ANNUAL REPORT 2016

COPPERBELT ENERGY CORPORATION PLC

Vision

To be the leading Zambian investor, developer and operator of energy infrastructure in Africa by providing innovative solutions and building strategic partnerships through committed professional teams.

Mission

We are committed to:

Supply reliable energy and high quality services to meet our customers' unique and changing needs efficiently and proactively through robust infrastructure, diverse power sources and professional teams.

Increase value for our shareholders through responsible and transparent corporate conduct, innovation and investing prudently.

Corporate Values

- Being honest in all our dealings
- Supporting each other
- Building good team relationships
- Being open to new ideas
- Developing a 'Can Do' attitude

COPPERBELT energy

CONTENTS

DEFINITIONS & INTERPRETATIONS

Throughout this annual report, unless the context indicates otherwise, the words in the column on the left below shall have the meaning stated opposite them in the column on the right below, reference to the singular shall include the plural and vice versa, words denoting one gender include the other and words and expressions denoting natural persons include juristic persons and associations of persons:

"AEDC"	Abuja Electricity Distribution Company (Registration number RC638681), a company registered in Nigeria
"Adjusted EBITDA"	EBITDA adjusted for impairment (loss)/gain
"Aflife"	African Life Financial Services Zambia (Registration number 35932), a company registered in Zambia
"AGM"	the annual general meeting of the members or shareholders of CEC Plc
"Articles"	the Articles of Association of the Company (CEC Plc)
"the Board" or "the Directors"	the board of directors of CEC Plc during the year under review (2016)
"BSA"	the bulk supply agreement (between CEC Plc and ZESCO Limited)
"CEC Plc" or "the Company"	Copperbelt Energy Corporation Plc (Registration number 39070), a public company incorporated in accordance with the laws of Zambia and listed on the LuSE
"CEC Africa" or "CECA"	CEC Africa Investments Limited (Registration number 114510 C1/GBL), a company registered in Mauritius
"CEC Group" or "the Group"	CEC Plc and its subsidiaries, as defined under the Companies Act Chapter 388 of the Laws of Zambia
"CEC Liquid Telecom"	CEC Liquid Telecommunication Limited (Registration number 92298), a company registered in Zambia
"CEC Plc shares" or "shares"	ordinary shares of CEC Plc with a par value of ZMW0.01 each in the authorised and issued share capital of the Company
"CEC-KHPL"	CEC-Kabompo Hydro Power Limited (Registration number 99488), a company registered in Zambia
"CNMC LCM"	CNMC Luanshya Copper Mines, a customer of CEC Plc
"Copperbelt"	the mining area of Zambia, which is centred around the Copperbelt Province of Zambia
"Corporate Governance Code"	the corporate governance code of the LuSE
"CSR"	Corporate Social Responsibility
"DPS"	dividend per share
"CTA"	Common Terms Agreement
"DRC"	Democratic Republic of Congo
"Earnings Per Share" or "EPS"	earnings attributable to each CEC Plc share, calculated by dividing the Company's profit attributable to shareholders by the weighted average number of issued CEC Plc shares
"EBITDA"	Earnings before interest, depreciation, tax and amortization
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of CEC Plc shareholders
"ERB"	the Energy Regulation Board, Zambia's energy sector regulatory body established under the Energy Regulation Act Chapter 436 of the Laws of Zambia
"ESAP"	Environmental and Social Action Plan
"ESIA"	Environmental Social Impact Assessment
"ESMP"	Environmental and Social Management Plan
"FFR"	Fatality Frequency Rate
"FY"	the appropriate financial year-end reporting date for the defined year
"Golden Share"	"Golden Share" or "Special Share" is a share in CEC Plc that may only be issued to, held by and transferred to the Minister responsible for Finance or his successor or a nominee on his behalf or any other Minister or other Person acting on behalf of GRZ, the Special Shareholder
"GRZ"	Government of the Republic of Zambia
"GRZ Nominated Member"	the Board member appointed by GRZ, pursuant to the Golden Share, usually the Permanent Secretary of the Ministry of Energy and Water Development as shall be designated as such by the Minister from time to time
"Hai"	Hai Telecommunications Limited (Registration number 46356), a company incorporated in Zambia
"HSES"	Health, Safety, Environment and Social

“HV”	High Voltage
“IAS”	International Accounting Standards
“ICT”	information and communications technologies
“IDC”	Industrial Development Corporation
“IFRS”	the International Financial Reporting Standards and Interpretations adopted by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee of the IASB
“IMS”	Integrated Management System
“ISO”	International Organization for Standardization
“Kabompo”	the Kabompo Gorge Hydroelectric Power Project, located in the North-Western Province of Zambia
“KANN”	KANN Utility Company Limited (Registration number RC 920561), a company registered in Nigeria
“KCM”	Konkola Copper Mines Plc, a customer of CEC Plc
“LTA”	lost time accident
“LTE”	Long Term Evolution
“LuSE”	the Lusaka Securities Exchange Limited (Registration number 30495), a company incorporated in Zambia and licensed to operate as a stock exchange under the Securities Act, Chapter 354 of the Laws of Zambia
“LTIFR”	Lost Time Injury Frequency Rate
“LTISR”	Long Time Injury Severity Rate
“MCM” or “Mopani”	Mopani Copper Mines Plc, a customer of CEC Plc
“MoE”	Ministry of Energy
“Mutende”	Mutende Community Service Group, a voluntary charitable association of CEC Plc employees
“NAV”	net asset value
“Net Asset Value Per Share” or “NAV per share”	CEC Plc shareholders' equity, as determined by deducting liabilities from assets, divided by the weighted average number of CEC Plc shares in issue
“NSP”	North South Power Company Limited (Registration number RC1018318), a company incorporated in Nigeria
“PAT”	profit after tax
“PBT”	profit before tax
“Person”	a natural individual or body corporate with legal capacity
“Power Dynamos” or “PDFC”	Power Dynamos Football Club
“PSA”	power supply agreement (between CEC Plc and each of its customers)
“ROA”	return on assets
“ROE”	return on equity
“RTA”	road traffic accident
“RTAFR”	road traffic accident frequency rate
“RTI”	road traffic incident
“SAPP”	the Southern African Power Pool, an arrangement for, inter alia, co-operation in matters of electricity generation and distribution between member states, including Zambia
“the SEC”	the Securities and Exchange Commission Zambia, a statutory body established under the Securities Act
“Shareholders”	registered holders of CEC Plc shares
“SHE”	Safety, Health and Environment
“SNEL”	Société Nationale d’Électricité , the national power utility of the DRC
“Transfer Agent”	Corpserve Transfer Agents Limited (Registration number 74349), a company registered in Zambia
“USD”	United States Dollars
“VFL”	Visible Felt Leadership
“VSAT”	Very Small Aperture Terminal
“ZCCM-IH”	ZCCM Investments Holdings Plc (Registration number 771), a company registered in Zambia
“ZECI”	Zambian Energy Corporation (Ireland) Limited (Registration number 414474) a company registered in Ireland
“ZEMA”	Zambia Environmental Management Agency
“ZESCO”	ZESCO Limited, the national power utility of Zambia
“ZMW”	Zambian Kwacha, the legal tender of Zambia

CEC Plc AND ITS JOINT VENTURE

The Copperbelt Energy Corporation Plc is an independent power transmission, distribution and generating company with interests in closely linked businesses in Zambia and the African region, including optic fibre based telecommunications.

A member of the SAPP and listed on the LuSE, CEC Plc has a deep insight into the mining industry, enabling it to provide quality electricity and other power products and services to the majority of the mines in Zambia.

Well positioned as a developer of energy infrastructure in Africa and respected in the region for its skills in designing and operating transmission systems, CEC Plc has emerged as a credible independent power generating company, with some strategic generating projects in the pipeline.

- Over 60 years of experience in supplying power to the mines
- Circa 1,000 kilometres of 220kV and 66kV transmission lines
- 540 kilometres of optic fibre on power lines
- 42 High Voltage substations and dedicated control centre
- 80MW embedded thermal generation
- Power transmission for national utilities – Zambia and Democratic Republic of Congo
- Owns and operates Zambian part of the Zambia – DRC Interconnector line
- Accounts for over 50% of power consumed in Zambia

CEC Liquid Telecommunication Limited (CEC Liquid Telecom) is a joint venture company between Copperbelt Energy Corporation Plc and regional fibre infrastructure builder and operator, Liquid Telecommunications Holdings Limited of Mauritius.

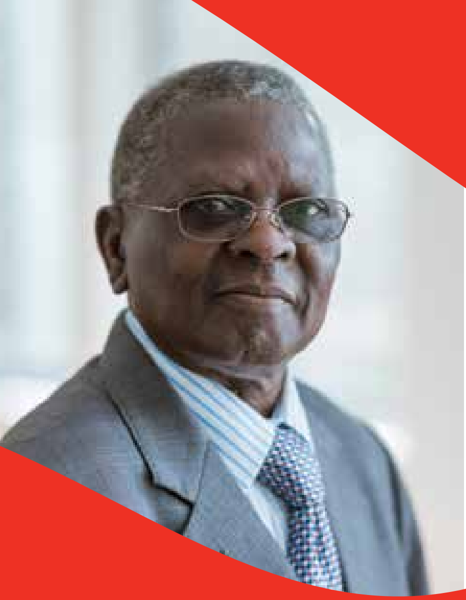
CEC Liquid Telecom owns and operates national long haul broadband fibre-based backbone from Chirundu to Kasumbalesa, Lusaka to Sesheke via Livingstone, and Lusaka to Kazungula. CEC Liquid Telecom also owns metro links in most of the major towns in Zambia as well as Fibre To The Home (FTTH) and Long-Term Evolution (4G LTE) infrastructure in Lusaka. Its business is the provision of competitive high quality products through wholesaling of national and international fibre bandwidth capacity, terrestrial internet bandwidth and lease of dark fibre for both short and long haul, locally and internationally, and with access to submarine fibre cables.

CEC Liquid Telecom's market segment is in wholesale and enterprise. It has become the preferred wholesale and enterprise broadband connectivity telecommunications company at national level and within the region. The infrastructure is neutral and operated in a non-exclusive manner in Zambia, with interconnections to Zimbabwe, Namibia, Botswana, South Africa, DRC, and across East Africa.

Hai Telecommunications Limited (Hai) is a wholly owned subsidiary of CEC Liquid Telecommunications Limited.

Hai is an integrated communications service provider offering high speed internet services and inter-office connectivity to institutional and retail customers in Zambia using optic fibre as the core technology.

The principal business of the company is the provision of internet protocol (IP) and wide area connectivity which, inter alia, includes internet services to institutions and homes, provision of wide area networks through either Multiprotocol Label Switching (MPLS) or private leased circuits, hosted services and a host of ICT ancillary services mostly packaged as managed services. While the Company uses optic fibre as its core technology, alternative wireless technologies such as VSAT and the recently launched LTE have been deployed to either complement the fibre network or serve locations yet to be connected onto the fibre network.



CHAIRMAN'S STATEMENT

Hanson Sindowe
CHAIRMAN

CEC has produced a compelling set of results in a period where the environment challenged our growth and expansionist agenda. Low commodity prices, constrained power generation in-country, customers cutting back on their power uptake amid a generally precarious macroeconomic environment were all factors that the business contended with in 2016. The year also saw a corporate action whose effect on the structure of the Group going forward is significant.

Highlights

- Energy sales - **3,521GWh** ↓14%
- Capacity sales - **453MW** ↓15%
- Power trading revenue growth – **86%**
- Revenue - **USD355 million**
- Adjusted EBITDA – **USD90 million** ↑12.5%
- CEC Liquid Telecom revenue – ↑**17%**
- Telecoms EBITDA growth – **33%**
- Dividend in specie of CEC Africa

HSES Performance

The health and safety of our people and environment are as important to us as the profitability of the business and it makes me glad to report that in 2016, HSES performance was largely satisfactory. There were a few dark spots, particularly a system LTA occasioned on the side of one of our contractor companies. Equally, the number of traffic incidents involving our vehicles and drivers was higher than we are comfortable with. This has called for measures to ensure that our drivers are continually retrained and equipped to conduct themselves with higher degrees of safety and defensiveness on the road. In order to mitigate other identified HSES risks, training in the relevant areas was conducted. The Company kept a clean sheet in a variety of statutory defined contraventions such as air pollution, emission of ozone depleting substances and management of both hazardous and non-hazardous waste. We also continued to impart a culture of safety and sound environmental practices in the communities. We find that engaging with communities directly to sensitize them about safety requirements surrounding electricity infrastructure is mutually rewarding for the business and the communities.

Group Restructuring

Effective 30th December 2016, CEC Africa was separated from the Company and is now a sister company to CEC Plc rather than its wholly owned subsidiary. At an EGM held on 9th December 2016, you the shareholders, on the proposal of the board, resolved to dividend out CEC Africa as a distribution to the shareholders of CEC. Hence, a dividend in specie of CEC Africa from CEC Plc to its shareholders was made. The effect of that transaction is that both CEC Plc and CEC Africa are now held by the same shareholders. The action was premised on the assumption that shareholders must be allowed to measure the performance of the two entities separate from each other as we now believe they face very different risks, and to enable the shareholders retain any upside that may occur in CEC Africa in future.

Operations Review

The operating environment did not fundamentally differ from 2015 in that the market was undersupplied on the generation side and the prices of commodities on the global markets, particularly copper, were sluggish. Shareholders will recall that during the last review period, our supplier, ZESCO, could only meet 70% of our requirements owing to a generation deficit that hit the country mid-year. In turn, the Company could only supply 70% of its customers' needs from Zambian sources. That our business has a direct link with copper mining means that what impacts our customers affects us directly. Hence, mines' power demand registered a fall of 15% in 2016 compared to the previous year. Energy sales at 3,521GWh (2015: 4,092GWh) were lower than in the prior period as were capacity sales of 453MW (2015: 532MW). While the inadequate power supply was covered by our ability to source supplementary power from the region, low copper prices meant that our customers somewhat operated with caution , leading some of them to put a lid on some aspects of their operations and planned expansions.

Our response to these challenges speaks to the innovative spirit of the business and its resilience, exhibited over the years, to come through difficult episodes with a positive outcome. The dent on our financial performance that should be the inevitable result of such a drop in demand was made up for by our continued impressive performance in power trading.

On the telecoms side, CEC Liquid Telecom continues to make positive strides, growing its revenue by 17% over the previous period. Bringing to the market new products and services that are appreciated by the consumers is what will help it keep its competitive edge. I'm pleased to report that during the review period, CEC Liquid Telecom extended its national long haul fibre from Livingstone to Kazungula and Katima Mulilo, allowing for direct access to Botswana, Namibia and the sea cables; thereby increasing data availability, capacity and speeds in the country. CEC Liquid Telecom also rolled out 4G LTE infrastructure with faster connectivity speeds for more rewarding user experiences and launched Lite Speed, a high speed wireless internet network service. At year end, CEC Liquid Telecom had grown its fibre footprint alongside inner town roads and highways to 5,000km.

Financial Performance

Despite a 15% slump in domestic power sales, revenue was compensated for by an 86% rise in power trading revenue, coming in at USD355 million, the same level as 2015. EBITDA rose by USD10 million from USD80 million in 2015 to USD90 million. The Company took a decision to impair its investment in CEC Africa of USD100 million to USD1. Also impaired was a receivable, from CEC Africa, of USD51 million. The Company registered a loss of USD112.57 million for the year 2016. The loss was driven solely by the impairment already explained. Moving forward, post-restructuring, revenue and the cost structure will drive the Company's financial performance.

Our Shareholders

Those who put money in our Company expect a return on their investment. They trust that our Board and the management are capable of making decisions that protect and grow their money, decisions that should culminate in our shareholders deriving value from their investment. In 2016, CEC Plc paid a cash dividend of USD16.4 million to its shareholders in March, and a dividend in specie later in December.

We continued to actively engage with our shareholders and providing them with opportunities to learn and understand our business strategy and plans for the future. Two members' meetings were held during the period – the AGM on 31st March and the EGM on 9th December where shareholders were availed an opportunity to engage with both the Board and management and to query them regarding various aspects of the business. In addition, our website is a rich resource of information about the business which the shareholders will find pertinent. Also, the Company continues to explore and utilize as many avenues as are valuable and appropriate

Communities and Stakeholders

Our involvement with communities is not an after-thought or something done simply as a fulfillment of an expectation. We believe there is value to investing in people and communities, be it the people within the Company or those that neighbour us in the communities where we operate. In 2016, we invested in social infrastructure, health, environmental protection and young people through support to innovation and scientific exploration. Through our support, livelihoods have been improved, dreams born and even fulfilled.

Availing opportunities for continued development for the people behind the business is important. We need to ensure that we retain the talent that we attract and one way to achieve that is to have an engaged workforce that believes in the ideals, value, prospects and future of the Company. In 2016, we carried out a people survey to help us understand the perceptions of employees regarding the work-life at the Company as well as the various aspects of people management. Key to achieving that was finding out employees' perceptions of the leadership, supervision, conditions of service and career growth opportunities in the Company. Survey responses should inform decision-making processes and help us to understand whether we are doing well in the measured aspects and also identify areas to improve or alter.

