Zambia Limited	11,35	11,351
Zambia Electrometer Limited	6,130	6,130
	20,402,185	20,136,993
Impairment provision during the year	(6,150,059)	(6,150,059)
<b>Total</b>	<b>14,252,126</b>	<b>13,986,934</b>

The impairment provision comprise of the following:

	2025 K'000	2024 K'000
Itzhi Tezhi Power Corporation Limited (ITTPC)	164,255	164,255
Zambia Electrometer Limited	6,130	6,130
Kafue Gorge Lower Power Development Corporation Ltd	5,172,657	5,172,657
Kariba North Bank Extension Power Corporation Limited	756,471	756,471
Fibrecom Limited	50,546	50,546
At 31 December	6,150,059	6,150,059

The movement in the investment during the year was as follows:

	2025 K'000	2024 K'000
Balance at the beginning of the year	13,986,934	18,587,799
Additions during the year	6,415,251	1,549,194
Impairment provision	(6,150,059)	(6,150,059)
<b>Balance at the end of the year</b>	<b>14,252,126</b>	<b>13,986,934</b>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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18. Inventories

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Materials	1,663,831	1,642,693	1,349,252	1,383,234
Fuel and lubricants	44,397	24,218	44,397	24,218
Spares	57,336	49,167	57,336	49,167
	1,765,564	1,716,078	1,450,985	1,456,619
Allowance for obsolescence	(102,084)	(206,039)	(102,084)	(206,039)
	<u>1,663,480</u>	<u>1,510,039</u>	<u>1,348,901</u>	<u>1,250,580</u>

The cost of inventories recognised as an expense during the year was K11.9 million (2024: K256 million).

Inventories are disclosed net of provision for obsolete stock amounting to K102 million (2024: K206 million).

19. Trade and other receivables	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
The balance comprises:				
Gross trade receivables	25,904,979	26,589,552	25,868,685	26,527,364
Impairment allowance	(19,102,880)	(19,102,880)	(19,102,880)	(19,102,880)
	<u>6,802,099</u>	<u>7,486,672</u>	<u>6,765,805</u>	<u>7,424,484</u>
<b>Other receivables</b>				
Other receivables	10,125,075	4,346,142	7,810,691	4,679,483
Staff receivables	122,917	66,990	122,917	98,084
Prepayments	-	317	-	-
Allowance for doubtful debts	(3,168,440)	(2,238,138)	(489,740)	(2,238,138)
	<u>7,079,552</u>	<u>2,175,311</u>	<u>8,423,348</u>	<u>2,539,429</u>
<b>Total trade and other receivables</b>	<u>13,881,651</u>	<u>9,661,983</u>	<u>15,189,153</u>	<u>9,963,913</u>

The movement in allowance for doubtful trade receivables is as follows:

Balance at the beginning of the year	19,102,880	18,891,543	19,102,880	18,891,543
Charge for the year	-	211,337	-	211,337
At the end of the year	<u>19,102,880</u>	<u>19,102,880</u>	<u>19,102,880</u>	<u>19,102,880</u>

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FOR THE YEAR ENDED 31 DECEMBER 2025

19. Trade and other receivables (continued)

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
The movement in allowance for doubtful debts for other receivables is as follows:				
Balance at the beginning of the year	2,238,138	388,453	2,238,138	388,453
Impairment losses recognised on other receivables	930,302	1,849,685	48,692	2,287,561
Reversal of impairment losses recognised on other receivables	-	-	(2,776,570)	(437,876)
At the end of the year	<u>3,168,440</u>	<u>2,238,138</u>	<u>(489,740)</u>	<u>2,238,138</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.

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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19. Trade and other receivables (continued)

Company	31 December 2025							31 December 2024						
	Not past due	0-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total		Not past due	0-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total	
	K'000	K'000	K'000	K'000	K'000	K'000		K'000	K'000	K'000	K'000	K'000	K'000	
Expected credit loss rate	0%	35%	36%	63%	82%			0%	34%	35%	61%	80%		
Estimated total gross carrying amount at default	-	2,122,988	2,115,967	1,107,768	20,522,963	25,869,686		-	2,176,019	2,169,844	1,135,974	21,045,527	26,527,364	
Lifetime ECL	-	(751,004)	(765,776)	(698,834)	(16,887,258)	(19,102,880)		-	(751,005)	(765,776)	(698,834)	(16,887,258)	(19,102,880)	
Net balance	-	1,371,984	1,350,191	408,934	3,635,705	6,766,814		-	1,425,013	1,404,068	437,140	4,158,269	7,424,484	
Company	31 December 2025							31 December 2024						
Expected credit loss rate	0%	29%	32%	55%	93%			0%	34%	35%	61%	80%		
Estimated total gross carrying amount at default	-	2,948,446	1,429,212	961,496	20,565,825	25,904,979		-	2,176,019	2,169,844	1,135,974	21,045,527	26,527,364	
Lifetime ECL	-	(854,899)	(457,954)	(326,410)	(17,263,617)	(19,102,880)		-	(751,005)	(765,776)	(698,834)	(16,887,258)	(19,102,880)	
Net balance	-	2,093,547	971,258	635,086	3,302,208	6,802,099		-	1,425,013	1,404,068	437,140	4,158,269	7,424,484	

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

19. Trade and other receivables (continued)

GROUP	31 December 2025							31 December 2024						
	Not past due	0-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total		Not past due	0-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due	Total	
	K'000	K'000	K'000	K'000	K'000	K'000		K'000	K'000	K'000	K'000	K'000	K'000	
Expected credit loss rate	0%	29%	32%	55%	93%			0%	72%	72%	72%	93%		
Estimated total gross carrying amount at default	-	2,948,446	1,429,212	961,496	20,565,825	25,904,979		-	1,188,553	1,188,553	636,685	731,859	24,001,331	
Lifetime ECL	-	(854,899)	(457,954)	(326,410)	(17,263,617)	(19,102,880)		-	(854,899)	(854,899)	(457,953)	(576,410)	(17,263,618)	
Net balance	-	2,093,547	971,258	635,086	3,302,208	6,802,099		-	333,654	333,654	178,732	205,449	6,737,714	
GROUP	31 December 2025							31 December 2024						
Expected credit loss rate	0%	72%	72%	72%	93%			0%	72%	72%	72%	93%		
Estimated total gross carrying amount at default	-	1,188,553	1,188,553	636,685	731,859	24,001,331		-	1,188,553	1,188,553	636,685	731,859	24,001,331	
Lifetime ECL	-	(854,899)	(854,899)	(457,953)	(576,410)	(17,263,618)		-	(854,899)	(854,899)	(457,953)	(576,410)	(17,263,618)	
Net balance	-	333,654	333,654	178,732	205,449	6,737,714		-	333,654	333,654	178,732	205,449	6,737,714	

## ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 19. Trade and other receivables (continued)

Ageing of past due but not impaired trade receivables	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
0 - 30 days	2,093,547	333,654	1,370,981	1,371,984
30 - 60 days	971,259	178,732	1,350,187	1,410,422
60 - 90 days	435,087	205,449	408,931	408,934
Over 90 days	<u>3,302,206</u>	<u>6,737,714</u>	<u>3,635,705</u>	<u>3,635,705</u>
	<u>6,802,099</u>	<u>7,455,549</u>	<u>6,765,805</u>	<u>6,766,814</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	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
0 - 30 days	854,899	854,899	751,007	751,007
30 - 60 days	457,953	457,953	765,779	765,779
60 - 90 days	526,410	526,410	698,836	698,836
Over 90 days	<u>17,263,616</u>	<u>17,263,616</u>	<u>16,887,258</u>	<u>16,887,258</u>
	<u>19,102,880</u>	<u>19,102,880</u>	<u>19,102,880</u>	<u>19,102,880</u>

**Trade Receivables placed as Security**

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

## ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 20. Share capital

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 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	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
(i) Trading transactions				
Rendering of services	<u>36,719</u>	<u>37,268</u>	<u>1,108</u>	<u>1,108</u>
Purchases of services	<u>24,797</u>	<u>24,797</u>	<u>10,521</u>	<u>10,521</u>
ii) Amounts due from related parties				
Government of the Republic of Zambia	130,378	91,413	130,378	91,413
Itezhi Tezhi Power Corporation Limited	418,035	468,900	418,035	468,900
Zambia Electrometer Limited	35,657	35,657	-	4,056
Kariba North Bank Extension Power Corporation Limited	1,062	1,635	35,657	35,657
Kafue Gorge Lower Power Corporation Limited	-	-	33,333	2,297
Rural Electrification Authority (b)	-	-	1,062	1,635
Allowance for doubtful debts (a)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>585,132</u>	<u>597,605</u>	<u>618,465</u>	<u>603,958</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	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Balance at beginning of year	-	(157,496)	(845,807)	(2,143,411)
Recover	-	157,496	845,807	2,143,411
Charge for the year	-	-	-	-
At end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**(ii) 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 (2024: K628 million) was made during the year.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. A provision for doubtful debts in respect of amounts due from related parties amounting to K486 million (2024: K628 million) was made during the year.

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>(ii) Amounts due to related parties</b>				
Itezhi Tezhi Power Corporation Limited (ITTPC) incorporated in Zambia (2)	102,576	2,842,218	102,576	2,842,218
Kariba North Bank Extension Power Corporation incorporated in Zambia (1)	-	-	838,797	21,092,327
Kafue Gorge Power Development Corp Ltd (1)	3,324	-	58,625	1,332,091
Eliswedy Electric Zambia Limited (3)	226,789	191,618	226,789	191,619
Fibrecom Limited	-	-	92,275	35,637
	<u>332,689</u>	<u>3,033,836</u>	<u>1,260,667</u>	<u>25,693,603</u>

a) Kariba North Bank Extension Power Corporation Limited, Fibrecom and Kafue Gorge Power Corporation are subsidiary companies.

b) Itezhi Tezhi Power Corporation is a joint venture investment with 50% shareholding.

c) Eliswedy Electric Zambia Limited is an associate with 40% shareholding.

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>(i) Key management personnel remuneration</b>				
Key management remuneration	60,386	70,009	60,386	70,009
Directors' fees	15,691	16,049	6,101	5,970
	<u>76,077</u>	<u>86,058</u>	<u>66,486</u>	<u>75,979</u>

**22. Borrowings**

The movement on loans is as follows:

	2025	2024	2025	2024
At the beginning of the year	61,144,764	59,815,126	34,862,624	31,160,708
Prior year adjustment	(1,319,850)	514,258	-	-
Borrowings arising during the year	1,742,400	2,701,500	376,363	2,701,500
Net exchange (losses)/gains	6,199,341	4,300,061	(6,199,342)	2,186,583
Repayments made during the year	(17,777,033)	(1,186,171)	(1,375,872)	(1,186,171)
Balance at the end of the year	<u>49,989,622</u>	<u>61,144,764</u>	<u>27,663,762</u>	<u>34,862,622</u>

The borrowings are repayable as follows:

	2025	2024	2025	2024
On demand or within one year	3,104,203	3,617,254	2,896,778	3,617,254
Loans payable within 1 to 2 years	4,732,423	4,331,405	3,583,526	4,331,405
Loans payable within 3-5 years	7,845,079	9,158,450	7,845,079	9,158,450
Loans payable over 5 years	34,307,917	44,037,655	13,338,277	17,755,513
<b>Total</b>	<u>49,989,622</u>	<u>61,144,764</u>	<u>27,663,762</u>	<u>34,862,622</u>
Disclosed as:				
Due after one year	46,885,419	57,527,510	24,766,982	31,245,368
Due within one year	3,104,203	3,617,254	2,896,778	3,617,254
<b>Total</b>	<u>49,989,622</u>	<u>61,144,764</u>	<u>27,663,762</u>	<u>34,862,622</u>

**ZESCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

**22. Borrowings (continued)**

The borrowings are due to the following:

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
(i) Industrial Commercial Bank of China and the Export Import Bank of China	20,969,542	26,282,142	-	-
(ii) Industrial Development Corporation Shareholder Loan	5,214,918	6,741,955	5,214,918	6,741,955
(iii) Industrial Commercial Bank of China	3,135,693	3,962,149	3,135,693	3,962,149
(iv) Zanaco Syndicated Loan (\$359 million)	2,987,911	3,762,888	2,987,911	3,762,888
(v) GRZ/International Development Agency	1,873,436	2,367,206	1,873,436	2,367,206
(vi) DBSA - Loan Kafue Gorge Hydro Power Station	1,864,580	2,356,016	1,864,580	2,356,016
(vii) Nordea Stanbic Bank	1,587,310	2,005,668	1,587,310	2,005,668
(viii) European Investment Bank - LTDRP Loan facility	1,827,590	2,057,801	1,827,590	2,057,801
(ix) GRZ/China Exim Bank	992,549	1,254,149	992,549	1,254,149
(x) GRZ/International Development Association/Kafue Muzuma	916,047	1,157,484	916,047	1,157,484
(xi) European Investment Bank	910,829	1,150,891	910,829	1,150,891
(xii) African Development Bank	891,967	1,085,580	891,967	1,085,580
(xiii) GRZ/Agence Francaise De Development	640,812	809,707	640,812	809,707
(xiv) Industrial Commercial Bank of China Facility-Mpoka Transmission	483,172	610,519	483,172	610,519
(xv) Industrial Commercial Bank of China Facility Loan - Musonda Falls	481,972	609,003	481,972	609,003
(xvi) Industrial Commercial Bank of China Facility-Chipata-Lundazi	467,691	590,957	467,691	590,957
(xvii) GRZ Loan-EDM	522,563	522,563	522,563	522,563
(xviii) KNBE/PC Loan-Karpower	-	85,475	-	85,475
(xix) GRZ/Japan International Cooperation Agency	301,411	382,015	301,411	382,015
(xx) ZANACO Medium Term Loan ZMW	157,799	277,877	157,799	277,877
(xxi) India Exim Bank Loan 2	331,198	369,255	331,198	369,255
(xxii) European Investment Bank	310,502	392,339	310,502	392,339
(xxiii) ABSA Medium Term Loan	105,000	195,000	105,000	195,000
(xxiv) GRZ Loan-Karpower	220,250	278,300	220,250	278,300
(xxv) Nigeria Trust Fund	189,481	239,422	189,481	239,422
(xxvi) China Exim Bank Kabwe-Pensulo	163,221	182,229	163,221	182,229
(xxvii) GRZ/World Bank	97,190	122,806	97,190	122,806
(xxviii) Agency Francaise de Development	77,607	86,888	77,607	86,888
(xxix) GRZ/World Bank Facility 2	71,311	90,105	71,311	90,105
(xxx) ABSA Vehicle Asset Lease II	-	33,702	-	33,702
(xxxi) Indo Zambia Bank	66,500	-	66,500	-
(xxxii) ABSA - Medium term facility	112,500	162,500	112,500	162,500
(xxxiii) KNBE Emergency Power Loan	-	55,273	-	55,273
(xxxiv) GRZ Emergency Power	660,750	834,900	660,750	834,900
(xxxv) Fibrecom K30 Million bridge finance	-	30,000	-	30,000
(xxxvi) Stanbic Bank Loan Facility	1,356,320	-	-	-
	<u>49,989,622</u>	<u>61,144,764</u>	<u>27,663,762</u>	<u>34,862,622</u>

## ZESCO LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

#### 22. Borrowings (continued)

##### i. Summary of the arrangements:

- (i) **Industrial Commercial Bank of China and the Export Import Bank of China**  
On 13 November 2017, a facility agreement of up to US\$1,530,576,039 was signed between Kafue Gorge Lower Power Development Corporation Limited, Industrial and Commercial Bank of China Limited and The Export-Import Bank of China. Drawdowns only begun after the financial close was achieved in June 2018. Interest is 3.2% Margin plus 6 months LIBOR (Screen Rate) paid semi-annually. The Loan will be repaid over 10 years. The loan is denominated in United States Dollar and as at 31 December 2025 a total outstanding loan balance was \$934,347,979 (2024: \$934,347,979).
- (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 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\$236 million or K5.2 billion.
- (iii) **Industrial and Commercial Bank of China – Pensulo-Msoro Transmission**  
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 Dollar and the balance at the reporting date was US\$142.40 million or K3.135 billion.
- (iv) **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-annum 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\$85.1 million or K1.8 billion.
- (v) **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. This loan was for phase II of the Kabwe Pensulo Transmission Project. 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\$7.4 million or K0.163 billion.
- (vi) **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 Northwestern 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-annual. The loan facility is in United States Dollar and the balance at the reporting date was US\$72 million or K1.58 billion.

## ZESCO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 22. BORROWINGS (CONTINUED)

##### Summary of the arrangements (continued)

- (vii) **GRZ/China Exim Bank**  
This is a US\$61.5 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 million or K0.99 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 Republic of the Zambia and on lent to ZESCO to finance the Lusaka Transmission and Distribution Rehabilitation Project. Interest is charged at 1.2% semi-annum 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\$82.9 million or K1.8 Billion.
- (ix) **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\$41.6 million or K0.91 billion.
- (x) **GRZ/European Investment Bank**  
This is a US\$50 million loan facility from the European Investment Bank (EIB) by the Government of the Republic of Zambia on the 10 December 2012. The facility was obtained for the purpose of financing the 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 US\$41.35 million or K0.9 Billion.
- (xi) **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\$40.5 million or K0.89 billion.

## 22. BORROWINGS (CONTINUED)

## Summary of the arrangements (continued)

- (xii) **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 Dollar. The balance at reporting date was US\$29 million or K640 million.
- (xiii) **ZANACO – Medium Term Loan ZMW**  
This is a K470 million loan facility obtained from ZANACO on the 2<sup>nd</sup> 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 K157.79 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\$21.9 million or K483 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 Dollar and the balance at the reporting date was US\$21.88 million or K482 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 Dollar and the balance at the reporting date was US\$21.23 million or K467 million.

## 22. BORROWINGS (CONTINUED)

## Summary of the arrangements (continued)

- (xvii) **GRZ/Japan International Cooperation Agency (JICA)**  
This is a Yens 5.5 billion loan facility obtained from JICA by Government of 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 2.14 billion or K301 million.
- (xviii) **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 was US\$15,037 million or K331 million.
- (xix) **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\$8.6 million or K189.4 million.
- (xx) **GRZ/World Bank**  
This is a US\$16 million loan facility obtained from World Bank by Government of Republic of Zambia on 9 February 2009. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 20 year period including a grace period of 5 years. The loan will have a 2% interest charge per annum. The loan facility is in United States Dollar and the balance at the reporting date was US\$4.4 million or K97.1 million.
- (xxi) **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 2<sup>nd</sup> December 2022. Principal and interest are paid monthly, and the loan tenure is for 48 months. The facility balance at the reporting date was K105 million.
- (xxii) **GRZ/World Bank Facility 2**  
This is a US\$10 million loan facility obtained from World Bank by Government of Republic of Zambia on 21 March 2010. The loan was lent to ZESCO to finance the Increased Access to Electricity Project. The loan shall be repaid over a 20 year period including a grace period of 5 years. The loan will have a 2% interest charge per annum. The loan facility is in United States Dollar and the balance at the reporting date was US\$3.2 million or K71.3 million.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 22. BORROWINGS (CONTINUED)

## Summary of the arrangements (continued)

- (xxiii) **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 the 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 5% per annum Fixed. The loan facility is in Euros and the balance at the reporting date was €3 million or K77.6 million.
- (xxiv) **ABSA Lease**  
This is a K100 million loan facility 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 K0.00 million.
- (xxv) **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 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's finance and there is no security attached to the agreement. The balance at the reporting date was US\$0 million or K0 million.
- (xxvi) **Indo Zambia Bank – Stability and Resilience**  
This is a loan obtained from Indo Zambia bank under the Power Stability and Resilience initiative for construction of a 2.5MW solar power plant in Chadiza District. This loan has a 12-month grace period on Principal payments. Interest is charged at a fixed charge of 17% per annum. The loan tenor is four (4) years.  
  