Governance and Changes to the Board

What we do as a business should be measured not only by the success of our operations and the numbers but just as importantly by how we do it. Espousing and adhering to sound governance principles is the foundation and a key focus for our Board. Working independently, the Board is principally responsible for formulating the overall strategy and policies of the Company, and promoting the long term success of the Company by creating and delivering sustainable shareholder value as well as the achievement of any short term objectives.

In discharging these duties and responsibilities, relevant diversity in Board membership is cardinal. Each member possess and brings to the boardroom the relevant skills, experience and knowledge. Put together, this diversity and depth enriches decision-making and practice for the benefit of our shareholders.

On 23rd November, Kanad Virk, one of the ZECI representatives, retired from the Board. His many contributions to the development of both the Board and the Company through his service on the Board and the Investment, Audit and Remuneration and Employee Development committees remain invaluable.

His successor is Taimoor Labib, who is currently Managing Director, Head of Africa and Middle East Private Equity for Standard Charted Private Equity, comes with measurable experience in private equity. I welcome him to our Board and look forward to the business benefitting from his expertise.

Looking Ahead

So far in the 2016/17 rainy season, the rainfall has been above normal across the country. This raises the expectation that the water reservoirs that dried up should receive sufficient in-fill to enable a return to normal or near-normal generation capacity levels at the country's various power generating plants in 2017. That should get the market to a better supply position but it remains a space to watch. While there is no quick fix for the challenge of constrained supply, the industry has been exploring means of bringing into the energy mix other generation sources with solar appearing to be a frontrunner. It is the expectation that these projects, from the public and private side, will gain some traction in the coming year and beyond.

The industry, in 2016, was yet to find a landing in respect of a tariff that satisfies the need for new investments in power while also keeping the cost at a level that would not suffocate industry. A robust tariff-setting mechanism is inevitable, going forward, considering that the last two efforts of 2014 and 2016 proved unsuccessful.

I see a number of growth spots in the coming year from which the business can capture value. I expect that tariffs should migrate upwards as an outcome of the negotiating process commenced on the instance of the Government, which is expected to culminate in bilateral agreements between the Company and its customers as per normal contractual practice. Secondly, the DRC market will continue to be of strategic importance to us. We will be working to consolidate our position and to pursue contracts that will make this stream a more sustainable business for us. Third, as copper prices are looking up the expectation is that the upward cycle will carry on for the ensuing period. Hence, there should be a return to pre-slump levels of operation and load uptake as well as growth arising from our customers' expansion programs as new operations come on line with the attendant increased uptake of power.

At macro level, I expect that the economic headwinds of 2016 will begin to wear off, albeit slowly, as commodity prices record some measure of recovery. Growth will certainly be gradual rather than robust in 2017. Still, this should feed through to the energy sector.

The Government has also made undertakings, with external financing, to extend electricity access to the underserved population, and to upgrade and maintain the electricity grid particularly in Lusaka. This should go some way to nipping some transmission bottlenecks and reduce losses.

We should see promoters and developers of renewable energy projects make progress to close financing, construct plants and bring them to commercial operation. This includes the two solar projects that won in the first round solar auction in 2016. Indications from the IDC are that a second round of auction, with a larger capacity, would be held in 2017. Overall, generation is expected to improve in 2017 onwards.

Hanson Sindowe
Chairman

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MANAGING DIRECTOR'S REPORT

Owen Silavwe
MANAGING DIRECTOR

Overview

Our business has delivered another year of strong results amid a challenging business environment where depressed commodity prices in 2016 drove our customers to take less power than normal while deficits on the supply side continued. The demand by our mine customers in Zambia dropped 15% year-on-year in comparison to 2015. This contrasts our performance in the DRC market where our power sales to the mines saw an 86% growth year-on-year, overall helping the Company mitigate a potential slump in revenue for the second year running.

We achieved high reliability across our power network ensuring the delivery of secure power supplies to our customers. With the continuing supply deficit in the country, power imports from the SAPP again played a critical part in meeting the full requirements of our customers. We progressed our 10-year rolling capital program which aims to modernize our network and ensure we are running an efficient and sustainable power infrastructure.

During the year, the Board and the Company's shareholders approved the restructuring of the CEC Group through a dividend in specie of CEC Africa. This Group restructuring has resulted in the separation of CEC Plc and CEC Africa into two totally independent and separate entities though having common shareholders.

HSES

The nature of our business demands that we never, at any point, take our focus away from the area of health, safety, environment and social. Every year brings with it familiar as well as unique challenges from an HSES perspective. In our efforts to attain excellence in HSES we continue to improve our risk assessment, identification and management processes. In 2015, I reported that we had achieved an accident free period of 5.57 million man hours at CEC Plc. Unfortunately, this great record was reset in early 2016 when we recorded a lost time accident during a work session on one of our transmission lines where a contractor's employee sustained an injury that kept him from work for a number of days. Such incidents, if they do occur, are highly dangerous as there is always a risk for potential loss of life. I am glad this was not the case in this incident. This unfortunate occurrence was reviewed in detail and the valuable lessons learnt have translated into a thorough review and enhancement of some of the procedures we follow in our work practice relating to the transmission system.

Other than the above unfortunate incident, our HSES performance at CEC Plc continues to improve. For example, in comparison to 2015, our lost time injury frequency rate was 0.06 in comparison to 0.08 in 2015. From an environmental sustainability perspective, our legal compliance to all environmental statutory requirements remains above board while we continue to entrench the culture of environmental sustainability in the way we conduct our business. On the downside, we continue to grapple with the issue of road traffic accidents. Our road traffic incident rate at 0.18 in 2016 was double what we saw in 2015. In the coming year, we plan to double our efforts on the driver retraining program.

In 2015, we commenced a program to enhance the management of HSES so as to achieve sustainability and excellence across the Group. In 2016, we continued to build on this foundation and we believe this program is very well on track. During the year under review, we made significant progress under our 4 strategic sustainability arms - Our People, Our Environment, Our Community and Our Risks. Across our businesses, the approved HSES Management Frameworks were further improved upon culminating into robust management systems documentation thereby setting the stage for full implementation in 2017 and beyond.

Zambian Operations

In Zambia, the local generation was inadequate to meet the demand for power in 2016. The problem of low water levels that started in 2015, at the nation's hydro power stations invariably worsened over the course of 2016. We had anticipated this situation given that the rainfall received in the 2015/2016 rainy season fell short of normal. Consequently, a number of initiatives aimed at closing the supply gap were underway right from the beginning of the year. Our main supplier, ZESCO, has been directly impacted by the deficit and, therefore, could only supply 70% of our power requirements on the basis of the partial force majeure which they declared earlier on in 2015 under the BSA we have with them. This necessitated that we pass on the declaration of the force majeure to our customers; limiting the amount of power we could supply them from Zambian sources to 70% of their demand. We, however, sought alternative power sources which allowed us to enter into alternative contractual arrangements to supply the balance of 30% of their power requirements.

We achieved this through extending the supplementary power supply agreements, thus, enabling us to purchase power from regional sources in the SAPP so as to meet

the balance of our customers' requirements. The SAPP as a source of balancing power had its own challenges. The available capacity in the SAPP remained tight for the best part of 2016, driving energy prices upwards. This was compounded by transmission constraints that have emerged along the central transmission corridor as more and more players look to regional sources to balance their supply and demand. With an increasing number of parties playing in the regional market and requiring access to transmission capacity along the central transmission corridor, the challenge of congestion could only worsen. It is, however, gratifying that towards the latter part of the year, a few players in the region began to report availability of surplus capacity within their portfolios. This is already beginning to reflect in the reversal of some of the high energy pricing we saw earlier in the year. Our customers have already started seeing the benefits of increased power availability in the region. In the medium to long term, the congestion being experienced in the central transmission corridor presents an opportunity for regional players to cooperate in implementing a regional project that addresses this challenge. This would enhance access to power by deficit areas from surplus areas in the region.

As though to complement the power shortfall on the supply side, our power sales to mine customers experienced a downward trend in 2016. At 3,521GWh, the 2016 energy sales to mine customers in Zambia were 15% down year-on-year in comparison to 4,092GWh in 2015. In 2016, almost all our mine customers in Zambia utilised less energy than they did in 2015, prior to the collapse of commodity prices on the global market. This relatively low power uptake was mainly driven by the need by the mines to constrain operational costs, leading to some marginal elements of their operations being placed under care and maintenance. It is normal for the mines to look to running much more efficient operations during such periods in order to weather the storm. On the assumption of moderate recovery of the global economy and with it, the commodity prices, we forecast our power supply to the mines in Zambia to show some good level of recovery during 2017, though the full rebound of demand is only expected by the end of 2018, going into 2019.

QUICK STATS

Lost time injury frequency rate LTIFR

0.06

down from 0.08

Capacity

453MW

down from 532MW

2016 Energy sales

3,521GWh

down from 4,092GWh

Fibre footprint expansion Inner town roads & highways

5,000km

Despite the dip in power demand by the mines in Zambia, our business overall delivered another year of strong financial results. This was in part due to our power sales to the mines in the DRC, which in contrast to the Zambian sales, recorded an 86% growth year-on-year. This adequately mitigated the potential revenue losses by the business for the second year running. It is important that we continue to build on our relationship with our partners whom we have worked with very successfully so far in co-creating value in the DRC market. The job of ensuring that our mine customers in the DRC are provided access to reliable, secure and more affordable power supplies is far from being accomplished. We are excited by the opportunity to be able to work with our partners in this market and contribute towards the realization of this objective. In this regard, we successfully commissioned a key transmission project in 2016 in support of our objective of delivering secure and reliable power to our mine customers in the DRC. The second Zambia-DRC Interconnector project, which involved the construction of a 220kV twin-circuit transmission line between Zambia and the DRC has not only expanded the transmission capacity for power flows between the two countries from 250MW to 500MW but will also technically enable firmer energy trades. This project effectively creates three transmission lines that form part of the interconnection between Zambia and the DRC and allows for firm cross-border energy trades. Going forward, we have the task of expanding on the number of transactions using this infrastructure. This is important in order to put more power through this transmission infrastructure and significantly improve its utilisation.

In Zambia, the MoE working with the ERB initiated an agenda to amend both the Electricity and the Energy Regulation acts. The main objective of this process seems to have been to strengthen the relevant legal provisions with a view to giving more and express powers to the Regulator over tariffs applicable to all customer categories including the mine customers whose tariffs have traditionally been contained in bilateral contracts with the utilities. Secondly, the proposed amendments sought to provide for the allocation of power to different customer groups on the basis of the cost of a generation source. These proposed amendments elicited mixed reactions from industry players. It appears that at the centre of this whole debate are the prevailing tariffs in the country, which are perceived to be below the marginal cost of power. I believe this debate would become inconsequential once we get to a time when the applicable tariffs begin to reflect the full cost of service provision. At that stage, tariffs should be able to cover all costs associated with service provision and the energy source in use would not matter. Work on the amendment of the two Acts seems to have slowed down. It is not clear, at this stage, whether the Government is still pushing ahead with the amendments and indeed the timelines within which this will have to be concluded. However, the industry efforts have been redirected at finding a lasting solution to the stand-off on the much required tariff adjustment since 2014.

In 2016, the Government, therefore, sought to provide leadership on the need for the industry to engage in negotiations to agree an initial upward step adjustment to the mine tariffs. Once agreed, this would mark the first step in the requirement to migrate electricity tariffs towards cost reflectivity. The early industry-wide meetings convened through Government efforts culminated in subsequent commercial negotiations between utilities and mine customers. These discussions are important to the industry as they come on the heels of unresolved tariff processes of 2014 and 2015. The difference this time around, however, is that all parties to the negotiations, utilities and customers alike, have shown more awareness about the industry cost drivers and the need for a tariff adjustment. The customers are also seeking greater engagement with their suppliers with a view to balancing the need to keep their operating costs down with the critical requirement that they meet the full cost of service provision. It is important that customers do not just seek a high security of supply but also pay for the full cost associated with it. By year end, the tariff discussions could not be concluded though relatively good progress was made. Tariff discussions will continue in 2017 and we remain confident that closure on this matter will be achieved before the end of quarter one in 2017.

On the asset management side, we continued efforts to modernize our power infrastructure. As we reinvest in our power infrastructure our aim is to ensure we are running a network that meets the requirements and demands of a well-run power network in the 21st century. Our commitment to our customers requires that we create a more customer-centric and efficient network that is also environmentally friendly. In this regard, we have ramped up investments in modernizing and upscaling various aspects of our network including control and automation across the entire network. We are confident that each year that passes assures our customers of a much more reliable, resilient and agile CEC network.

Group Restructuring

During the year, the Board and the Company's shareholders approved the restructuring of the CEC Group which involved the separation of CEC Africa (together with its subsidiaries) from CEC Plc. The restructuring had the aim of separating CEC Plc, whose main operations are in Zambia and CEC Africa, whose key operations are in Nigeria, into totally independent and separate entities though having common shareholders. I am happy to report that this objective was successfully accomplished on 30th December 2016 through a dividend in specie of CEC Africa to all shareholders of CEC Plc. From 31st December 2016 going forward, CEC Plc and CEC Africa began to exist as separate entities though owned by the same shareholders. It was important for CEC Plc to effect this change so as to allow the two companies whose risk profiles are totally different to operate as independent entities.

Nigerian Operations

With the separation of CEC Africa from CEC Plc, the performance of CEC Africa will no longer be part of our reports from 2017 going forward. However, since CEC Africa formed part of the Group in 2016, allow me to provide a brief commentary on this business.

The activities of CEC Africa continue to be focused on the operational turn-around commenced at the end of 2015. In 2016, we initiated the task of realigning the business processes at AEDC, the rationalisation of management and financial reporting at NSP and progressed the decision by the Board to dispose of equity interest in the Sierra Leone power project. While tariffs on the generation side ramp up automatically with respect to foreign exchange indexation, this does not match with the tariff process at distribution level. For example, while there was an effective 23% ramp up in the cost of sales due to a foreign exchange indexation in the power purchase agreement, the retail tariff review was only carried out at the end of 2016, taking into account the operational and financial conditions. The attendant new retail tariffs are only expected to be announced in the first quarter of 2017. This mismatch can pose a challenge in the management of the business especially in the face of a volatile macro-economic environment.

The Shiroro hydro power plant, on the other hand, had a good year with 2.8GWh of generation representing a 50% increase over the 2015 energy generation. On the financial side, the company recorded a profitable year although cash flow was still constrained due to short payments from the bulk buyer.

Telecoms Business

CEC Liquid Telecom, a company in which we have 50% shareholding, with the other 50% owned by our partner Liquid Telecommunication, continued to expand its offering to the market and improve its financial performance during 2016. The company has embarked on key projects to further expand its fibre infrastructure and product offering.

CEC Liquid Telecom extended its national long haul fibre from Livingstone to Kazungula and Katima Mulilo and rolled out 4G LTE infrastructure in Lusaka to further support the expansion and diversification of its service offering. The company has continued to consolidate its position of being the preferred wholesale broadband connectivity telecommunications company in the market, with the drive to provide quality and affordable ICT services. During the year, the company expanded its fibre footprint alongside inner town roads and highways to 5,000km and added 4G LTE infrastructure to its offerings. We believe this has positioned CEC Liquid Telecom very well to capture market growth in the coming years. As you will note from the financial statements, the financial performance of our telecommunications investment improved during the year. We remain confident that CEC Liquid Telecom will continue with its profitable growth in the coming years.

Our People

It is important for us to always remember that any success we score in the market place is due to the hard work of our people. In this regard, we are continuously evaluating the skills and capabilities of our people so that opportunities for further development are identified and adequate resources are allocated for this purpose. I am happy to report that in 2016, the Company used a proportionate amount of its resources in improving the skills and capabilities of a number of its employees. We have on-going programs aimed at training employees in the area of technology advancements in support of the work we are doing to upgrade our network. Identifying and preparing the Company's future leaders is another important program we remain committed to and continue to fully support.

During the year, we undertook a review of the Company's organization structure to ensure it is better able to support the corporate strategy over the next 5 years. As part of this process, we believe that we have created better opportunities for career growth and progression for our employees.

Equally important are efforts to facilitate improvements in the quality of work life for employees in order to enhance engagement, performance and retention. To this end, we carried out a people survey amongst our employees to help us understand the strengths and areas for further improvement in our workplace. The results of the survey indicated that the Company enjoys a healthy corporate values system with a score of 78% and an employee engagement score of 72%. However, the results demonstrate the need for us to continue to strengthen the Employee Value Proposition, which came in at 56%. In particular, areas of further improvement include our reward system, broadening career growth opportunities, and improving the quality of our performance management process. The implementation of actions to address the areas of opportunity, including the organization restructuring mentioned above, are already underway and we are looking to do more in this area in 2017.

Looking Ahead

We have a number of priorities going into 2017:

Electricity Tariffs

The electricity tariff negotiations that commenced in 2016 will be continuing in the new-year. The industry needs to build on the good foundation that was laid in 2016 to bring successful closure to this important matter. As this will only be the first step which is expected to be followed up by an ERB-led cost of service study that should determine an appropriate tariff migration path, we will be continuing with our active involvement in the industry discussions whose goal is to put in place a more robust tariff process.

Shareholder Value

With the separation of CECA from CEC Plc behind us, we will be focusing on unlocking the shareholder value through better market valuation of the business. We believe that CEC Plc shares continue to trade at a significant discount on the LuSE. In the coming year, we will aim to work on initiatives that should help better price formation for the CEC Plc stock.

Gradual Integration of Renewables

The rate of integration and uptake of renewables (especially solar), distributed generation and, to some extent energy storage is on the upswing in our industry. This is being helped by the progressively improving prices of renewables which are now able to compete favourably with traditional sources of power. CEC Plc will need to implement strategies aimed at steadily adopting these technologies and ensure that as we evolve the business going into the future, renewables and related technologies are part of our key competencies.

Network Optimisation

Through ongoing reinvestments in the network coupled with implementation of continuous improvements in our asset management strategies, we continue to enhance our network performance and service delivery to our customers. In line with prudent utility practice, we need to sustain a good level of investment in our power network.

Business Growth

We are seeing growth opportunities both in Zambia, the DRC and the wider Southern Africa region. It is important that we focus on growing our business in areas of our core competencies. We need to explore both organic growth and new business opportunities possessing good synergies with our core business. In doing this, we should, however, only invest in projects that fully meet our investment criteria and deliver the best value for our shareholders.

Owen Silavwe
Managing Director

CHIEF FINANCIAL OFFICER'S REPORT

Mutale Mukuka
CHIEF FINANCIAL OFFICER

QUICK FIGURES

Revenue
USD355m

Power Trading revenue growth
86%

Adjusted EBITDA
USD90m

EBITDA growth
12.5%

Cash generation conversion rate
64%

Cash dividend
USD16.4m

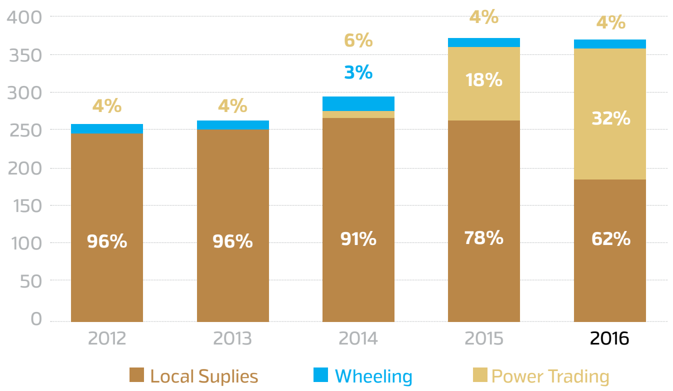
Cash dividend growth
17%

Revenue and Profitability Matrix

Revenue at USD355 million was equivalent to the revenue in 2015 despite a drop of about 15% in domestic power supplies which had an equivalent reduction in domestic power sales from USD278 million to USD221 million. The increase in power trading supplies resulted in an overall increase of 86% in power trading revenue, which compensated for the drop in domestic power sales. Overall, domestic power sales remain the prime revenue source contributing 62% of the total revenue down from 78% the previous year, with power trading revenue increasing from 18% the previous year to 34% of total revenue.

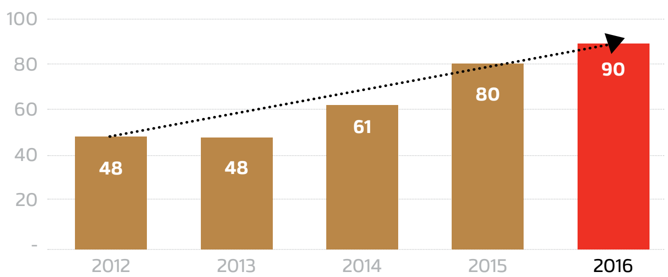
GRAPH 1.0

REVENUE USD'M



GRAPH 2.0

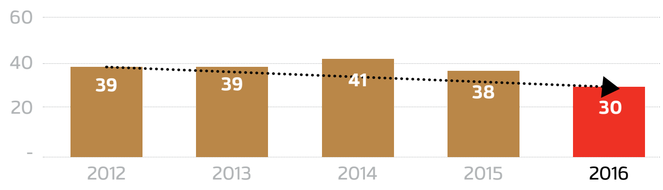
ADJUSTED EBITDA USD'M



Adjusted EBITDA was USD90 million compared to USD80 million the previous period posting an increase of 12.5% average. The increase in adjusted EBITDA is attributed to increased power trading income and the aggressive cost management initiatives which impacted positively on the results. Over the last five year period, average adjusted EBITDA growth has been sustained at an average of 22%. As shown in Graph 3.0 below, operating costs have over a five year period, been contained and reduced to an average rate of 6% per annum resulting in an overall reduction of 23% over four year.

GRAPH 3.0

OPERATING COST NET OF DEP AND IMPAIRMENT USD'M

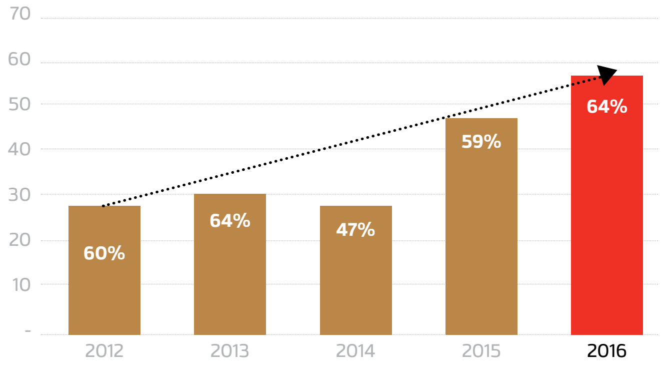


Cash Conversion

One of the key performance indicators of the Company is to assess the efficiency of the company to turn the adjusted EBITDA into cash. This ratio is computed using operating cash flow / adjusted EBITDA. A low ratio signifies potential working capital challenges and it is for this reason that a benchmark cash conversion ratio of 60% has been set in the business, taking into account the Company's working capital cycle. This is in recognition of the financial principle that cash is KING. Graph 4.0 provides a five year trend of the cash conversion ratio. As shown in the graph, during the year, the Company's cash conversion ratio was above the set benchmark partly because the overdue arrears from one of the customers arising from 2014 has since been paid.

GRAPH 4.0

CASH CONVERSION RATIO

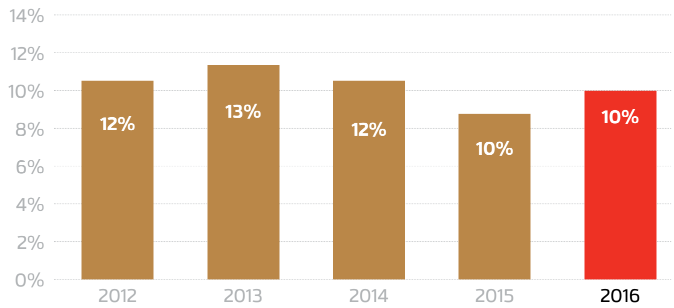


Returns and shareholder Ratios

The Company's first responsibility to its shareholders is to give them a return on their investment partly through the payment of dividends and secondly, through sustained share price growth. In order to achieve this objective the Company always aims at sustaining and growing profitability. In assessing the operation of the business and its ability to sustain shareholder return expectation, below are the key financial trend analysis graphs, from 5 to 8, focused on return ratios. The earnings have been adjusted to exclude exceptional write downs such as impairment loss or gain.

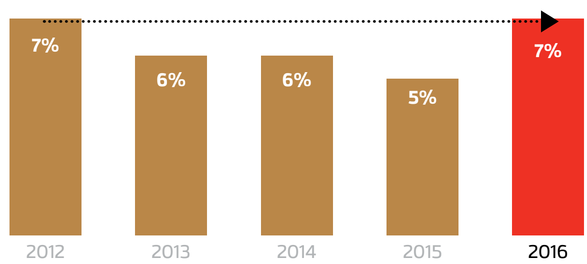
GRAPH 5.0

ROE ADJUSTED FOR IMPAIRMENT



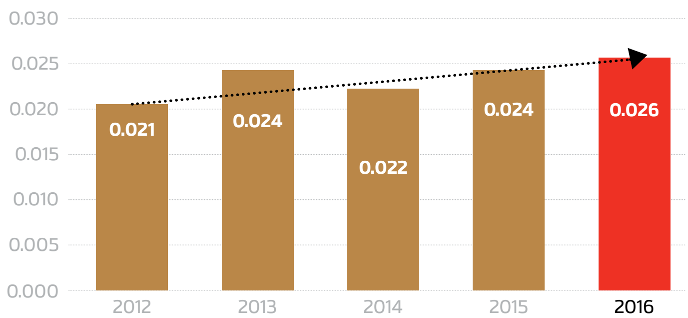
GRAPH 6.0

ROA ADJUSTED FOR IMPAIRMENT



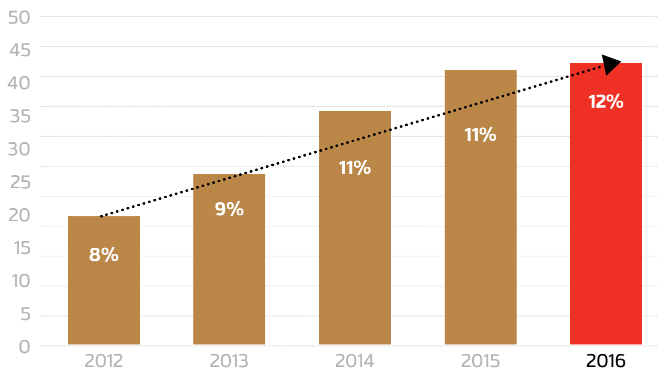
GRAPH 7.0

EPS ADJUSTED FOR IMPAIRMENT



GRAPH 8.0

ADJUSTED PAD USD'M & MARGIN



EPS adjusted for impairment

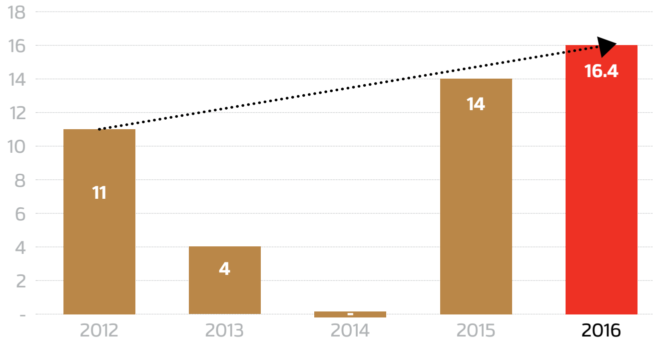
The Company has over the five years increased its adjusted profitability from USD21 million in 2012 to USD42 million in 2016 posting an average increase of over 20% annualized. On the other end, the adjusted ROE and adjusted EPS have more or less been retained at similar levels of 10% and 0.026 respectively which is the set internal benchmark. The Company undertook a corporate action, being a rights offer to existing shareholders to raise funds to support the expansion projects in 2013, which action resulted in increased equity base. Overall, the target is to outperform a USD post tax ROE of 10%.

During the year, the Company paid out two dividends to its ordinary shareholders. The first being a cash dividend of USD16.4 million paid in the first quarter of 2016. The second dividend was a dividend in specie of CEC Africa of USD1. This dividend was paid on 30th December 2016.

With respect to cash dividends, the Company has a policy to payout a dividend of about 50% of its earnings in a sustainable way.

GRAPH 9.0

DIVIDENDS USD'M



Impairment of Investment

The Company reviewed its investment carrying values in accordance with Company policy and IAS 36. The investment in CEC Africa was negatively impacted by the operating regime in Nigeria and specific power sector issues. Listed below are some of the issues that negatively impacted on the valuation of the investment in CEC Africa.

- **Low power generation:** During the year, national power generation was lower than the expected generation as forecast in the Multi-Year Tariff Order (MYTO), which is the basis for the power sector's regulatory framework and, more specifically, is the basis for the derived tariff under the revenue requirement derivation methodology. Power generation forecast demand profile was key in determining the resultant consumer tariff. National generation was low on account of unavailability of gas supply.
- **Power sector liquidity challenges:** The end-user tariffs were not cost-reflective and the high collections losses impacted the cash flow position; the result of which was insufficient cash inflow to cover the requirements of all sector players – from gas suppliers across to distributors.
- **Depreciation of the Naira:** The depreciation of the Naira against major currencies resulted in increased USD denominated costs. The effect was increased exchange losses which could not be passed on through the tariff despite the regulatory environment adequately providing for pass through of the foreign exchange effect through the tariff.
- **Shortage of foreign currency in the market:** The Nigerian foreign exchange market was constrained with respect to foreign currency liquidity, thereby partly creating an opportunity for a parallel foreign currency market. This result was an increase in USD based costs as the differential between the Central Bank of Nigeria rate and the parallel rate is significant.
- **Regulatory regime:** The regulatory regime was not fully operationalized during 2016, which led to inappropriate risk allocation. The bulk of the risk was allocated to the distribution asset, which had no ability to pass on the risk to the other players in the sector.

KANN had secured an acquisition debt of USD122 million in 2013. The depreciation of the Naira and the inability for the distribution asset to pass on the movement of the foreign currency effect through the tariff implied that the previously contracted upon foreign exchange hedge could not apply. This increased the obligation in Naira terms without corresponding income to offset the liability.

Based on the above, a valuation of CEC Africa was undertaken. The result was the need for an impairment of the investment in CEC Africa from the original investment of USD100 million to USD1.

Additionally, the test for recoverability of the receivable was undertaken on the shareholder loans extended to CEC Africa. Based on the information available at the time, it was deemed that these amounts could not be recovered and were, therefore, irrecoverable. The total receivable was USD51 million. However, it must be noted that this does not discharge CEC Africa from its obligation to repay the loans.

Risk Management and Ring-fencing of Business Operations

Management's focus for the year was to implement risk management strategies in accordance with the Company's risk management framework aimed at enhancing operations of the respective business units but also facilitate growth where opportunities arise while aligning to the medium to long term strategy. As part of the risk mitigation measures and risk allocation within CEC Plc, a corporate action was undertaken in the last quarter of 2016. This was a dividend in specie of CEC Africa to the shareholders of CEC Plc. This transaction facilitated the separation of the Southern African operation from the West African business. The separation was mainly for risk management and also to give opportunities to the shareholders to operate the two businesses separately to ensure that their potential is actualized with limited comparison. Experience has proven the two markets to be different. Hence, effective 30th December 2016, CEC Africa will not be consolidated in the books of the Company as the dividend in specie facilitated for the separation of the two operations. CEC Africa is a sister company owned by common shareholders.

Going Concern

The Company made a loss after tax of USD112 million. This loss was solely triggered by the impairment of the investment in CEC Africa and the receivable from the same company of USD100 million and USD51 million respectively. From a cash flow perspective the business had a positive cash flow generation of USD58 million, with cash and cash equivalents of USD45 million. Additionally, the Company has a net current asset of USD58 million.

It is expected that the working capital of the business over the next 12 months will be positive and that the Company will be profit making during the same period. On this basis, the Board and management believe that the business will operate as a going concern.

Capital Expenditure and Investments

The saying that "if a Company isn't growing, it's probably dying" is one that I definitely believe in. The growth of an infrastructure business is largely driven by the quality of the assets that are used in the provision of the service and generation of revenue. The Company, having begun in 1953, has some relatively old infrastructure. Some of this infrastructure is among the assets being replaced and refurbished in accordance with the rolling 10-year capital expenditure plan. As a rule of thumb, the business aims to align the replacement capital expenditure amount to the depreciation charge; taking into account expected swings and variations year on year. This alignment of depreciation and replacement capital expenditure excludes any investment opportunities to support growth projects. During the year, a total of USD8 million was spent on replacement capital expenditure and total commitments as at 31st December 2016 amounted to USD2.9 million.

Treasury Management and Liquidity

The Company's principal treasury management objectives include:
- To access a broad range of sources of finance to obtain both the quantum required and the lowest cost compatible with the need for continued availability;
- To maintain a governance approved shadow credit rating; and
- To maintain a flexible and sustainable balance sheet structure.

The Company continues to carefully monitor liquidity. As at 31st December 2016, the Company had USD45.5 million in cash and cash equivalents. The Company is funded for its investments and cash flow needs up to December 2017 without recourse to new facilities.

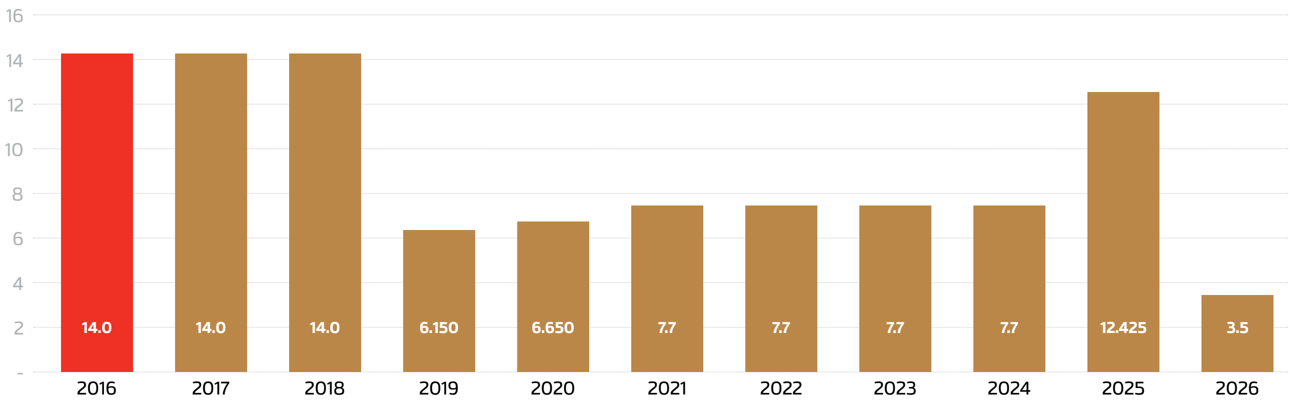
Senior Debt Facilities

During the year, the senior debt terms under the CTA remained unchanged and the Company met its obligations under the facilities with the senior lenders. At the end of the year, the Company had net borrowings of USD88 million (2015: USD100 million)

The weighted average debt maturity was 9.2 years compared to 8.4 years the previous year. The increase in the weighted debt maturity years of 0.8 years is attributed to the separation of the main subsidiary company, CEC Africa, via a dividend in specie.