The balance was ZMW66.5 million as at reporting date
- (xxvii) **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 10.0 million or K220.25 million at the reporting date.
- (xxviii) **GRZ Loan- EDM**  
This is a K 522.5 million facility obtained from GRZ to facilitate payments of power purchase debt to EDM. Interest is charged at 1% fixed. The balance on the loan was K522.5 million at the reporting date.
- (xxix) **KNBEPC Loan-Karpower**  
This is a USD 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 0.00 million or K0.00 million.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 22. BORROWINGS (CONTINUED)

## Summary of the arrangements (continued)

- (xxx) **ABSA Vehicle lease II**  
This is a K 145 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 K0.00 million
- (xxxi) **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 USD facility will be charged at 5.07% plus SOFR. The balance at close of year was K2.99 billion.
- (xxxii) **ABSA Medium Term facility (ZMW200 million)**  
This is a medium-term facility to support backlog dismantling. The loan is priced at 12.5% plus the Bank of Zambia Monetary Policy Rate (MPR) with a tenor of 4years. The balance at close of the year was K112.5 million
- (xxxiii) **KNBE Emergency power loan**  
This is a K65million emergency power purchase loan. The balance at close of the year was K0.00 million
- (xxxiv) **GRZ Loan-emergency power**  
This is a US\$30m emergency power loan to facility power purchases and settlement of some IPP legacy debt. The loan was obtained from the Government of the Republic of Zambia. The balance at close of the year was US\$30m or K660.7 million
- (xxxv) **Fibrecom ZMW30 million Bridging Finance**  
This is a ZMW30 million bridging finance loan from Fibrecom. The facility is payable within 12 months.  
  
The balance at close of the year was K0.00 Million
- (xxxvi) **Stanbic Bank Loan facility**  
This is a US\$65.8 million loan facility arranged by Stanbic Bank Zambia Limited to Kariba North Bank Extension in May 2025 with a tenure of 6 years. Interest is computed at 8.67% per annum. The facility is secured by receivables from GreenCo Limited. Principal and interest are paid quarterly.

## Breach of Loan Covenants

- (i) **Development Bank of Southern Africa**  
The Company was non-compliant with the DBSA loan covenants. The Company was in breach of the leverage ratio, Debt Service Cover ratio but compliant with the gearing ratio which was less than 1.72 times
- (ii) **ABSA**  
The Company was non-compliant as the Leverage Ratio was more than 3 times, and was non-compliant in that the Debt Service Ratio was less than 1.1 times.
- (iii) **ZANACO**  
The Company was compliant with the gearing ratio which was less than 1.72; and was non-compliant with the current ratio which was less than 1.

## 23. Retirement benefit obligations

## (i) Defined contribution plan - NAPSA

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

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

The total expense recognised in the profit or loss of K284.4 million (2024: K103.6 million) represents contributions payable to these plans by the Group. As at 31 December 2025, contributions of K24.8 million (2024: K8.7 million) due in respect of the current reporting period had not been paid over to the plans.

## (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 K6.6 million (2024: K10.04 million). As at 31 December 2025, contributions of K0.473 million (2024: K0.726 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 as at 31 December 2025 by QED Employee Benefits Consulting (Pty) Ltd. The present

## 23. Retirement benefit obligations

## (iii) Long service retirement benefit (continued)

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:	2025	2024
Discounting rates	19.9%	24.9%
Salary increases	9.0%	18.1%

## ZESCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 23. Retirement benefit obligation (continued)

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>Benefit cost to be recognized in profit and loss</b>				
Net interest	161,851	153,153	161,851	153,153
Current service cost	421,239	656,084	573,689	656,084
Prior year service cost				
Profit and loss expense	<u>583,090</u>	<u>809,237</u>	<u>735,540</u>	<u>809,237</u>
<b>Remeasurements to be recognized in other comprehensive income</b>				
Gain from change in financial assumptions	-	-	-	-
Experience gains	-	-	-	-
Actuarial Gains on economic assumptions				
<b>The amounts to be recognised in the statement of financial position</b>				
At beginning of the year	3,612,679	2,047,388	2,090,599	2,124,804
Current service cost	583,090	913,238	161,851	153,153
Prior year service cost	(153,153)	(151,767)	(153,153)	(151,767)
Interest income	193,245	253,193	193,245	253,193
Gain from change in financial assumptions	-	-	24,091	24,091
Experience gains	2,548,679	863,502		
Benefits paid during the year	<u>(485,506)</u>	<u>(312,875)</u>	<u>(489,506)</u>	<u>(312,875)</u>
At 31 December	<u>6,295,034</u>	<u>3,859,170</u>	<u>1,819,152</u>	<u>2,090,599</u>
<b>Disclosed in the financial statements as:</b>				
Non-current	6,295,034	4,599,690	6,285,080	4,595,544
Current	<u>583,090</u>	<u>160,492</u>	<u>573,689</u>	<u>151,431</u>
	<u>6,878,124</u>	<u>4,760,182</u>	<u>6,858,769</u>	<u>4,743,975</u>
<b>Sensitivity of defined benefit obligation to actuarial assumptions</b>				
<b>Current results</b>	<u>6,878,124</u>	<u>4,760,182</u>	<u>6,858,769</u>	<u>4,743,975</u>
Discount rate				
Increase by 1%	-	-	-	-
Decrease by 1%	-	-	-	-
Salary increase				
Increase by 1%	-	-	-	-
Decrease by 1%	-	-	-	-

## ZESCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

## 23. Retirement benefit obligation (continued)

## (iii) Long service retirement benefit

The table above shows that assuming a long-term investment return that is 1% higher than the valuation assumption would yield a Defined Benefit Obligation that is K3.03 million lower than that reported. On the other hand, adopting a long-term investment rate that is 1% lower than assumed would yield a defined benefit obligation that is K3.03 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	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
At the beginning of the year	901,012	84,298	(67,373)	92,349
Current service cost	342,897	1,129,589	735,540	153,153
Benefits paid during the year	<u>(660,819)</u>	<u>(312,875)</u>	<u>(489,505)</u>	<u>(312,875)</u>
At the end of the year	<u>583,090</u>	<u>901,012</u>	<u>178,662</u>	<u>(67,373)</u>
Disclosed in the financial statements as:				
Non-current	436,428	740,520	(406,769)	(436,428)
Current	<u>146,662</u>	<u>160,492</u>	<u>585,431</u>	<u>369,055</u>
	<u>583,090</u>	<u>901,012</u>	<u>178,662</u>	<u>(67,373)</u>
<b>(v) Total retirement benefit obligation recorded on the statement of financial position</b>				
Long service retirement benefit	6,295,034	3,859,170	5,878,312	3,853,498
Gratuity benefits	<u>583,090</u>	<u>901,012</u>	<u>980,457</u>	<u>890,477</u>
	<u>6,878,124</u>	<u>4,760,182</u>	<u>6,858,769</u>	<u>4,743,975</u>
Disclosed in the financial statements as:				
Non-current	6,295,034	4,599,690	6,285,080	4,592,544
Current	<u>583,090</u>	<u>160,492</u>	<u>573,689</u>	<u>151,431</u>
	<u>6,878,124</u>	<u>4,760,182</u>	<u>6,858,769</u>	<u>4,743,975</u>

## ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 24 Capital Grants And Capital Contributions

GROUP	Capital Grants	Capital Contributions	Total
	K'000	K'000	K'000
At 1 January 2024	506,420	3,171,701	3,678,121
Additions during the year	182,806	695,527	878,333
Transfer of Assets from Rural Electrification Authority	26,102	550,966	577,068
Amortisation of capital grants and contributions	(26,271)	(226,295)	(252,566)
At 31 December 2024	689,057	4,191,899	4,880,956
Additions during the year	280,177	1,993,367	2,310,534
Transfer of Assets from Rural Electrification Authority	-	-	-
Amortisation of capital grants and contributions	(26,271)	(221,650)	(247,921)
At 31 December 2025	942,963	5,963,616	6,906,579

## Maturity analysis:

	2025	2024
	K'000	K'000
Non-current	6,673,113	4,672,118
Current	233,466	208,838
Total	6,906,579	4,880,956

## COMPANY

COMPANY	Capital Grants	Capital Contributions	Total
	K'000	K'000	K'000
At 1 January 2024	465,622	3,096,492	3,678,121
Additions during the year	235,010	695,527	930,537
Transfer of Assets from Rural Electrification Authority	14,696	626,175	640,871
Amortisation of capital grants and contributions	(26,271)	(226,295)	(252,566)
At 31 December 2024	689,057	4,191,899	4,880,956
Additions during the year	280,177	543,358	823,535
Transfer of Assets from Rural Electrification Authority	-	-	-
Amortisation of capital grants and contributions	(26,271)	(221,650)	(247,921)
At 31 December 2025	942,963	4,513,607	5,456,570

## Maturity analysis:

	2025	2024
	K'000	K'000
Non-current	5,223,104	4,672,118
Current	233,466	208,838
Total	5,456,570	4,880,956

## ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
25. Trade and other payables				
Trade payables	46,519,766	40,690,184	58,784,878	32,125,094
Sundry payables and accrued expenses	16,297,141	13,014,174	16,291,292	12,960,928
Employee related accruals	389,883	328,507	389,883	328,507
	<u>63,206,790</u>	<u>54,032,865</u>	<u>75,466,053</u>	<u>45,414,529</u>

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

## 26. Financial instruments

## Capital risk management

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

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

## Gearing ratio

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

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

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Debt (i)	49,989,622	61,144,764	27,663,760	34,862,622
Equity (ii)	88,130,256	82,852,535	81,863,141	77,708,110
Gearing ratio	<u>36%</u>	<u>42%</u>	<u>25%</u>	<u>31%</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 2025

26. Financial instruments (continued)

Categories of financial instruments	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>Financial assets:</b>				
- Amounts due from related parties	585,132	597,605	618,465	603,958
- Trade and other receivables	13,881,651	9,661,983	15,189,153	9,963,913
- Bank and cash	<u>2,470,653</u>	<u>1,513,388</u>	<u>2,110,075</u>	<u>1,387,937</u>
	<u>16,937,436</u>	<u>11,772,976</u>	<u>17,917,693</u>	<u>11,955,808</u>
<b>Financial liabilities:</b>				
- Amounts due to related parties	332,689	3,033,836	1,269,062	25,693,693
- Trade and other payables	63,206,790	54,032,865	75,466,053	45,414,529
- Borrowings	49,989,624	61,144,764	27,663,760	34,862,622
- Lease liabilities	<u>76,710</u>	<u>130,807</u>	<u>17,713</u>	<u>17,866</u>
	<u>113,605,813</u>	<u>118,342,272</u>	<u>104,416,590</u>	<u>105,988,710</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	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
United States Dollar (\$)	7,716,419	7,716,419	20,839,967	20,839,967
Japanese Yen (JPY)	-	-	300,336	300,336
South Africa Rand (ZAR)	-	-	-	-
Euro	-	-	121,835	121,835
GBP	-	-	-	-

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

26. Financial instruments (continued)

Company	Financial assets		Financial liabilities	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
United States Dollar (\$)	27,644,636	26,752,785	61,350,115	68,237,538
Japanese Yen (JPY)	-	-	301,411	382,015
South Africa Rand (ZAR)	-	-	-	-
Euro	-	-	4,134,069	4,364,005
	<u>27,644,636</u>	<u>26,752,785</u>	<u>65,785,595</u>	<u>72,984,458</u>

**Interest rate sensitivity analysis**

The interest rate risks sensitivity analysis is based on the assumption that changes in the market interest rates affect the interest income or expenses of variable interest financial instruments:

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

Group		Scenario 1	Scenario 2
		5% increase in variable interest rates	5% decrease in variable interest rates
At 31 December 2025	Profit before tax	<u>8,232,987</u>	<u>7,821,338</u>
	Loss before tax	<u>(14,438,615)</u>	<u>(15,160,544)</u>
At 31 December 2024	Profit before tax	<u>8,644,636</u>	<u>7,821,338</u>
	Loss before tax	<u>(13,716,084)</u>	<u>(15,160,544)</u>
Company		Scenario 1	Scenario 2
		5% increase in variable interest rates	5% decrease in variable interest rates
At 31 December 2025	Profit before tax	<u>4,250,864</u>	<u>4,038,320</u>
	Loss before tax	<u>(20,678,773)</u>	<u>(19,644,835)</u>
At 31 December 2024	Profit before tax	<u>4,463,407</u>	<u>4,038,320</u>
	Loss before tax	<u>(21,712,712)</u>	<u>(19,644,835)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 26. Financial instruments (continued)

**Interest rate risk management**

The Group, its subsidiaries, associates and joint venture are exposed to interest rate risk arising on shareholders loans and loans from the banks for its working capital requirements.