Below is a graph showing maturity of the facilities over the next 10 years in USD'm.

GRAPH 10.0

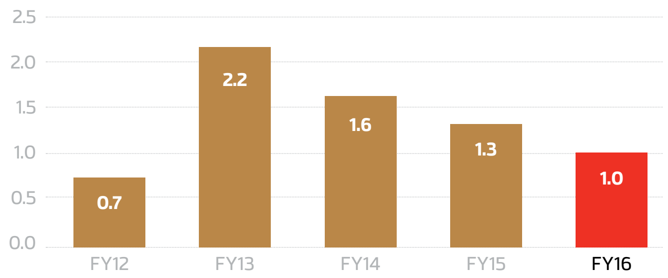


Gearing

In a quest to maintain a shadow credit rating and ensure that credit, liquidity and gearing risks are managed within the adopted risk management framework, the business has retained its debt within acceptable range. In this regard, I am glad to report that the borrowing or debt ratios, being the proportion of adjusted EBITDA to net debt and equity to net debt, is shown in graphs 11.0 and 12.0 respectively. The trend does indicate that the business is not overly leveraged but also has an acceptable gearing (based on internally set benchmark). It is the plan of the Company to retain these ratios within the range shown in the trend provided. This allows efficient use of the balance sheet.

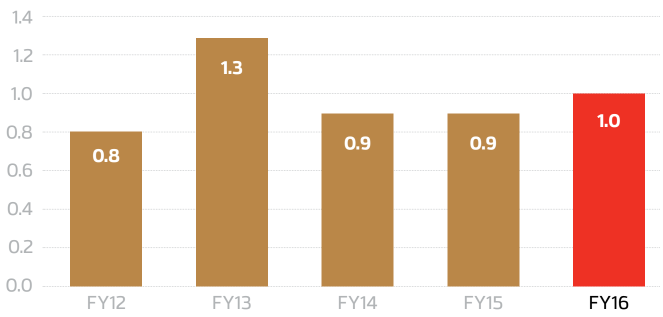
GRAPH 11.0

NET DEBT TO ADJUSTED EBITDA



GRAPH 12.0

DEBT TO EQUITY



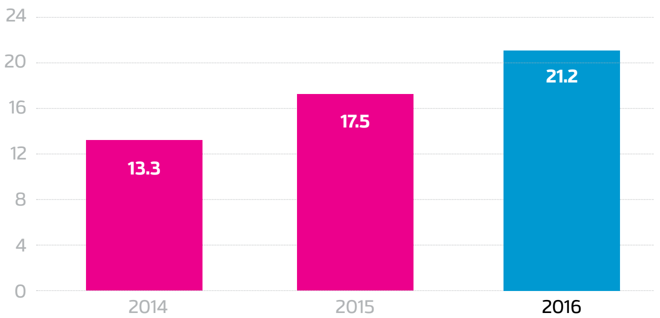
Business Segmentation

CEC Liquid Telecom

CEC Liquid Telecom continues to outperform past financial and operational results. Revenue at USD21 million grew at 17% while gross margin and EBITDA increased by 10% and 293% respectively. The above financials are based on consolidated results of CEC Liquid Telecom incorporating Hai. The company, during the year, secured long term funding to support its expansion projects; mainly new backhaul bandwidth fibre connecting Zambia to Botswana and Namibia. This enables the creation of a robust network, reinforcing the strategy of operating the Zambian network as a regional hub. Further, the business commissioned its first investment in LTE spectrum, a wireless solution for provision of connectivity solutions as an alternative to fibre solution. Further investments are planned in this area to grow the business and realize the expected market disruption. Below is a summary trend of the consolidated financials for CEC Liquid Telecom.

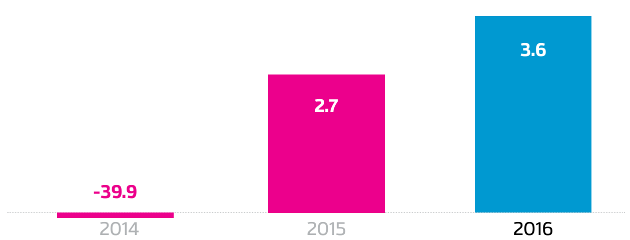
GRAPH 13.0

CEC LIQUID TELECOM REVENUE USD'M



GRAPH 14.0

CEC LIQUID TELECOM EBITDA USD'M



Financial Priorities

The Company's financial priorities during the period included the need to ring-fence the respective businesses in the Group, culminating in the dividend in specie of CEC Africa. Reviewing the cost structure and refocusing revenue generation to address the risks arising from low hydrology in Zambia and the turmoil arising from the low commodity prices, general economic environment and uncertainty on account of the elections in Zambia were equally of attention.

In 2017, focus will be placed on reviewing the capital structure of the business with a view to adopting a more robust capital structure to support the medium to long term strategy of the business which incorporates the need to raise more funding for pipeline projects. As part of this, the analysis to unlock shareholder value on account of the stock's low market capitalization relative to what the Board and management believe to be a fair valuation, will be progressed. Therefore, initiatives aimed at share price formation are being analyzed and an advisor has been retained to guide on this process. This is being undertaken taking into account the need to have the required liquidity of the stock.

Additionally, initiatives aimed at business viability, sustainability and growth are being embarked on. In this regard, from a finance perspective, the business will be supported through the facilitation of required financing for the project pipeline in accordance with the strategy. It is recognized that viability of the electricity sector as a whole is underpinned on the quality of the regulations more so with focus on attainment of efficient cost-reflective tariffs for the sector. Resources will, therefore, be channeled towards the support of the tariff negotiation process and the facilitation of an industry-wide tariff setting framework.

Lastly, the Company will continue to proactively engage its customers so as to protect its cash generation in accordance with the key terms of its contracts.

Outlook

The business outlook is positive with growth expected to be derived from the increase in local power supply demand arising from the commissioning of new mine projects currently under construction. The positive outlook in the copper price demand forecast has further ignited mining activities in Zambia and the DRC, creating an opportunity for increased demand. Lastly, growth is expected to come from the strategy around power trading and focus on the DRC mining supplies market in addition to the support for industry-wide cost reflective tariffs.

Subsequent Events

Subsequent to the reporting period, the Directors on Tuesday, 7th February 2017 recommended an interim dividend of US Cents 1.29 per ordinary share, which translates to 12.80 Ngwee (ZMW0.1280) per share, using the Bank of Zambia mid-rate applicable on the date of declaration. The dividend was paid to the shareholders registered in the share register of the Company at the close of business on Friday, 3rd March 2017. Dividend payments were posted from Monday, 6th March 2017.

Mutale Mukuka
Chief Financial Officer

QUICK FIGURES

Revenue
USD21m

EBITDA GROWTH
33%

Gross margin growth
10%

QUICK FIGURES

Cash and Cash Equivalents
USD45.5m

Interim dividend per ordinary share
ZMW0.1280

Interim dividend per ordinary share
USc1.29

CORPORATE SOCIAL RESPONSIBILITY REPORT

In 2016, CEC Plc's social investment and corporate responsibility undertakings took a markedly collaborative approach as the Company joined hands with others to achieve a common good. Partnership was the thread that ran through the key corporate responsibility projects undertaken by the Company in 2016. Leveraging on the shared resources and expertise of each partner returned tangible benefits to the recipients of the assistance. The report sets out our objectives and performance in five key areas of social infrastructure, health, the environment, education and sport.

Social infrastructure

In an act of stakeholder cooperation evidencing a collective sense of responsibility and desire to positively impact community livelihoods, CEC Plc invested in a joint project with its second largest customer, Mopani, to reconstruct the Mwekera Bridge in Kitwe East. Other partners that joined the project were the Copperbelt Development Foundation Limited, Truckmec Zambia and Mama Africa.

Built at a cost of USD0.159 million shared among the parties in the form of cash, materials, services and technical expertise, Mwekera Bridge is a lifeline for the Kitwe East communities of Zamtan, Kaloko and Mufuchani and is part of the most convenient road link to the city's Central Business District. The bridge collapsed in January 2015 during the 2015/2016 rainy season; leaving the 5000-plus strong inhabitants of Kitwe East, largely engaged in farming, stranded. Accessing health and educational facilities was hampered as was transporting agricultural produce to and from markets.

The bridge reconstruction, which commenced in July and completed in August, was given to the community through the Kitwe City Council in September. The project was as much an investment in people as in infrastructure. It contributed immeasurably to restoring livelihoods of the affected community.

Health

Our belief that health is wealth extends beyond the health of our employees to that of our stakeholders. CEC Plc collaborated with the Provincial Health Office of North-Western Province, the Mwinilung'a District Hospital and local traditional leaders to provide various health services and treatment to the people of Kanyikezhi Village – making it the third time that the Company was involved in taking health services to that particular village. Kanyikezhi is the location to be majorly affected by the Kabompo Gorge Hydroelectric Project.

CEC Plc and its partners provided screening of and treatment for various medical conditions to over 700 residents and, for the first time in the area, cervical and breast cancer screening was made available, in addition to screening and treatment of bilharzia, elephantiasis and malaria. Voluntary counselling and testing for HIV, antenatal and under-five services were also provided.

With a population estimated at 2500, Kanyikezhi is at least 35 kilometres away from the nearest health centre; making regular health outreach an invaluable way of taking medical services closer to the people. The objective is to contribute to the sustainable existence of the community by helping them enjoy better health.

Employees, through Mutende, continued their involvement in community service. In 2016, Mutende supported four different causes, including supporting the needs of the child-focused Kayula Childhood Cancer Foundation (KCCF), paying for a contractor employee's surgical procedure to treat a cancerous growth on the hand and putting an orphaned young man through college. Mutende raised the funds through employee contributions and a fundraising football match between Power Dynamos and Nkana. The "Kick Out Cancer" football match was held specifically to raise money to support the fight against childhood cancer and other life-threatening blood disorders in children. CEC Plc matched the money raised by employees, enabling a donation of USD0.041 million to be made to the Foundation.

Environment

The Company signed a memorandum of understanding with the Kitwe District Forestry Department with respect to CEC Plc rendering financial support of USD0.0187 million to the Ichimpe Tree Nursery. The nursery is aimed at providing seedlings to support reforestation efforts to remedy Kitwe's high deforestation rate and the resulting environmental degradation.

The financial support is in form of purchase of seed, tools, payment for water supply, labour and related costs. Ichimpe has approximately 150,000 exotic trees, a combination of eucalyptus and pine, and about 1,600 fruit trees. The exotic trees can restock about 20 hectares of a depleted forest area. The intention is to use the trees in plantation establishments and for extension activities in schools, farms and streets and to provide practical sensitization activities during annual calendar events such as the World Environment Day.

Education

CEC Plc has been steadfast in investing in young people and their involvement in the sciences. In 2016, the Company spent USD0.004 million in direct material support to the 2016 National Junior Engineers Technicians and Scientists (JETS) Fair. A couple of its engineers also participated in adjudicating the projects. More than 400 young people from all 10 provinces of the country took part. Keeping with that theme, CEC Plc supported the Engineering Institution of Zambia in promoting innovation and entrepreneurship among engineering professionals in Zambia through sponsorship of a fundraising golf event.

Staff participated in various careers fairs held by different schools as part of their reach to guide, particularly senior secondary school pupils, in their career choices. Both the technical and non-technical professions were represented.

Intra-Company, the on-going internship programme designed to provide students from tertiary institutions with first-hand work experience for career development took in a total of 77 students. The program not only exposes students to practical work in industry but also enhances their chances for securing post-qualifying job opportunities.

Sport

Subsidiaries CEC Liquid Telecom and Hai came on as part-sponsors of Power Dynamos in the 2016 season. Total spend on the team was USD0.8 million. Notable changes were made to the technical bench with a new Head Coach taking up the reins mid-season. While the team's on the pitch performance was below expectation on fourth place finish, it was generally better than the previous season. Power Dynamos bagged the Charity Shield and progressed to the semi-finals of the lucrative Barclays Cup but failed to clinch any silverware. On the national front, Power significantly contributed players and technical expertise to the national team.

CSR positively impacts the business, our employees, the environment and the communities we live and work with. The Company remains highly committed to sustainably supporting and investing in what matters to our stakeholders.


MWEKERA BRIDGE
A COMMUNITY INVESTMENT BY:
SEPTEMBER 2016

DIRECTORS' REPORT

COPPERBELT ENERGY CORPORATION PLC

The Directors have pleasure in submitting to the shareholders their report on the audited financial statements of the Company for the year ended 31st December 2016.

The Company continued to be listed on the LuSE and has 50% direct shareholding in CEC Liquid Telecommunications Limited, a joint venture company registered and domiciled in Zambia. CEC Liquid Telecom wholly owns Hai Telecommunications Limited.

1. Shareholding

As at 31st December 2016, the Company had direct shareholding in two companies namely, CEC Liquid Telecom and CEC-KHPL; having divested of its interest in its former subsidiary, the Mauritian-incorporated CEC Africa, in December 2016.

2. Principal Activities

The principal activities of the Company are the generation, transmission, distribution and sale of electricity and telecommunications service provision through its joint venture.

The Company's core business remains the transmission, distribution, generation and sale of bulk electricity, primarily to the mines in Zambia and the DRC. The joint venture, CEC Liquid Telecom, continued with its business of providing wholesale capacity and internet bandwidth as well as the provision of IP connectivity and internet services including corporate connectivity solutions and a host of other ICT services through Hai. There were no significant changes in the nature of the principal activities of the Company during the year under review.

3. Significant Events – Dividend in specie of CEC Africa

On 30th December 2016, by the resolution of the shareholders, a dividend in specie of CEC Africa was implemented. This resulted in the transfer of CEC Africa shares from CEC Plc to qualifying shareholders of CEC Plc. Qualifying shareholders received 1 CEC Africa share for every 1 CEC Plc share held on the record date, being 23rd December 2016. Following the dividend in specie, the Company ceased to hold shares in CEC Africa and to consolidate the entity's results. The value of the dividend in specie was USD1.

4. Share Capital

The authorised and issued and fully paid share capital of the Company is:

	Authorised	Issued	Value
The Company	2,000,000,000	1,625,000,597	ZMW10,000
CEC Liquid Telecom	11,000,000	10,000,000	ZMW1.00

The authorised share capital of the Company is ZMW20,000,000, divided into 2,000,000,000 Ordinary shares of a par value of ZMW0.01 each and 1 Special Share of ZMW1.40 held in the Company by the Government of the Republic of Zambia.

4. Share Capital *(continued)*

As at 31st December 2016, the shareholding in the Company was as follows:

Zambian Energy Corporation (Ireland) Limited	845,000,000
ZCCM Investments Holdings PLC	325,000,000
Private Individuals/Institutions	455,000,597
Government of the Republic of Zambia (Golden Share)	1 Special Share

5. Significant Shareholding in the Company

As at 31st December 2016, substantial shareholding (5% or more) in the Company's share capital was as follows:

Zambian Energy Corporation (Ireland) Limited	52%
ZCCM Investment Holdings PLC	20%
Standard Chartered Zambia Securities Nominees	6.79%
African Life Financial Services	6.59%

6. Activity on the LuSE

The Company continued to be listed and actively traded on the LuSE. A total of 50,324,816 shares were traded in 2016 (2015: 50,073,614) in 1,856 trades, with a turnover of USD3.268 million (ZMW32,546,574.49). The share price averaged ZMW0.70; reaching a 12-month high of ZMW0.87, a low of ZMW0.58 and closed the year at ZMW0.87. The Company's shares are traded in the dematerialized form on the LuSE. CEC Plc's transfer agent is Corpserve Transfer Agents Limited (Corpserve Zambia).

7. Financial Results

Below is a table of financial highlights for the Company over the last three years. The telecoms investments have been equity accounted for in the results shown below. The table also provides financial summary on a business segmentation basis.

	The Company		
USD'000	2016	2015	2014
Revenue	354,626	355,063	291,948
Gross profit	117,722	110,331	88,697
PBIT	(80,218)	68,351	50,135
Net profit	(112,570)	39,525	33,605
Property, plant and equipment (NBV)	385,916	400,435	231,289
Inventory	4,156	2,346	2,869
Current assets	149,168	171,372	161,615
Total assets	585,338	721,654	542,228
Current liabilities	91,408	107,978	112,326
Loans	87,575	101,595	99,740
Non-current liabilities	201,135	232,190	150,424
Equity	292,795	381,486	279,478
Acid test ratio (Times)	1.66	1.56	1.41
Adjusted EBITDA	90,577	69,352	50,135
Return on assets	-13%	5%	6%
Return on equity	-26%	13%	12%
Earnings per share (USD cents)	(0.047)	0.024	0.022

7. Financial Results *(continued)*

	Hai			CEC Liquid Telecom		
USD'000	2016	2015	2014	2016	2015	2014
Revenue	8,607	6,380	7,017	17,239	14,734	13,333
Gross profit	2,895	2,499	3,510	13,451	10,016	7,294
Net loss/profit	(920)	(295)	485	3,172	1,546	(112)
Share of loss/profit	(460)	(148)	243	1,586	773	(56)
Total assets	2,936	2,394	2,511	64,050	54,201	51,236
Total liabilities	3,586	2,121	1,635	27,243	20,567	22,061

8. Going Concern

During the year ended 31st December 2016, CEC Plc made a loss of USD112.57 million (2015: profit USD39.525 million). At that date, the Company's total current assets at USD149.168 million exceeded its total current liabilities of USD91.408 million by USD57.76 million (2015: net current asset position of USD63.394 million)

In the review year, the loss was driven by the impairment of the CEC Africa receivables as well as the impairment of the investment in CEC Africa of USD151.214 million. Going forward, it is expected that the business results will solely be driven by its revenue and cost structure.

During 2017, the focus will be on operationalizing the medium term strategy of the Company. Based on the foregoing, the directors expect the Company to continue as a going concern, realise its assets and discharge its liabilities in the normal course of business. Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

9. Capital Expenditure

The Company's capital expenditure strategy and decisions continued to be focused on minimizing and managing business risks, enhancing customer satisfaction and enhancing future business activities.

The main focus of the capital expenditure programme for this period was on critical business operational areas. In particular, expansion of capacity at major substations to meet customer needs, replacement of system assets that had reached the end of their useful lives, retrofitting and refurbishment of key assets to renew their lives, compliance with regulatory requirements as well as to maintain the required high standards for SHE compliance.

CEC Plc completed two key projects, the second Zambia - DRC interconnector project (two additional transmission lines) at a cost of USD17.8 million and the NFCA South East Ore Body substation project which was funded by the customer and valued at USD13 million.

Additionally, capital expenditure was expended on retrofitting and recommissioning of the gas turbine plant (Avon engine, power turbine volute, controls and fire protection systems), operational vehicles (both light and heavy duty), power transformers, teleprotection upgrades, substation critical spares, wayleave road rehabilitation and automation of the internal finance processes. On routine operational capital expenditure, CEC Plc spent a total of USD8.054 million in 2016 and USD1.52 million in development activities.

10. Insurance

The Company has insured its operational assets against property damage and business interruption. The Company also maintains insurance for its directors in respect of their duties as directors of the Company. Besides the foregoing, the Company has cover for employer's liability, public and product liability, Group personal accident, and motor vehicle.

Total premiums paid during the year for the Company was USD1.786 million (2015: USD1.974 million).

11. Dividends and Transfers to Reserves

The Board reviewed the dividend policy of the Company during the year. The Company will target to achieve a dividend pay-out of 50% of respective year earnings as dividends to its ordinary shareholders. Dividends will be paid from actual accumulated profits arising from the business of the Company in respect of each year.

The Company has a practice of declaring dividends once a year where determined by the Board. In 2016, a cash dividend of USD16.4 million was paid on 7th March 2016. Secondly, a dividend in specie with a fair value of USD1 was approved during the year. The transaction closed on 30th December 2016.

Retained losses taken to reserves as at 31st December 2016 was USD112.57 million.

12. Operations

CEC Plc's main source of energy purchases to supply its customers remained ZESCO. The partial force majeure declared by ZESCO in 2015 due to an energy deficit as a result of low water levels in the country's generating dams remained in force during 2016. In order to mitigate the effects of the 30% reduction in energy supplies under the partial force majeure, the Company continued to meet the shortfall by sourcing some energy from the SAPP market. Energy sales to the mines were impacted by the national energy deficit as well as depressed copper prices on the world market. Total energy sales were 3,521GWh compared to 4,092GWh in 2015. The corresponding average capacity sales were 453MW compared to 532MW in 2015. The corresponding figures for domestic wheeling for ZESCO were 1,290GWh and 1,289GWh respectively.

The Company's power supply network continued to operate satisfactorily. At the start of the 2016/17 rainy season, a number of system disturbances attributed to stormy weather were recorded. However, the impact on customers was effectively mitigated through timely technical interventions by the Company's engineers. The number of incidents of total power failure from the national grid was significantly less than the previous year. In those instances, the full complement of the Company's GTAs was available to provide emergency power to its customers.

Although the security situation was generally calm in 2016, the Company recorded some incidents of vandalism and theft on its electrical infrastructure.

Three cases of vandalism and theft of cables and copper earthing conductors were recorded; as was one case of aggravated robbery of a Company motor vehicle. Prompt combined State Police and CEC Plc security action led to the recovery of the vehicle.

More robust security measures aimed at reducing crime, including awareness campaigns, security liaisons with inter-mine security establishments, the Zambia Police Service and judicial system personnel, have been lined up for 2017.

13. HSES Performance

HSES performance was satisfactory. Losses were recorded in one contractor-based LTA, two reportable incidents and 9 RTAs. Compared to 2015, the road traffic incident frequency rate was higher. Also recorded were six first aid injuries and five system breaches.

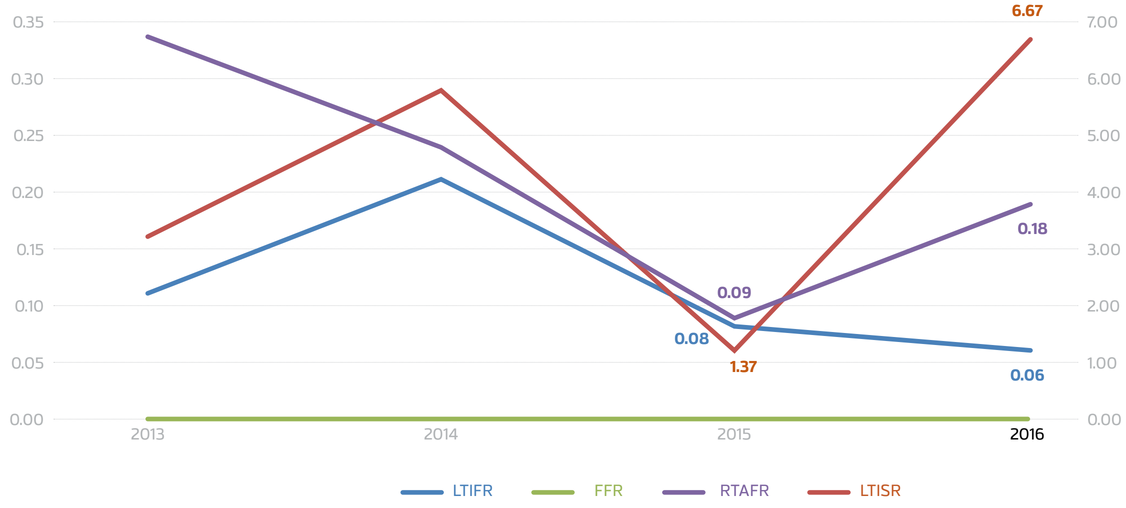
Programmes were undertaken to mitigate identified HSES risks and to foster improvements in performance. Training was undertaken and covered high risk areas including work at heights, management of hazardous substances and risk management. Weekly HSES publications were shared with the staff to raise awareness on various topics and to build a culture where all levels of employees are able to identify, assess and manage hazards in their work spaces. Audits and inspections were also undertaken to verify compliance to HSES policies and legal requirements, and to ensure that the business continues to align with good HSES practices and operates within the regulatory framework. .

The VFL program, aimed at providing a platform for management and supervisory staff to demonstrate their leadership and involvement in building a positive HSES culture, was successfully implemented.

To enhance the Company's readiness to manage both potential and real risks affecting it, business and operational risk registers were reviewed through the existing Risk Management process. Implementation of a number of processes within the scope of the ISO and IFC Performance Standards-based IMS and EMS, respectively, enabled the Company to continue aligning its systems to international standards.

13. HSES Performance *(continued)*

ANNUAL HSES PERFORMANCE



The Company is subject to various environmental regulations including those covering air, water and waste. To ensure projects are undertaken in a manner that is environmentally sound and mindful of the surrounding social and economic needs, the Company undertook ESIAs for new projects and monitored the implementation of ESMPs. Monitoring extended to approval conditions for projects already approved by ZEMA.

There were no contraventions in respect of pollution arising from air emissions, ozone depleting substances and waste management of both hazardous and non-hazardous substances. The Company successfully completed all its obligations under the ESAP. Implementation will continue in the coming year.

Recognizing the potential negative impact of climate change effects on its business model, particularly erratic rainfall patterns and the resultant dwindling water levels in reservoirs, the Company established a tree nursery as an adaptation strategy to climate change.

Trees from the Ichimpe Tree Nursery will be used in plantation establishments and for extension activities in schools, farms and streets and to provide practical sensitization activities among employees and the community.

The Company also undertook public HV sensitizations to enhance community safety and prevent HSES incidents in communities where Company infrastructure exists.

14. Human Resources

The total remuneration for employees in the Company and its joint venture amounted to USD15.61 million compared to USD18.723 million in 2015.

The table below shows the total average number of employees in the Company and its joint venture during the year.

Month	CEC Plc	CEC Liquid Telecom	Hai	Total
January	374	56	68	**498**
February	372	60	71	**503**
March	372	63	79	**514**
April	371	59	81	**511**
May	370	58	81	**509**
June	369	65	80	**514**
July	370	69	79	**518**
August	378	68	81	**527**
September	382	69	81	**532**
October	381	64	78	**523**
November	383	66	81	**530**
December	373	63	81	**517**

*The Company is committed to attracting, developing and retaining individuals capable of delivering its business objectives into the future, thereby contributing to enhanced shareholder value.

15. Accolades and Recognition

The Company received recognition for various aspects of its business and operations from five different institutions in Zambia. The Zambia Development Agency bestowed on CEC Plc its inaugural *Iconic Investor Award* in the local category. This was followed by two prizes picked up at the annual Copperbelt Mining, Commercial and Agricultural Show where the Company emerged the show's overall winner. Adding to the top prize, CEC took first prize in the *Public Services & Utility Companies* category.

CEC Plc was awarded the ZEMA Green Award for 2016 in recognition of its commitment to continuous environmental improvement and demonstrated corporate social responsibility that promotes sound environmental management. Next, the Kitwe & District Chamber of Commerce & Industry recognized the Company's contribution to the social sector, awarding it the top CSR prize for 2016.

The last accolade of the year was by the Zambia Association of Chambers of Commerce and Industry in recognition of CEC Plc as the *Best Performing Stock by Volumes Traded for the Year 2016 on the LuSE.*

16. The Board

16.1 Membership

The Membership of the Board as at 31st December 2016 was as follows:

Non-Executive Directors	
Hanson Sindowe	Chairperson
Munakupya Hantuba	Vice Chairperson
Michael J Tarney	
Abel Mkandawire	
Ronald Tamale	
Reynolds C Bowa	
Mildred T Kaunda	
Emelda Chola	
Kanad Virk	Retired 23rd November 2016
Taimoor Labib	Appointed 23rd November 2016
Independent Non-Executive Directors	
Sixtus Mulenga	
Joe M Chisanga	
Executive Director	
Owen Silavwe	

16.2 Board Governance

16.2.1 Overview

The Articles of Association of the Company provide for a Board of 12 members. As at 31st December 2016, the Board comprised of 11 non-executive directors (including the Chairman). Two of the non-executive directors are independent directors. The Board has one executive director, who is the Managing Director.

The Board has a Charter which clearly establishes its role and responsibilities. The primary role of the Board is to provide strategic guidance to the Company and effective oversight of management and Company performance. To assist in the performance of its role, the Board has established a number of Committees which have specific roles and responsibilities in key areas.

16. The Board *(Continued)*

16.2 Board Governance *(Continued)*

16.2.1 Overview *(Continued)*

Board and Committee meetings are held quarterly with special or additional meetings held as necessary. Briefing material is provided to each director at least seven days prior to each meeting. The Company Secretary is responsible for coordinating the timely completion and despatch of Board meeting agendas and briefing material, and ensuring that Board procedures and applicable laws on Board functions are complied with. The Company Secretary also advises the Board on governance issues. The Chief Financial Officer is in attendance at all Board and Committee meetings. Designated senior executives are also in attendance at Committee meetings. This provides senior executives an opportunity to participate in board discussions at Committee level and further enables directors to meet and engage with them on matters of particular interest.

During the year, the Board held a strategy meeting on 5th February 2016. A Board Corporate Governance retreat was held in Lusaka on 25th August 2016.

16.2.2 Board Appraisal and Training

The Board has established a process to evaluate its performance, undertaken through an annual induction of the Board and Committees. The composition of the Committees is reviewed by the Board from time to time. Directors must keep the Board advised of any interest that could potentially conflict with their role as directors and the Company.

Induction programmes were also carried out for new Directors, which included reviewing the Company's structure, strategy, operations, financials, projects, legal issues, risk management policies and corporate governance issues.

16.2.3 The Board and Governance Policies

a. Conflict of Interest Policy

The Company has a Conflict of Interest policy in place to assist directors and employees disclose potential conflicts of interest.

b. Insider Trading Policy

The Company has an Insider Trading Policy which requires that:

Directors, key management personnel, officers and employees refrain from dealing in the Company's securities, during closed periods between the close of the Company's half year (30th June) and annual reporting (31st December) periods and the relevant results or during prohibited periods whilst in possession of price sensitive information not yet released to the market.

16.2.4 Directors and Trade in Company Securities

The Board Charter requires that written notification is provided to the Chairman for any trade in the shares of the Company by a director.

17. Meetings Attendance

Directors' Meetings

The table below shows attendance of each director and alternate director at Board and Committee meetings (scheduled and unscheduled) held during the year

	BOARD	EXCOM	AUDIT	RED	IC	SHE	RISK	NOM
Number of meetings held in the year	8	6	6	4	4	4	4	1
Director								
Hanson Sindowe	8	5	2	-	2	-	-	1
Munakupya Hantuba	7	6	1	-	2	2	-	1
Emeldah Chola	3	-	-	-	-	-	-	-
Michael J. Tarney	8	6	6	-	3	1	4	-
Abel Mkandawire	8	-	-	4	-	4	-	1
Ronald Tamale	7	6	6	-	4	-	4	-
Reynolds C. Bowa	7	6	-	-	4	-	3	-
Owen Silavwe	8	6	5	3	4	3	4	-
Joe M. Chisanga	7	-	6	-	-	-	4	-
Sixtus Mulenga	7	-	-	3	-	4	-	-
Mildred T. Kaunda	6	-	6	4	-	4	-	-
*Kanad Virk	3	1	3	-	2	1	-	-
**Taimoor Labib	1	-	-	-	-	-	-	-
• Derek Chime	3	1	2	-	2	-	-	-
• Oscar Kalumiana	2	-	-	-	-	-	-	-
• Clement Saasa	1	-	-	-	-	-	-	-

* *Kanad Virk retired from the Board on 23rd November 2016*
** *Taimoor Labib was appointed to the Board on 23rd November 2016*
• *Alternate Director*

The table below shows the composition of Board Committees as at 31st December 2016.

Board Committees

Executive Committee

Members

Munakupya Hantuba (Chairperson)
Hanson Sindowe
Michael Tarney
Ronald Tamale
Mildred Kaunda
Owen Silavwe

Responsibilities/Functions

The Committee exercises and has all powers of the Board in the management of the business and the affairs of the Company during the intervals between meetings of the Board.

2016 Key Highlights

- Attended to all critical urgent Board business between scheduled meetings
- Provided oversight over strategic plan goals
- Reviewed and approved Executive compensation
- Provided oversight on material litigation
- Provided routine monitoring of the Company's operations and Group activities
- Took final action or as required authorized sign off of material Board decisions as delegated.

In this regard the Committee provided Board oversight on the following material issues:

- The Company's strategic plans on the country's power deficit situation
- The ongoing review of electricity tariffs
- The secondary listing process
- The divesture of Group operations and the Group restructuring
- The CEC Africa/Xerxes Arbitration matter

17. Meetings Attendance *(Continued)*

Board Committees *(Continued)*

Audit Committee
Members Joe M Chisanga (Chairperson) Ronald Tamale Mildred Kaunda Taimoor Labib
Responsibilities/Functions The Committee provides oversight on the effectiveness of the Company's operational and financial reporting systems and accuracy of information, and sees that the Company's published Financial Statements represent a true and fair reflection. The Committee is responsible for ensuring that appropriate accounting policies, controls and compliance procedures are in place in the Company and that compliance management and other internal control activities are operating effectively. **2016 Key Highlights** During the year under review, the audit committee met on a quarterly basis to review and approve the following: • 2015 Financial Statements and Directors' Report • 2015 External Auditors' Management Letter • 2015 LuSE Corporate Governance Compliance Report • 2015 Annual Report of the Audit Committee • Quarterly Management Accounts • Quarterly Directors and Senior Management Expenses Report • Half Year (2016) Financial Statements • 2017 Operating and Capital Budget • Group Internal Audit Reports Issued • Group Key Performance Indicators • Internal Audit Charter • 2016 External Audit Timelines

Safety, Health and Environment Committee
Members Sixtus Mulenga (Chairperson) Michael Tarney Abel Mkandawire Owen Silavwe

17. Meetings Attendance *(Continued)*

Board Committees *(Continued)*

Responsibilities/Functions

Responsible for ensuring that the management of SHE matters in the Company is aligned with the overall business strategy of the Company and is geared towards attainment of its commitments and obligations in these fields.