The exposure to interest rate risk is evaluated regularly by management to align with interest rate views and defined risk appetite, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

**Interest rate sensitivity analysis**

The sensitivity has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group, its subsidiaries, associates and joint venture's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

**Credit risk management**

Credit risk management refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk in respect of trade and other receivables. As at the financial period end the Group had trade receivables which were due from the Group's customers.

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
The Group's maximum exposure to credit risk is analysed below:				
Amounts due from related parties	585,132	597,605	618,465	603,958
Bank and cash balances	2,470,653	1,513,388	2,110,075	1,387,937
Trade and other receivables	13,881,651	9,661,983	15,189,153	9,063,913
	<u>16,937,436</u>	<u>11,772,976</u>	<u>17,917,693</u>	<u>11,955,808</u>
The maximum exposure to credit risk for trade receivables at the reporting date by key customer sector was:				
Mining	22,462,137	23,011,215	19,864,242	20,987,452
Exports	1,377,695	1,616,261	1,110,870	1,796,718
Industrial and related sectors	495,669	507,785	740,520	740,920
The Local authorities and water utilities	577,015	591,120	778,475	552,695
Government and related entities	544,352	557,658	165,188	165,188
Domestic customers	149,590	153,253	619,956	385,556
Agriculture and related sectors	25,549	26,174	64,340	64,018
IP Connectivity	71,321	73,064	-	-
	<u>25,903,334</u>	<u>26,536,528</u>	<u>23,343,991</u>	<u>24,692,847</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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 26. Financial instruments (continued)

The following table below details the Group's remaining contractual maturity for its non-derivate financial assets and liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets and liabilities.

Group	Payable	1 - 3	3 months	Above	Total
	on Demand K'000	Months K'000	to 1 year K'000	1 year K'000	
<b>Year ended 31 December 2025</b>					
<b>Financial liabilities</b>					
- Borrowings	-	3,104,203	-	46,885,419	49,989,622
- Trade and other payables	-	63,206,790	-	-	63,206,790
- Amounts due to related parties	-	332,689	-	-	332,689
- Bank overdraft	-	-	-	-	-
- Lease liabilities	76,710	-	-	-	76,710
	<u>76,710</u>	<u>66,643,682</u>	<u>-</u>	<u>46,885,419</u>	<u>113,605,811</u>
<b>Financial assets</b>					
- Amount due from related parties	-	585,132	-	-	585,132
- Trade and other receivables	-	13,881,651	-	-	13,881,651
- Bank and cash balances	2,470,653	-	-	-	2,470,653
	<u>2,470,653</u>	<u>14,466,783</u>	<u>-</u>	<u>-</u>	<u>16,937,436</u>
<b>Company</b>	<b>Payable</b>	<b>1</b>	<b>3 months</b>	<b>Above</b>	<b>Total</b>
<b>Year ended 31 December 2025</b>	<b>demand</b>	<b>months</b>	<b>to 1 year</b>	<b>1 year</b>	<b>K'000</b>
<b>Financial liabilities</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
- Borrowings	-	-	2,896,778	24,766,982	27,663,760
- Trade and other payables	4,571,188	5,755,577	65,139,288	-	75,421,602
- Amounts due to related parties	89,798	45,475	1,133,789	-	1,269,062
- Bank Overdraft	-	-	-	-	-
- Lease liabilities	-	-	13,678	4,035	13,678
	<u>4,660,986</u>	<u>5,801,052</u>	<u>69,183,533</u>	<u>24,771,017</u>	<u>104,368,102</u>
<b>Financial assets</b>					
- Amounts due from related parties	-	-	618,465	-	618,465
- Trade and other receivables	1,370,981	1,351,150	408,931	12,059,053	15,189,153
- Bank and cash balance	2,110,075	-	-	-	2,110,075
	<u>3,481,056</u>	<u>1,351,150</u>	<u>1,027,396</u>	<u>12,059,053</u>	<u>17,917,693</u>

## ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 26. Financial instruments (continued)

## Group

Year ended 31 December 2024	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
<b>Financial liabilities</b>					
- Borrowings	-	3,617,254	-	57,527,510	61,144,764
- Trade and other payables	-	54,032,865	-	-	54,032,865
- Amounts due to related parties	-	3,033,838	-	-	3,033,838
- Lease liabilities	-	-	17,868	122,939	130,807
		<u>60,683,957</u>	<u>17,868</u>	<u>57,640,449</u>	<u>118,342,274</u>
<b>Financial assets</b>					
- Amount due from related parties	-	597,605	-	-	597,605
- Trade and other receivables	-	9,661,983	-	-	9,661,983
- Bank and cash balances	<u>1,513,388</u>	-	-	-	<u>1,513,388</u>
	<u>1,513,388</u>	<u>10,259,588</u>	-	-	<u>11,772,976</u>

## Company

## Year ended 31 December 2024

	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
<b>Financial liabilities</b>					
- Borrowings	-	-	3,617,254	31,245,368	34,862,622
- Trade and other payables	-	45,414,529	-	-	45,414,529
- Amounts due to related parties	-	25,693,693	-	-	25,693,693
- Lease liabilities	-	-	-	-	-
		<u>17,108,222</u>	<u>13,970</u>	<u>3,896</u>	<u>17,866</u>
		<u>17,108,222</u>	<u>3,631,224</u>	<u>31,249,264</u>	<u>105,988,710</u>
<b>Financial assets</b>					
- Amounts due from related parties	-	603,958	-	-	603,958
- Trade and other receivables	-	9,963,913	-	-	9,963,913
- Bank and cash balance	<u>1,387,937</u>	-	-	-	<u>1,387,937</u>
	<u>1,387,937</u>	<u>10,567,871</u>	-	-	<u>11,955,808</u>

## ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 26. Financial instruments (continued)

## Fair value measurements

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lusaka Securities Exchange).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.
- This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.
- Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.
- There were no financial assets and liabilities that are measured at fair value on a recurring basis during the period.
- Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).
- Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

## ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 26. Financial instruments (continued)

Group	2025		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
- Amounts due from related parties	585,132	585,132	597,605	597,605
- Trade and other receivables	13,881,651	13,881,651	9,661,983	9,661,983
- Bank and cash	<u>2,470,653</u>	<u>2,470,653</u>	<u>1,513,388</u>	<u>1,513,388</u>
<b>Total</b>	<u>16,937,436</u>	<u>16,937,436</u>	<u>11,772,976</u>	<u>11,772,976</u>
<b>Financial liabilities</b>				
- Borrowings	49,989,622	49,989,622	61,144,764	61,144,764
- Trade and other payables	63,206,790	63,206,790	54,032,865	54,032,865
- Amounts due to related parties	332,689	332,689	3,033,836	3,033,836
- Lease liabilities	<u>76,710</u>	<u>76,710</u>	<u>130,807</u>	<u>130,807</u>
<b>Total</b>	<u>113,605,811</u>	<u>113,605,377</u>	<u>118,473,081</u>	<u>118,473,081</u>

## ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025

## 26. Financial instruments (continued)

Company	2025		2024	
	Carrying amount K'000	Fair value K'000	Carrying amount K'000	Fair value K'000
<b>Financial assets</b>				
- Amounts due from related parties	618,465	618,465	603,958	603,958
- Trade and other receivables	15,189,153	15,189,153	9,963,913	9,963,913
- Cash and bank balances	<u>2,110,075</u>	<u>2,110,075</u>	<u>1,387,937</u>	<u>1,387,937</u>
<b>Total</b>	<u>17,917,693</u>	<u>17,917,693</u>	<u>11,955,808</u>	<u>11,955,808</u>
	2025		2024	
	Carrying amount K'000	Fair value K'000	Carrying amount K'000	Fair value K'000
<b>Financial liabilities</b>				
- Borrowings	27,663,760	27,663,760	34,862,622	34,862,622
- Trade and other payables	75,466,053	75,466,053	45,414,529	45,414,529
- Amounts due to related parties	1,269,062	1,269,062	25,693,693	25,693,693
- Bank overdraft	-	-	-	-
- Lease liabilities	<u>17,713</u>	<u>17,713</u>	<u>17,866</u>	<u>17,866</u>
<b>Total</b>	<u>104,416,588</u>	<u>104,416,588</u>	<u>105,988,710</u>	<u>105,988,710</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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26. Financial instruments (continued)

Company

	Fair value hierarchy as at 31 December 2025			
	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
<b>Financial assets</b>				
Loans and receivables:				
- Amounts due from related parties	-	-	618,465	618,465
- Trade and other receivables	-	-	15,189,153	15,189,153
- Cash and bank balances	-	-	<u>2,110,075</u>	<u>2,110,075</u>
<b>Total</b>	<u>-</u>	<u>-</u>	<u>17,917,693</u>	<u>17,917,693</u>
<b>Financial liabilities:</b>				
- Borrowings	-	-	27,663,760	27,663,760
- Trade and other payables	-	-	75,466,053	75,466,053
- Amounts due to related parties	-	-	1,269,062	1,269,062
- Lease liabilities	-	-	<u>17,713</u>	<u>17,713</u>
<b>Total</b>	<u>-</u>	<u>-</u>	<u>104,416,588</u>	<u>104,416,588</u>

ZESCO LIMITED

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26. Financial instruments (continued)

Group

	Fair value hierarchy as at 31 December 2025			
	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
<b>Financial assets</b>				
- Amounts due from related parties	-	-	585,132	585,132
- Trade and other receivables	-	-	13,881,651	13,881,651
- Bank and cash balances	-	-	<u>2,470,653</u>	<u>2,470,653</u>
<b>Total</b>	<u>-</u>	<u>-</u>	<u>16,937,436</u>	<u>16,937,436</u>

	Fair value hierarchy as at 31 December 2025			
	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
<b>Financial liabilities:</b>				
- Borrowings	-	-	49,989,622	49,989,622
- Trade and other payables	-	-	63,206,790	63,206,790
- Amounts due to related parties	-	-	332,689	332,689
- Lease liabilities	-	-	<u>76,710</u>	<u>76,710</u>
<b>Total</b>	<u>-</u>	<u>-</u>	<u>113,605,811</u>	<u>113,605,811</u>

<b>Financial liabilities:</b>				
- Borrowings	-	-	49,989,622	49,989,622
- Trade and other payables	-	-	63,206,790	63,206,790
- Amounts due to related parties	-	-	332,689	332,689
- Lease liabilities	-	-	<u>76,710</u>	<u>76,710</u>
<b>Total</b>	<u>-</u>	<u>-</u>	<u>113,605,811</u>	<u>113,605,811</u>

ZESCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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26. Financial instruments (continued)

Company

	Fair value hierarchy as at 31 December 2024			
	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
<b>Financial assets</b>				
Loans and receivables:				
- Amounts due from related parties	-	-	603,958	603,958
- Trade and other receivables	-	-	9,963,913	9,963,913
- Cash and bank balances	-	-	1,387,937	1,387,937
<b>Total</b>	<u>-</u>	<u>-</u>	<u>11,955,808</u>	<u>11,955,808</u>
<b>Financial liabilities:</b>				
- Borrowings	-	-	34,862,622	34,862,622
- Trade and other payables	-	-	45,414,529	45,414,529
- Amounts due to related parties	-	-	25,693,693	25,693,693
- Lease liabilities	-	-	17,866	17,866
<b>Total</b>	<u>-</u>	<u>-</u>	<u>105,988,710</u>	<u>105,988,710</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.

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26. Financial instruments (continued)

Group

	Fair value hierarchy as at 31 December 2024			
	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
<b>Financial assets</b>				
- Amounts due from related parties	-	-	597,605	597,605
- Trade and other receivables	-	-	9,661,983	9,661,983
- Bank and cash balances	-	-	1,513,388	1,513,388
<b>Total</b>	<u>-</u>	<u>-</u>	<u>11,772,976</u>	<u>11,772,976</u>

	Fair value hierarchy as at 31 December 2024			
	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
<b>Financial liabilities:</b>				
Borrowings	-	-	61,144,764	61,144,764
- Trade and other payables	-	-	54,032,865	54,032,865
- Amounts due to related parties	-	-	3,033,838	3,033,838
- Lease liabilities	-	-	130,807	130,807
<b>Total</b>	<u>-</u>	<u>-</u>	<u>118,342,274</u>	<u>118,342,274</u>

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27. Lease liabilities

	Group		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
At beginning of the year	31,885	18,506	21,762	17,866
At initial recognition	31,446	-	-	-
Addition	16,345	16,345	-	640
Finance costs	5,870	5,870	3,882	3,341
Termination on Lease	(5,870)	(5,870)	(1,822)	3,896
Repayments	(2,966)	(2,966)	(2,074)	(3,981)
At year end	<u>76,710</u>	<u>31,885</u>	<u>21,748</u>	<u>21,762</u>
<b>Maturity analysis</b>				
Year 1	22,592	22,592	13,190	13,190
Year 2	10,143	10,143	5,922	5,922
Year 3	2,064	2,064	1,205	1,205
Year 4	743	743	434	434
Year 5	53	53	31	31
	35,595	35,595	20,782	20,782
Less: Unearned interest	(17,089)	(17,089)	980	980
	<u>18,506</u>	<u>18,506</u>	<u>21,762</u>	<u>21,762</u>
<b>Analysed as:</b>				
Non-current	53,885	112,939	4,035	3,896
Current	<u>22,825</u>	<u>17,868</u>	<u>17,713</u>	<u>13,970</u>
	<u>76,710</u>	<u>130,807</u>	<u>21,748</u>	<u>17,866</u>

28. Going concern

Introduction

The IFRS Conceptual Framework states that going concern is an underlying assumption in the preparation of IFRS financial statements of the Group. Therefore, the financial statements presume that an entity will continue in operation in the foreseeable future or, if that presumption is not valid, disclosure and a different basis of reporting are required.