2016 Key Highlights

- Approved and monitored, on a quarterly basis, the implementation of the HSES policies and the 2016 SHE Top Drivers
- Examined all significant HSES incidents during the year and followed through the closure of recommended actions from the incidents
- Endorsed the Corporate Environmental Management System Manual and its implementation across all operations

Monitored the implementation of the Company's obligations under the Lenders ESAP; and launched the Company's VFL program by conducting a felt leadership inspection at CSS

Investment Committee

Members

Ronald Tamale (Chairperson)
Hanson Sindowe
Michael Tarney
Munakupya Hantuba
Reynolds Bowa
Taimoor Labib
Owen Silavwe

Responsibilities/Functions

The Committee is responsible for ensuring a streamlined approach to the various business growth opportunities under consideration by the Company. Provides initial screening of projects, monitoring, oversight and strategic direction for business development in the Company. Provides focused guidance to grow the business through projects outside the core business.

2016 Key Highlights

- Reviewed its Terms of Reference to ensure that they were current and remained aligned to achieving the objectives for which the Committee was established
- Reviewed and approved the Investments Policy, the Project Screening and Selection Procedure and the Investments Monitoring Procedure

Risk Committee

Members

Reynolds Bowa (Chairperson)
Joe M Chisanga
Michael Tarney
Ronald Tamale
Owen Silavwe

17. Meetings Attendance *(Continued)*

Board Committees *(Continued)*

Responsibilities/Functions

Responsible for ensuring that business risks are effectively mitigated within the Group.

2016 Key Highlights

- Focused on the integration of the risk management culture at all levels of the Group and driven by senior management teams
- Considered the way in which the key risks facing the Group were being managed and controlled and how such risks affected the Group's business activities and financial results
- Reviewed the actions taken by each business unit to minimize the occurrence and mitigate the severity of anticipated risks; and
- Focused on management of the operations-related risks, given the underlying challenges in the operating environment

Nominations Committee

Members

Hanson Sindowe (Chairperson)
Abel Mkandawire
Munakupya Hantuba

Key Responsibilities/ Functions

The Committee is responsible for identifying candidates who are qualified to be appointed as Independent Non-Executive Directors of the Board and determines the qualifications, positive attributes and independence of such candidates for recommendation to the shareholders of the Company at the AGM of the Company.
The Committee evaluates and recommends the appointment of members to the Board Committee and determines the size and composition of the Committees. It ensures that the membership of each committee consists of directors who have diverse and complementary skills and perspectives and experience and that the Committees reflect a balanced geographical makeup of the shareholders of the Company. Responsible for assisting the Board to ensure that there is an appropriate mix of skills, experience and diversity in order to provide an effective oversight of the Company.

Key 2016 Highlights

- Reviewed the membership diversity of the Committees to ensure effective participation at Committee level by all Directors and effected leadership changes in the chairmanship of some of the Committees to provide for rotation and balance of responsibilities in the Committees.
- Nominated appointment of Joe M Chisanga and Sixtus Mulenga as Independent Non-Executive Directors of the Company for appointment by the shareholders at the AGM of the Company held on 31st March 2016 at which the appointments were adopted.

Remuneration and Employee Development Committee

Members

Abel Mkandawire (Chairperson)
Sixtus Mulenga
Mildred Kaunda
Owen Silavwe
Munakupya Hantuba

17. Meetings Attendance *(Continued)*

Board Committees *(Continued)*

Key Responsibilities/Functions

Provides strategic guidance and oversight people's manamgement in the Company and is responsible for formulating remuneration policies and principles that promote the success of the Company; for management appointments, organisation structure, reviewing arrangements for succession planning and management development, and determining the remuneration of employees.

Key 2016 Highlights

- Reviewed for approval of the Board the following human resources management policies:
    - Gender Policy (New)
    - Organisation Development Policy (Reviewed)
    - Performance Management
    - Policy (Reviewed)
    - Talent Acquisition
    - Policy (Reviewed)
    - Talent Development
    - Policy (Reviewed)
    - Remuneration Management Policy (New)

- Provided guidance on the development of a talent management system
- Reviewed the Company's action plan for complying with the Employment (Amendment) Act 2015 in the areas of Contract Monitoring and Reporting, Management of Terminations and Change Management
- Reviewed and recommended for Board approval the mandate for the 2016 Collective Bargaining session with the MUZ, which was adopted and;
- Reviewed and recommended for Board approval the new Company organisation structure, and provided guidance on its roll-out

Directors' Interests in Contracts

There were no contracts of significance during or at the end of the financial year in which a director is or was materially interested other than through shareholding interests.

Directors' Interests in the Company

Directors' interest in the shares of the Company are shown in the table below:

	2016	2015	2014	2013	2012
Total ordinary issued Shares of the Company	1,625,000,957	1,625,000,597	1,625,000,000	1,000,000,000	1,000,000,000
Direct shareholding					
Hanson Sindowe	-	1,774,567	1,775,000	1,092,000	2,092,000
Michael J Tarney	2,354,148	2,354,148	1,838,000	1,838,000	1,838,000
Reynolds Bowa	-	184,864	510,050	-	-
Owen Silavwe	982,500	650,000	650,000	400,000	400,000
Munakupya Hantuba	343,615	-	344,000	19,000	19,000
Indirect shareholding	-	-	-	-	-
Hanson Sindowe	300,092,866	300,092,866	180,053,000	110,802,000	110,802,000
Michael J Tarney	166,596,215	166,596,215	99,959,000	61,513,000	61,513,000
Abel Mkandawire	153,246,550	153,246,550	92,388,000	56,854,00	56,854,00

18. Directors' Fees and Executive Management Remuneration

The Company paid USD3.553 million to executive managers (2015: USD3.826 million) as remuneration and USD0.970 million (USD0.343 million) to Non-Executive Directors as directors' fees in 2016.

There was USD0.029 million outstanding as ESOP loans from the executive managers at the year end. Members of the Board were not entitled to any form of defined pension benefits from the Company.

19. CSR

The Company is committed to making a positive difference to people and the communities in which its entities operate. During the year, the Company made donations and undertook sponsorships to support a number of social and economic initiatives, and charitable causes. The total cost for social support in 2016, including football, was USD1.152 million.

20. Compliance

The directors confirm that the Company is not in violation of any laws and regulations that would hereby have a material adverse effect on the operation of the business and that the Company has obtained all material licences and permits that are necessary to enable the Company carry out its business.

21. Significant Changes in the State of Affairs

There are no significant changes in the state of affairs of the Company that occurred during the financial year under review.

22. Other Material Facts, Circumstances and Events

The directors are not aware of any material facts, circumstances or events which occurred between the accounting date and the date of this report which might influence an assessment of the Company's financial position or the results of its operation.

23. Corporate Governance

The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and practices in place to ensure they meet the interests of shareholders. The Company complies with the LuSE Conflict Governance.

24. Auditors

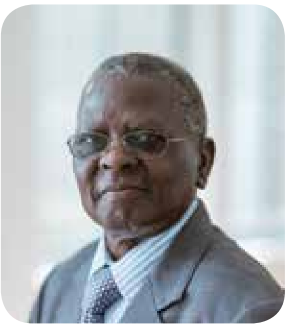
At the last AGM of the shareholders of the Company, Messrs KPMG were appointed as auditors of the Company.

In accordance with the Company's Articles of Association, Messrs KPMG will retire as auditors of the Company at the conclusion of the forthcoming AGM and have expressed willingness to continue in office, a resolution for their appointment and fixing their remuneration will be tabled at the AGM.

By order of the Board

Julia C Z Chaila
Company Secretary
7th March 2017

BOARD OF DIRECTORS & SECRETARY



HANSON SINDOWE
Non-Executive

MUNAKUPYA HANTUBA
Non-Executive

OWEN SILAVWE
Executive

MICHAEL J. TARNEY
Non-Executive

ABEL MKANDAWIRE
Non-Executive

REYNOLDS C. BOWA
Non-Executive

MILDRED T. KAUNDA
Non-Executive

JOE M. CHISANGA
Non-Executive

SIXTUS MULENGA
Non-Executive

EMELDAH CHOLA
Non-Executive
Special Shareholder
Representative

TAIMOOR LABIB
Non-Executive
(Appointed 23rd November 2016)

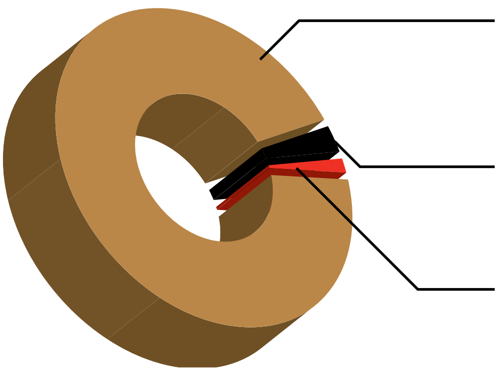
RONALD TAMALE
Non-Executive

KANAD VIRK
Non-Executive
(Retired 23rd November 2016)

JULIA C. Z. CHAILA
Company Secretary

CEC PLC'S STATUS OF COMPLIANCE TO CORPORATE GOVERNANCE RULES

A review of CEC Plc's compliance with the LuSE Regulations (i.e. LuSE Corporate Governance Code and Listings Requirements) as at 31st December 2016 showed that full compliance rate was at 97%. A summary of the compliance status is shown in the chart below.



	CATEGORY	TOTAL RULES	APPLCABLE TO CEC Plc	NOT APPLCABLE TO CEC Plc	FULL COMPLIANCE	PARTIAL COMPLIANCE	NON COMPLIANCE	%NA	%FC	%PC	%NC
1	General Matters	16	16		15	1		0	94	6	0
2	Chairman & CEO	4	4		4			0	100	0	0
3	Executive & Non-Executive Directors	6	6		5	1		0	83	17	0
4	Director Compensation	9	9		8		1	0	89	0	11
5	Shares & Share Dealings	4	3	1	3			28	100	0	0
6	Board Meetings	4	4		4			0	100	0	0
7	Board Evaluations	1	1		1			0	100	0	0
8	Company Secretary	3	3		3			0	100	0	0
9	Board Committees	10	10		10			0	100	0	0
10	Legal & Compliance	2	2		2			0	100	0	0
11	Dividends and Interest	4	4		4			0	100	0	0
11	Financial Statements	3	3		3			0	67	33	0
12	External Audit	6	6		6			0	100	0	0
13	Internal Audit	12	12		12			0	100	0	0
14	Risk	7	7		7			0	100	0	0
15	Integrated Sustainability Reporting	7	7		7			0	100	0	0
16	Disclosure & Stakeholder Reporting	4	4		4			0	100	0	0
17	Organisation Integrity	6	6		6			0	100	0	0
	Totals	**108**	**107**	**1**	**104**	**2**	**1**	**1**	**97**	**2**	**1**

SUMMARY OF AREAS THAT ARE NOT FULLY COMPLIANT

1. AREAS OF NON-COMPLIANCE

i) The Company should have a justifiable long-term incentive program for management.

2. AREAS OF PARTIAL COMPLIANCE

i) The LuSE must be promptly furnished (within 30 days of the meeting being held) with the following:

- Notices of annual general meetings;
- The annual financial statements;
- Notices of general meetings;
- Minutes of the annual general meetings or general meetings.

ii) Through the sponsoring broker, notify the LuSE of any change to the board of directors or company secretary including:

- the appointment of a new director or company secretary;
- the resignation, removal, retirement or death of a director or of the company secretary; and/or
- changes to any important functions or executive responsibilities of a director;

3. AREAS THAT ARE NOT APPLICABLE

i) Where share options have been granted to non-executive directors, the board must obtain the prior approval of share owners and meet the specific requirements of the Companies Act.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

CONTENTS

Directors' responsibilities in respect of the preparation of financial statements

The directors are responsible for the preparation and fair presentation of the financial statements of Copperbelt Energy Corporation Plc, comprising the statement of financial position as at 31st December 2016, and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include summaries of significant accounting policies and other explanatory notes, in accordance with IFRS, and the requirements of the Companies Act of Zambia. In addition, the directors are responsible for preparing the Annual Report.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with applicable financial reporting framework, as described above.

In December 2016, the Securities Act of Zambia was enacted, which is applicable to listed entities and, therefore, to the Company. It contains a requirement for the auditor of a listed Company or Company whose securities are registered with the SEC to, in the audit report of the Company, issue a statement as to the existence, adequacy and effectiveness or otherwise of the internal control system of the Company.

The Act did not specify the relevant internal control framework to use in this assessment, and no transitional guidance has been provided by the regulator as at the date of this report. The Company was, therefore, unable to engage their auditors to perform the work which would be required to issue this statement for the year ended 31st December 2016. This is reflected in the audit report.

Approval of the financial statements

The financial statements of Copperbelt Energy Corporation Plc, as identified in the first paragraph, were approved by the Board of directors on **7th March 2017** and were signed on its behalf by:

Hanson Sindowe	Owen Silavwe	Joe M. Chisanga
Director	*Director*	*Director*

KPMG Chartered Accountants
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Addis Ababa Roundabout
Rhodes Park, Lusaka
PO Box 31282
Lusaka, Zambia

Telephone +260 211 372 900
Website www.kpmg.com

Independent auditor's report to the shareholders of Copperbelt Energy Corporation Plc

Report on audit of the financial statements

Opinion

We have audited the financial statements of Copperbelt Energy Corporation Plc ("the Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies as set out on pages 48 to 82.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Copperbelt Energy Corporation Plc as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zambia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical requirements in accordance with the IESBA Code. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Shares in CEC Africa Investments Limited (CEC Africa) distributed as a dividend in specie
Refer to Note 14 to the financial statements.

The key audit matter	*How the matter was addressed in our audit*
The shares in CEC Africa were impaired by the Company during the year reducing the investment value to USD1. The shares were then distributed to CEC Plc's shareholders through a dividend in specie for USD1 following the restructuring of the CEC Plc group at the end of the year. The initial impairment was, however, not triggered by an impairment of assets at the CEC Africa Group level but was determined by valuing CEC Africa, its subsidiaries and associates using a discounted cash flow valuation model. Given that the impairment was not triggered at the CEC Africa Group level and that CEC Africa is not publicly listed, significant estimation and judgement was applied in determining the fair value of CEC Africa and therefore the fair value of the dividend in specie. As a result, this matter was considered a key audit matter.	We obtained the directors' valuations used to determine the impairment of CEC Africa and, with the assistance of KPMG valuation specialists that formed part of the audit team, we:- ▪ Assessed the appropriateness of the valuation methodology used; ▪ Challenged the reasonableness of the assumptions applied in the valuations; ▪ Compared the inputs used to determine the fair value to externally available information to assess for reasonableness; and ▪ Evaluated the adequacy of the financial statements disclosures as set out in note 14.

Electricity tariff increase dispute contingency
Refer to Note 31 to the financial statements.

The key audit matter	*How the matter was addressed in our audit*
Following a tariff increase by the energy regulator, Energy Regulation Board (ERB) in April 2014 and another increase effective 1 January 2016, the Company and other stakeholders in the industry have challenged the increase in the tariffs in the High Court by way of a Judicial Review. As a result of the dispute, CEC Plc has not been paying its electricity supplier (ZESCO) the full invoice value for the electricity supplied but has been making payments based on the old tariff before the ERB adjustments. No provision has been recognised in respect of the difference between the old tariff amount recognised by the Company and the amount invoiced by ZESCO. The old tariff used in computing the Company's electricity consumption recognised in cost of sales and the resultant amounts payable to ZESCO, was subject to an annual adjustment based on agreed market indices. The Company has applied these indices unilaterally without ZESCO's agreement. ZESCO has also not confirmed the accuracy of the amounts paid to them. A contingent liability has been disclosed in note 31 in respect of this dispute. Given the significance of the dispute and the impact the disputed amount of USD 275.6 million may have on CEC Plc's liquidity, the matter was considered a key audit matter.	Our audit procedures included amongst others: ▪ Confirming, with the assistance of KPMG technical accounting specialists, the appropriateness of not recognising a provision in respect of the difference between the amount payable based on the old versus new tariffs but rather disclosing the matter as a contingent liability; ▪ Obtaining and inspecting supporting documentation to assess the reasonableness of the directors' position on the matter. This included reviewing contracts between ZESCO and the Company which formed the basis of the legal challenge and reviewing relevant court documents; ▪ We tested the accuracy of management's computation of the electricity payable to ZESCO by reviewing contracts that established the old tariff structure and reviewed other relevant public information relating to this matter. By applying the information obtained, we then recomputed the electricity consumption recognised in cost of sales; and ▪ We assessed the adequacy of the contingent liability disclosures around the matter as set out in note 31.

Other Information

The Directors are responsible for the other information. The other information comprises all of the information included in the Annual Report, but 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 an audit opinion or any form of assurance 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, 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 Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zambia, 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 are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company 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.

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

Report on Other Legal and Regulatory Requirements

In accordance with Section 173 (3) of the Companies Act of Zambia, we report that, in our opinion, the required accounting records and registers have been properly kept in accordance with the Act.

In accordance with Section 149 of The Securities Act, 2016, we report as follows:

In terms of relevant International Standards applicable to audit, review and other assurance engagements we were unable to accept and perform an engagement on the existence, adequacy and effectiveness or otherwise of the internal control system of the Company, as required by section 149 of the Securities Act, for the Act does not specify which internal control framework to use in assessment of the Company's internal control. We have not performed any audit, review or other assurance engagement in relation to these matters and accordingly we do not express any assurance opinion or conclusion thereon.

KPMG

KPMG Chartered Accountants **10 March 2017**

Maaya Chipwayambokoma **AUD/F000861**
Partner

Statement of financial position
As at 31 December 2016

In thousands of USD	*Note*	**2016**	2015
Assets			
Property, plant and equipment	12	**385,916**	400,434
Development costs	13	**32,618**	31,098
Investment in subsidiaries	14	**1**	100,001
Investment in joint venture	15	**17,635**	15,794
Loans to subsidiary	16	**-**	2,955
Non-current assets		**436,170**	550,282
Inventories	17	**4,156**	2,346
Loans to subsidiary	16	**-**	40,000
Trade and other receivables	18	**86,243**	86,991
Current tax assets	10(d)	**10,684**	-
Amount due from related parties	26(i)	**2,501**	1,844
Cash and cash equivalents	19	**45,584**	40,191
Current assets		**149,168**	171,372
Total assets		**585,338**	721,654
Equity			
Share capital	20	**2,849**	2,849
Share premium		**60,078**	60,078
Revaluation reserve		**135,822**	151,200
Retained earnings		**94,046**	167,359
Total equity		**292,795**	381,486
Liabilities			
Loans and borrowings	21	**73,555**	87,575
Other payables	22	**47,508**	49,617
Employee benefits	23	**2,190**	3,860
Deferred income	24	**13,294**	12,180
Deferred tax liabilities	10(e)	**64,588**	78,958
Non-current liabilities		**201,135**	232,190
Current tax liabilities	10 (d)	**-**	5,471
Loans and borrowings	21	**14,020**	14,020
Trade and other payables	25	**77,324**	88,471
Amounts due to related parties	26(ii)	**64**	16
Current liabilities		**91,408**	107,978
Total liabilities		**292,543**	340,168
Total equity and liabilities		**585,338**	721,654

These financial statements were approved by the Board of Directors on 7th **March 2017** and were signed on its behalf by:

Hanson Sindowe
Director

Owen Silavwe
Director

Joe M. Chisanga
Director

The notes on pages 52 to 82 form an integral part of these financial statements

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2016

In thousands of USD	Note	2016	2015
Revenue	5 (i)	**354,626**	355,063
Cost of sales		**(236,904)**	(244,732)
Gross profit		**117,722**	110,331
Other income	5(ii)	**2,888**	7,943
Share of profit from joint venture	15	**1,841**	-
Impairment of investment in subsidiary	14	**(100,000)**	-
Impairment of loans to subsidiary	16	**(51,214)**	-
Operating expenses	6	**(51,455)**	(49,923)
Operating (loss)/profit		**(80,218)**	68,351
Finance income	8	**1,499**	36
Finance costs	9	**(6,768)**	(7,312)
Net finance costs		**(5,269)**	(7,276)
(Loss)/profit before income tax		**(85,487)**	61,075
Income tax expense	10 (a)	**(27,083)**	(21,550)
(Loss)/profit for the year		**(112,570)**	39,525
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation surplus		**-**	116,571
Defined benefits plan actuarial gains	23(iii)	**2,608**	1,096
Related tax	10(b)	**37,671**	(41,184)
Other comprehensive income, net of tax		**40,279**	76,483
Total comprehensive income		**(72,291)**	116,008
Basic and diluted earnings per share	11	**(0.069)**	0.024

The notes on pages 52 to 82 form an integral part of these financial statements

Statement of changes in equity
for the year ended 31 December 2016

In thousands of USD	Share capital	Share premium	Revaluation reserve	Retained earnings	Total
Balance at 1 January 2015	2,849	60,078	91,349	125,202	279,478
Total comprehensive income					
Revaluation surplus	-	-	116,571	-	116,571
Related tax	-	-	(40,800)	-	(40,800)
Profit for the year	-	-	-	39,525	39,525
Defined benefit plan actuarial gain	-	-	-	1,096	1,096
Related tax	-	-	-	(384)	(384)
Amortisation of revaluation reserve	-	-	(15,920)	15,920	-
Total comprehensive income	-	-	59,851	56,157	116,008
Transactions with owners of the Company					
Dividend paid	-	-	-	(14,000)	(14,000)
Balance at 31 December 2015	2,849	60,078	151,200	167,359	381,486
Balance at 1 January 2016	**2,849**	**60,078**	**151,200**	**167,359**	**381,486**
Total comprehensive income					
Loss for the year	**-**	**-**	**-**	**(112,570)**	**(112,570)**
Defined benefits plan actuarial gain	**-**	**-**	**-**	**2,608**	**2,608**
Related tax	**-**	**-**	**-**	**37,671**	**37,671**
Amortisation of revaluation reserve	**-**	**-**	**(15,378)**	**15,378**	**-**
Total comprehensive income	**-**	**-**	**(15,378)**	**(56,913)**	**(72,291)**
Transactions with owners of the Company					
Dividends paid	**-**	**-**	**-**	**(16,400)**	**(16,400)**
Balance at 31 December 2016	**2,849**	**60,078**	**135,822**	**94,046**	**292,795**

Retained earnings

Retained earnings are the carried forward recognised income, net of expenses of the Company, plus current year's profit attributable to the shareholders, less dividend paid.

Share premium

The share premium relates to the excess amounts paid by the shareholders on the issue of share capital net of pre-incorporation costs.

Revaluation reserves

Revaluation reserve is a non-distributable reserve which represents revaluation surplus on all classes of assets net of deferred tax.

The notes on pages 52 to 82 form an integral part of these financial statements

Statement of cash flows
for the year ended 31 December 2016

In thousands of USD	Note	2016	2015
Cash flows from operating activities			
(Loss)/profit before tax		**(85,487)**	61,075
Adjustments for:			
Depreciation	12	**21,423**	11,600
(Loss)/profit on disposal of plant and equipment		**756**	(16)
Share of profit from joint venture	15	**(1,841)**	-
Adjustment on property, plant and equipment		**393**	3,986
Reversal of impairment provision		**-**	(500)
Impairment of investment in subsidiary	14	**100,000**	-
Impairment of loans to subsidiary	16	**51,214**	-
Finance income	8	**(1,499)**	(36)
Finance costs	9	**6,768**	7,312
Operating profit before changes in working capital		**91,727**	83,421
Changes in:			
- Inventories		**(1,810)**	524
- Trade and other receivables		**748**	(8,560)
- Amounts due from related parties		**(657)**	(151)
- Amounts due to related parties		**48**	(10)
- Deferred income and employee benefits		**52**	(2,030)
- Trade and other payables		**(5,031)**	5,136
Cash generated from operating activities		**85,077**	78,330
Interest paid	9	**(6,768)**	(7,312)
Income tax paid	10(d)	**(19,937)**	(23,282)
Net cash generated from operating activities		**58,372**	47,736
Cash flows from investing activities			
Acquisition of plant and equipment	12	**(8,054)**	(20,516)
Proceeds from disposal of plant and equipment		-	16
Interest received	8	**1,499**	36
Development costs	13	**(1,520)**	(3,354)
Net cash used in investing activities		**(8,075)**	(23,818)
Cash flows from financing activities			
Proceeds from loans and borrowings	21	**-**	15,000
Grants received	24	**2,000**	5,000
Loans advanced to subsidiary	16	**(8,259)**	(1,374)
Repayment of loans and borrowings	21	**(14,020)**	(13,145)
Repayment of customer financed long term payable	22	**(8,225)**	(8,391)
Dividends paid		**(16,400)**	(14,000)
Net cash used in financing activities		**(44,904)**	(16,910)
Net increase in cash and cash equivalents		**5,393**	7,008
Cash and cash equivalents at 1 January		**40,191**	33,183
Cash and cash equivalents at 31 December	19	**45,584**	40,191

The notes on pages 52 to 82 form an integral part of these financial statements

Notes to the financial statements
for the year ended 31 December 2016

1 Reporting entity

CEC is domiciled in the Republic of Zambia. The address of the Company's registered office is 23rd Avenue, Nkana East, Kitwe. These financial statements comprise the Company, and joint venture. Its principal business activity is the generation, transmission, distribution and sale of electricity.

2 Basis of accounting

The financial statements have been prepared in accordance with IFRS and the requirements of the Companies Act of Zambia.

Details of the Company's accounting policies are included in note 28.

3 Functional and presentation currency

These financial statements are presented in USD, which is the Company's functional currency. All the amounts have been rounded to the nearest thousand unless otherwise indicated.

4 Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are included in the following note:

- Note 15 - classification of the Joint arrangement.

B. Assumptions and estimation uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31st December 2017 is included in the following notes:

- Note 23 - measurement of defined benefit obligations: key actuarial assumptions; and
- Note 31 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resource.

Notes to the financial statements

for the year ended 31 December 2016

In thousands of USD

4 Use of judgements and estimates *(continued)*

Measurement of fair value

A number of the Company's accounting policies and disclosure require the measurement of fair values; for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

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

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

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

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

Further information about the assumption made in measuring fair value is included in the following note:

- Note 14 – Investment in subsidiaries.

5 i. Revenue

	2016	2015
Electricity transmission	**223,682**	277,586
Wheeling – domestic	**11,407**	11,709
Power trading	**119,537**	64,009
Other	**-**	1,759
	354,626	355,063

ii. Other income

	2016	2015
Sundry income	**2,888**	7,943

Change in classification

During the year, power trading has been reclassified as revenue from other income as per IAS 18, *revenue recognition*. The revenue arose in the course of ordinary activities of the entity (transmission, generation, distribution and sale of electricity). Management decided to reclassify the revenue from power trading in compliance with IAS 18 as the business line has become recurring, sustainable and the amounts involved have become significant over time. Comparative amounts in the statement of profit or loss have been reclassified for consistency.

Notes to the financial statements
for the year ended 31 December 2016

In thousands of USD

6 Operating expenses

	2016	2015
Depreciation of property and equipment	**21,423**	11,600
Personnel and staff related costs (note 7)	**15,641**	18,723
Non-executive directors' fees and benefits	**970**	343
Auditors' remuneration – audit services	**182**	172
Tax services	**10**	10
Insurance costs	**1,786**	1,974
Stores and maintenance	**2,184**	2,809
Football expenses	**1,060**	1,169
Project costs	**18**	570
Donations	**92**	335
Council rates	**298**	435
Impairment of property, plant and equipment	**-**	3,986
Other operating expenses	**7,791**	7,797
	51,455	49,923

7 Personnel and staff related costs

	2016	2015
Salaries and wages	**9,353**	12,747
Retirement benefits	**993**	782
Pension contribution and provisions	**26**	1,466
Other staff costs differentials and bonuses	**4,360**	3,140
Staff medical costs	**449**	182
Staff training	**460**	406
	15,641	18,723

8 Finance incomes

	2016	2015
Interest on overdue debtors	**1,343**	-
Interest earned – other	**156**	36
	1,499	36

9 Finance costs

	2016	2015
Interest on bank loans	**6,768**	7,312

10 Income taxes

a. Amount recognised in profit or loss

	2016	2015
Current tax expense (note 10 (d))	**3,782**	17,339
Deferred tax expense	**23,301**	4,211
Total income tax expense (note 10 (c))	**27,083**	21,550

The tax expense excludes the Company's share of the tax expense of equity accounted investments of USD1.409 million (refer to note 15).

Notes to the financial statements
for the year ended 31 December 2016

In thousands of USD

10 Income taxes *(continued)*

b. Amounts recognised in other comprehensive income

	2016	2015
Revaluation surplus	**(38,584)**	40,800
Actuarial gain	**913**	384
	(37,671)	41,184

c. Reconciliation of the tax charge

	2016	2015
(Loss)/profit before tax	**(85,487)**	61,075
Income tax using domestic tax rate	**(29,920)**	21,376
Non-deductible expenses	**34,643**	(686)
Exchange differences on property, plant and equipment	**22,360**	860
Tax charge (note 10 (a)	**27,083**	21,550

d. Current tax (assets)/liabilities

	2016	2015
At the beginning of the year	**5,471**	11,414
Charge for the year (note 10 (a))	**3,782**	17,339
Payments made during the year	**(19,937)**	(23,282)
At the end of the year	**(10,684)**	5,471

e. Deferred tax liabilities

Movement in deferred tax balances

2016	**Balance 1 January 2016**	**Recognised in profit or loss**	**Recognised in OCI**	**Balance 31 December 2016**	**Deferred tax assets**	**Deferred tax liability**
Property, plant and equipment	**39,740**	**25,390**	**-**	**65,130**	**-**	**65,130**
Revaluation surplus	**38,584**	**-**	**(38,584)**	**-**	**-**	**-**
Employee benefits	**805**	**(2,484)**	**913**	**(766)**	**(766)**	**-**
Unrealised exchange (loss)/gain	**(171)**	**395**	**-**	**224**	**-**	**224**
	78,958	**23,301**	**(37,671)**	**64,588**	**(766)**	**65,354**

2015	Balance 1 January 2015	Recognised in profit or loss	Recognised in OCI	Balance 31 December 2015	Deferred tax assets	Deferred tax liability
Property, plant and equipment	35,802	3,938	-	39,740	-	39,740
Revaluation surplus	(2,216)	-	40,800	38,584	-	38,584
Employee benefits	(23)	444	384	805	-	805
Unrealised exchange loss	-	(171)	-	(171)	(171)	-
	33,563	4,211	41,184	78,958	(171)	79,129

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for the year ended 31 December 2016

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11 Basic and diluted earnings per share

The calculation of the basic and diluted earnings per share at 31st December 2016 was based on the loss attributable to ordinary shareholders of of USD112.57 million (2015: profit of USD39.525 million) and weighted average number of ordinary shares during the year ended 31st December 2016 of 1,625,000,579 (2015: 1,625,000,579).

	2016	2015
(Loss)/ profit attributable to ordinary shares	**(112,570)**	39,525
Weighted average number of ordinary shares (000)		
Issued at beginning of year	**1,625,001**	1,625,001
Weighted average number of ordinary shares at end of year	**1,625,001**	1,625,001
Basic and diluted earnings per share	**(0.069)**	0.024

Notes to the financial statements
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12 Property, plant and equipment

	Transmission and buildings	Transmission and distribution network (primary)	Equipment distribution network (secondary)	Fixtures and fittings	Motor vehicles	Capital work in progress	Total
Cost or revaluation							
Balance at 1 January 2015	20,379	197,493	57,866	7,999	7,994	15,840	307,571
Additions	-	-	-	-	-	68,160	68,160
Revaluation	11,234	19,308	12,390	(7,358)	(4,128)	-	31,446
Impairment loss	-	(2,802)	-	(383)	(801)	-	(3,986)
Transfer from CWIP	3,031	51,295	3,571	922	748	(59,567)	-
Disposals	-	-	-	(5)	(258)	-	(263)
Balance at 31 December 2015	34,644	265,294	73,827	1,175	3,555	24,433	402,928
Balance at 1 January 2016	**34,644**	**265,294**	**73,827**	**1,175**	**3,555**	**24,433**	**402,928**
Additions	-	-	-	**-**	**-**	**8,054**	**8,054**
Adjustments (note 12(d))	**(568)**	**382**	**(325)**	**573**	**(312)**	-	**(250)**
Transfer from CWIP	**140**	**14,736**	**8,362**	**968**	**597**	**(24,803)**	**-**
Disposals	**-**	**(789)**	**-**	**-**	**(27)**	**-**	**(816)**
Balance at 31 December 2016	**34,216**	**279,623**	**81,864**	**2,716**	**3,813**	**7,684**	**409,916**
Depreciation							
Balance at 1 January 2015	1,967	27,408	34,758	7,352	4,797	-	76,282
Charge for the year	462	6,264	3,644	334	896	-	11,600
Depreciation write back	(2,290)	(32,554)	(37,626)	(7,452)	(5,202)	-	(85,124)
Disposals	-	-	-	(5)	(259)	-	(264)
Balance at 31 December 2015	139	1,118	776	229	232	-	2,494
Balance at 1 January 2016	**139**	**1,118**	**776**	**229**	**232**	-	**2,494**
Charge for the year	**670**	**11,498**	**7,687**	**445**	**1,123**	-	**21,423**
Adjustments (note 12(d))	**(46)**	**299**	**106**	**(165)**	**(51)**	-	**143**
Disposals		**(43)**	**-**	**-**	**(17)**	-	**(60)**
Balance at 31 December 2016	**763**	**12,872**	**8,569**	**509**	**1,287**	-	**24,000**
Carrying amounts							
At 31 December 2016	**33,453**	**266,751**	**73,295**	**2,207**	**2,526**	**7,684**	**385,916**
At 31 December 2015	34,505	264,176	73,051	946	3,323	24,433	400,434

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12 Property, plant and equipment *(continued)*

a. A schedule listing all the properties as required by Section 193 of the Companies Act, Cap 388 of the Laws of Zambia is available for inspections by members or their duly authorised representatives at the registered office of the Company.

b. Included in the cost of property, plant and equipment are fully depreciated assets amounting to USD17.1 million (2015: USD15.7 million).

c. The transfer of some of the title to property, transferred from ZCCM –IH has not yet been concluded, but is in progress.

d. Adjustments passed by management to align the fixed asset register with the general ledger.