The Board of Directors ("Board") believes that, as of the date of this report, this presumption is still appropriate and accordingly the financial statements have been prepared on the going concern basis.

Ability of the Group to continue as a going concern

IAS 1 Preparation of Financial Statements requires management to perform an assessment of the Group's ability to continue as a going concern. If management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entities' ability to continue as a going concern, IAS 1 requires these uncertainties to be disclosed.

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28. Going concern (continued)

In conducting this assessment, the Board have taken into consideration the following factors:

a) Financial position

- The Group's current liabilities as at 31 December 2025 of K70.4 billion (2024: K62.0 billion) exceeds the current assets of K18.8 billion (2024: K13.3 billion). Further, the carrying amounts of total assets of the entity of K223 billion (2024: K216 billion) was more than the total liabilities of K134 billion (2024: K133 billion) in the year under review.
- The increase in current liabilities by 13% to K70 billion from K62 billion in 2024 was mainly due to an increase in trade payables.
- The Group meets its day to day working capital requirements from operations as well as various forms of borrowing.
- The financial statements have been prepared on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. The validity of this depends on the Group being able to obtain external financial resources or GRZ support to finance its operations.
- If the Group were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify property, plant and equipment and long-term liabilities as current assets and liabilities.
- Whilst the directors are presently uncertain as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

b) Strategic Plan (10 Year Rolling)

The Directors have continued to implement the 10-year rolling Strategic Plan with focus on financial sustainability and improved customer service delivery. The initiatives that the Directors are implementing include:

i) Debt Restructuring

The long term debt stands at about K47.1 billion or US\$2.1 billion, borrowed for capital infrastructure investment.

As part of the debt restructuring the Group has reached an advanced stage in engagement with The Government of the Republic of Zambia (GRZ) through the Ministry of Finance and National Planning to convert the Government guaranteed and on-lent concessional loans to equity amounting to US\$371.5 million. Once the loans have been converted, it is expected to reduce the levels of gearing and improve the equity.

Further, the Group is in the process of re-negotiating the terms of the existing expensive long term debt under the commercial loans category. The process of engagement with various lenders is still on going. The strategy includes engagement of individual lenders with a view to restructure the existing debt by reviewing the repayment terms and interest rates and possible deferment of the repayment of loans as they fall due.

The debt restructuring will include re-negotiating with some lenders to reduce the levels of debt reserves, which holds cash cover for the debt repayment for certain loans. This will free up cash to assist in liquidating long outstanding arrears for IPPs and other Suppliers of goods and services.

ii) IPPs Tariff Re-negotiations

The IPPs tariff re-negotiations were concluded with Maamba Collieries Limited and Iteshi Tozhi Power Corporation Limited. The new tariffs have been implemented for Maamba Collieries Limited and ITPC. This will improve the liquidity and reduce the cost of power from IPPs and subsequently improve financial performance.

## 28. Going concern (continued)

## iii Revenue Enhancement

This includes the following initiatives;

- The migration to cost reflective tariffs for Domestic customers will be achieved by 2027 through multiyear tariff increases as which the Energy Regulation Board has awarded the Corporation. Further, the long outstanding review of capital contribution for new customer connection was approved by ERB and effected in January 2023
- The Group finalized the New Bulk Supply Agreement (BSA) with Copperbelt Energy Corporation Limited. The development will result in a stable business relationship with our major customer on the Copperbelt and significant reduction in provisions for doubtful debt in line with IFRS 9 - Financial Instruments.
- The Group concluded the negotiations with IPI's, Maamba and ITPC on the Power Purchase Agreements. This has resulted into reduction of liabilities and power purchase costs compared to previous years.
- The Group has continued to engage the Government of the Republic of Zambia on debt swap for outstanding amounts on it's electricity domestic debt. This is aimed at improving the liquidity of the Group and reduce the outstanding electricity debt Government and it's agencies.

## c) Macro- Economic conditions and impact of COVID-19

- There has been changes in the Macro-Economic conditions in 2025 year with the following major changes.
- The Exchange rate of Kwacha to US\$ dollar depreciated to K22.025/US dollar at 31 December 2025 from K27.830 at 1 January 2024, this had a positive impact on the financial statements for the Group. The exchange rate movement of Kwacha against the US dollar is sensitive and has an impact in the turnover and ultimately the outcome of the financial performance of the Group in the next 12 months and thereafter.
- The Government of the Republic of Zambia is in the process of concluding the country's debt restructuring with it's lenders of Euro-Bond and other Creditors which will have a positive impact on the Group's debt structure.

## Impact of COVID-19

- The Group continued to conduct its business with COVID 19 awareness even though there were less incidences of the epidemic affecting the business in the year

## 29. Budgeted commitments

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Authorised by the Directors but not contracted for	1,387,707	1,346,856	1,387,707	1,346,856

## 30. Contingent liabilities

There were no known material contingent liabilities at 31 December 2025 and 31 December 2024.

## 31. Events after the reporting date

- The Group incorporated a subsidiary, Kiyona Energy Limited, a company that will invest in other energy sources to diversify and attain some energy mix
- 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.

## 32. Climate Change

The Company recognises Climate Risk as an Integrated Risk Type. Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it. The Company aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to its own activities in alignment with the Paris Agreement. Climate change impacts almost all sectors within the economy. However, the Company notes that there are certain sectors that are more vulnerable to climate risks under different Transition Risk and Physical Risk scenarios. The Company plans to move quickly in developing identified methodologies and engage with its various stakeholders and integrate Climate Risk into its mainstream risk management activities and assessments. The Company will seek to adapt its approach as the impact from Climate Risk becomes clearer and the tools and methodologies to gather reliable data mature.





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