13 Development costs

At cost	**2016**	2015
Balance at 1 January	**31,098**	27,744
Additions during the year	**1,520**	3,354
Balance at 31 December	**32,618**	31,098

The project development cost relates to the costs incurred towards the construction of a power station at the Kabompo Hydro Power project site.

14 Investment in subsidiaries

	Percentage shareholding	**31 December 2016**	**Company** Percentage shareholding	31 December 2015
Subsidiaries				
CEC Africa Investments Limited	-	-	100	100,000
Kabompo Hydro Power Company Limited	**100**	**1**	100	1
		1		100,001

Movement in CEC Africa shares		
Balance as at 1 January	**100,000**	1
Impairment of investment	**(100,000)**	-
Capitalisation of loans	**-**	99,999
Balance 31 December	**-**	100,000

CEC Plc's Nigerian interests in subsidiary and associate have in the past been significantly affected by the following factors:-

- Low power generation in Nigeria compared to the Multi Year Tariff Order (MYTO), which underpins the regulatory framework for the power sector, including tariff setting. The MYTO incorporated a forecast generation demand profile which was the basis for the approved ten-year tariff profile.
- Liquidity challenges (insufficient cash flow to cover players across the value chain), which negatively impacted operations. The challenge of low liquidity was triggered by the sub-optimal tariffs, and the delayed and non-payment of power consumed by some customer categories, including Government Ministries, Departments and Agencies.
- Depreciation of the Naira against the USD, which resulted in huge exchange losses for the Nigerian investments and contributed to the Group losses
- The regulatory regime, as it currently exists, has not been operationalised in full; implying that the envisaged risk allocation of the businesses is not yet operational on account of customer affordability.

As a result of the above, the investment in CEC Africa was impaired in full during the year. Subsequently, the shares of CEC Africa were distributed to CEC Plc's shareholders effective 30th December 2016, through a dividend in specie at a fair value of USD1.

Notes to the financial statements
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14 Investment in subsidiaries *(continued)*

Measurement of fair value

Fair value hierarchy

The fair value measurement of CEC Africa of USD1 has been categorised as a level 2 fair value based on the input to the valuation technique used. The following table shows the valuation technique used in measuring the fair value of the demerged subsidiary, as well as the significant unobservable inputs used.

Valuation technique	***Siginificant unobservable inputs***
Discounted cash flows and relative valuation: The Company considers both approaches and weighs the estimates under each technique based on its assessment of the judgment that market participants would apply.	Discount rate (21.58%, weighted average cost of capital (WACC)).
Discounted cash flows consider the present value of the net cash flows expected to be generated from the facility, taking into account the budgeted EBITDA growth rate; the expected net cash flows are discounted using a risk-adjusted discount rate.	
The relative approach considers benchmarks to comparable entities/transactions multiples such as enterprise Value (EV), Earnings before interest, taxes, depreciation and amortization (EBITDA), revenue, price, earnings, etc. The value determined from the relative valuation method is usually discounted to reflect private company or minority interest status of the company being valued.	

15 Equity accounted investees

The Company has joint control of CEC Liquid Telecom. The CEC Liquid Telecom results include the results of its 100% subsidiary, Hai. CEC Liquid Telecom is engaged in the provision of optic fibre-based telecommunications products and services.

	2016	2015
Balance at 1 January	**15,794**	15,794
Share of profit	**1,841**	-
Balance at 31 December	**17,635**	15,794

The following table summarises the financial information of CEC Liquid Telecom.

	2016	2015
Non-current assets	**43,018**	43,830
Current assets	**9,257**	12,765
Non-current liabilities	**(15,887)**	(6,802)
Current liabilities	**(14,906)**	(15,886)
Net assets	**21,482**	33,907
Revenue	**21,210**	21,114
Profit before tax	**2,949**	2,089
Income tax expense	**(1,409)**	(838)
Profit for the year	**1,540**	1,251
Other comprehensive income	-	-
Share of profit (50%) for the current year	**770**	-
Total share of profits from prior years	**1,071**	-
Total share of profit recognized in 2016	**1,841**	-

Notes to the financial statements
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15 Equity accounted investees *(continued)*

CEC Plc's share of the joint venture's contingent liabilities is Nil (2015: Nil).

CEC Plc's share of the joint venture's capital commitment is USD0.4 million (2015: USD3.4 million).

No dividend was received from the joint venture (2015: Nil).

Change in accounting policy

In 2016, the Company used the equity method to account for its investment in joint venture.

Previously, the Company accounted for its investment in joint venture at cost.

The change in accounting policy had an immaterial impact on prior year, hence, the share of profit from joint venture relating to prior years of USD1.071 million has been recognised in the current year, and comparative figures have not been restated.

16 Loans to subsidiary

At cost	**2016**	2015
Balance at 1 January	**42,955**	134,284
Advanced during the year	**8,259**	1,374
Transfer – related party	**-**	7,296
Amounts capitalised to equity	**-**	(99,999)
Impairment of loan	**(51,214)**	-
Balance at 31 December	**-**	42,955
Current	**-**	40,000
Non-current	**-**	2,955
	-	42,955

During the year, CEC Plc advanced CEC Africa interest free loans amounting to USD8.259 million with no fixed repayment period. Subsequently, by a Board decision, the total loan outstanding of USD51.214 million was impaired based on the assessment by the Company that CEC Africa did not have the ability to repay the loan.

17 Inventories

	2016	2015
Fuel	**1,288**	1,430
Spares and consumables	**2,868**	916
	4,156	2,346

In 2016, inventories of USD3.235 million (2015: USD3.735 million) were recognised as an expense and included in cost of sales.

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18 Trade and other receivables

	2016	2015
Trade receivables	**77,129**	81,494
Less: impairment provision	**(2,071)**	(2,071)
	75,058	79,423
Prepayments and deposits	**545**	651
Other receivables	**10,640**	6,917
	86,243	86,991

Other receivables

The Company in 2007 approved an Employee Share Ownership Plan (ESOP) to allow members of staff to purchase shares in the Company at the time of floatation of these Company shares. The plan allowed the members of staff to obtain loans to enable them to purchase shares. The other receivables include USD0.334 million (2015: USD0.367 million) due from employees under the ESOP.

19 Cash and cash equivalents

	2016	2015
Bank balances	**45,576**	40,185
Petty cash	**8**	6
	45,584	40,191

The Company has two overdraft facilities of USD12.5 million each with Stanbic Bank Zambia Limited and Standard Chartered Bank. The overdraft facilities bear interest at 5.5% above the 1 month USD LIBOR. As at the reporting date, none of the overdraft facilities had been utilised.

20 Share capital

	2016	2015
Authorised		
1 Special Share of ZMW1.40		
31 December	**3,250**	3,250
Issued and fully paid		
1 Special Share of ZMW1.40		
31 December	**2,849**	2,849

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to vote per share at meetings of the Company. The number of ordinary shares under authorised share capital is 2,000,000,000 and the issued are 1,625,000,597.

Notes to the financial statements

for the year ended 31 December 2016

In thousands of USD

21 Loans and borrowings

	2016	2015
Balance at 1 January	**101,595**	99,740
Addition during the year	**-**	15,000
Payments during the year	**(14,020)**	(13,145)
Balance at 31 December	**87,575**	101,595
Current	**14,020**	14,020
Non-current	**73,555**	87,575
	87,575	101,595

The amounts payable within one year are borrowings payable to Standard Bank. The loans and borrowings are interest bearing which are measured at amortised cost.

	2016			2015		
		Capital			**Capital**	
	Principal	**Interest**	**Total**	**Principal**	**Interest**	**Total**
Less than 1 year	**14,020**	**7,370**	**21,390**	14,020	7,880	21,900
More than 1 year	**73,555**	**26,310**	**99,865**	87,575	30,550	118,125
	87,575	**33,680**	**121,255**	101,595	38,430	140,025

Senior debt

In May 2014, the Company signed a USD120 million loan facility of which USD105 million was drawn down in 2014 and the remaining USD15 million in 2015. This facility was syndicated and led by Standard Bank. As at 31st December 2016, the loan balance was USD87.575 million made up of two tranches, the Commercial Lender (CL) and Development Finance Institutions (DFI) tranche.

The CL comprises Stanbic Bank Zambia Limited, Standard Chartered Bank and Citibank International Plc. The Commercial tranche bears interest of 3 months LIBOR plus a margin of 5.25%. The balance of the CL tranche at 31st December 2016 was USD23.7 million. The DFI tranche comprises Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO), Deutsche Investitions - Und Entwicklungsgesellschaft Mbh (DEG),Société De Promotion Et De Participation Pour La Coopération (Proparco) bears interest of 3 months LIBOR, plus a margin of 5.75% for the first 84 months and 6.5% thereafter. The balance of the DFI tranche at 31st December 2016 was USD63.875 million. The loan is payable in March 2026.

Notes to the financial statements

for the year ended 31 December 2016

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22 Other payables

		2016	2015
(a)	CNMC LCM)	**10,952**	10,952
	Amounts paid during the year	**(3,725)**	-
	Less: amounts payable to KCM within one year	**-**	(2,980)
		7,227	7,972
(b)	KCM	**41,572**	49,963
	Amounts paid during the year	**(4,500)**	(8,391)
	Less: amounts payable to KCM within one year	**(1,000)**	(4,500)
		36,072	37,072
(c)	MCM	**4,573**	4,573
	Less: amounts payable to KCM within one year	**(364)**	-
		4,209	4,573
Grand total		**47,508**	49,617

As part of its risk management strategy, CEC Plc leaves the construction and setting up of all connection infrastructure to the customer before the customer is connected. This is so as to avoid situations where CEC Plc incurs huge costs in setting up the said infrastructure and then the supply of power to that customer turns out to be unprofitable. Section 3(1) & (2) and section 4(1) of the Electricity Act prohibits any person from owning any electricity generation, distribution, transmission or supply equipment above 100 kilo watts without a license from the ERB. In light of this prohibition, once the customer completes setting up the connection infrastructure, these have to be transferred to CEC Plc and the customer is reimbursed based on the Connection Agreement. The standard terms of the Connection Agreements are that once the connection assets are transferred, CEC Plc will be paying the customer for the assets over a specified period of time, which is usually more than 5 years, thereby creating a long-term payable. However, CEC Plc only pays the customer upon that customer fulfilling certain agreed upon conditions as stipulated below:

a. The CNMC CLCM long term creditor relates to the procurement of transmission assets in Luanshya area from CLM. The credit is interest free and repayment is over seven years upon reaching certain milestones. The assets were acquired in December 2012. At the inception of the agreement, the Company recognised an asset and liability at an amount equal to the fair value of the equipment. In 2015, the agreed threshold of 196,244,000 Kwh was reached, hence, a payment of USD3.725 million was made in 2016.

b. The KCM long term creditor relates to the procurement of transmission assets in Chingola area from KCM. The credit is interest free and repayment is over eleven years upon reaching certain milestones. The assets were acquired in December 2016. At the inception of the agreement, the Company recognised an asset and liability at an amount equal to the fair value of the equipment. In 2016, the agreed target was reached, hence, a payment of USD4.5 million was made in 2016.

c. The MCM long term creditor relates to the procurement of transmission assets in Kitwe area from MCM. The credit is interest free and repayment is over five years upon reaching certain milestones. The assets were acquired in December 2016. At the inception of the agreement, the Company recognised an asset and liability at an amount equal to the fair value of the equipment.

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23 Employee benefits

	2016	2015
Present value of unfunded obligation	**2,190**	3,860

Regulation and governance

CEC Plc awards terminal benefits to its employees upon retirement in addition to the retirement benefit received from the CEC Pension Trust Scheme. The benefits are payable depending on date of joining the Company as well as seniority.

This scheme is unfunded and the employer only pays a benefit upon retirement of an individual qualifying for the benefit. The regulator, Pensions and Insurance Authority, does not regulate gratuity schemes such as this one. However, companies that provide an additional and separate unfunded gratuity in their books should operate within the governing covenants and agreements with employee representative bodies. Taxation of this scheme falls under the framework and administration of this arrangement, including decisions as to whether to prefund the benefit costs, or amend the arrangement design.

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

(i) Movement in net defined benefit liability

	2016	2015
Balance at 1 January	**3,860**	6,333
Interest cost	**926**	856
Current service cost	**234**	227
Benefits paid	**(702)**	(947)
Actuarial gains	**(2,608)**	(1,096)
Exchange differences	**480**	(1,513)
Balance at 31 December	**2,190**	3,860

(ii) Expense recognised in profit or loss

	2016	2015
Interest cost	**926**	856
Exchange differences	**480**	(1,513)
Current service cost	**234**	227
	1,640	(430)

(iii) Included in other comprehensive income

	2016	2015
Actuarial gains	**2,608**	1,096

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23 Employee benefits *(continued)*

(iv) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2016	2015
Discount rate	**25%**	22.5%
Salary growth	**15%**	18.0%
Inflation rate	**12%**	15%

(v) Sensitivity analysis

Reasonably possible changes, at the reporting date, to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as at 31st December 2016 by the amounts shown below:

	2016		2015	
	%	**$'000**	%	$'000
Discount rate (+1%)	**(7.5%)**	**(164)**	(5.6%)	(203)
Discount rate (-1%)	**8.3%**	**183**	6.2%	224
Salary increase (+1%)	**14.1%**	**308**	9.5%	344
Salary increase (+1%)	**(12.9%)**	**(282)**	(8.8)	(318)

24 Deferred income

CEC Liquid Telecom right of use	2016	2015
At the beginning of the year	**7,180**	7,833
Amortisation	**(653)**	(653)
At the end of the year	**6,527**	7,180

DBSA Grant	2016	2015
At the beginning of the year	**5,000**	-
Grant received during the year	**2,000**	5,000
Grant amortisation	**(233)**	-
At the end of the year	**6,767**	5,000
Grand total	**13,294**	12,180

(a) In 2012, CEC Plc entered into an Indefeasible Right of Use agreement of the excess capacity on its Telecoms Assets with CEC Liquid Telecom for a period of 15 years for a consideration of USD9.79 million. The consideration is being amortised over 15 years.

(b) In 2016, CEC Plc received a capital grant of USD7 million from the Development Bank of Southern Africa (DBSA) for the construction of a 220kV double circuit transmission line between Zambia and the DRC. DBSA was acting as an agent of the Common Market for East and Southern Africa (COMESA), the East African Community (EAC) and the Southern Africa Development Community (SADC) under the Tripartite Trust Fund (TTF). The grant is being amortised over 30 years.

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25 Trade and other payables

	2016	2015
Trade payables	**61,527**	72,566
Accrued expenses	**11,672**	6,947
Other payables	**2,842**	8,088
Social security and PAYE	**1,283**	870
	77,324	88,471

26 Related party transactions

CEC Plc is controlled by ZECI.

CEC Plc owns 50% of CEC Liquid Telecom and 100% of CEC-KHPL. The results of CEC Liquid Telecom include the results of the 100% subsidiary Hai.

The following transactions were carried out with related parties:

		2016	2015
(i)	**Amounts due from related parties**		
	CEC Liquid Telecom	**2,234**	1,844
	Hai	**267**	-
		2,501	1,844
(ii)	**Amounts due to related parties**		
	CEC Liquid Telecom	**21**	-
	Hai	**43**	16
	Total	**64**	16
(iii)	**Sales to related parties**		
	Hai	**29**	16
	CEC Liquid Telecom	**24**	149
		53	165
(iv)	**Purchases from related parties**		
	Hai	**69**	77
	CEC Liquid Telecom	**1**	1
		70	78

(v) Directors' remuneration

During the year, Directors received cash remuneration for services rendered to the Company of USD0.97 million (2015: USD0.343 million).

(vi) Executive management remuneration

(Executive management team, excluding directors (shown in (v) above))

	2016	2015
Short term employment benefits	**3,125**	3,441
Post-employment benefits	**428**	385
	3,553	3,826

(vii) Individual shareholders

One shareholder of the Company is also a director and in employment with the Company. The Company pays salaries and provides other benefits to the individual shareholder that is in employment with the Company.

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27 Financial instruments

Financial risks

The Company is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of this financial risk are interest rate risk, foreign exchange risk and credit risk. These risks are exposed to general and specific market movements.

The Company manages these positions with a framework that has been developed to monitor its customers and return on its investments.

Credit risk

The Company has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. The key area where the Company is exposed to credit risk is trade and other receivables

The Company's exposure to credit risk is influenced mainly by individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 20% of the Company's revenue is attributable to sales transactions with a single customer.

The Company enters into Agreements with new customers, each customer is analysed individually for creditworthiness before credit terms and conditions are offered. The Company's review includes trade references from other suppliers, when available, and in some cases bank references. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the senior management; these limits are reviewed annually. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash basis.

In monitoring customer credit risk, customer supplies are within the predetermined credit limits, and further supplies are restricted if amounts remain outstanding for more than 60 days regardless of the amount.

The Company does not require collateral for trade and other receivables.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance relates to individually significant exposures, and a collective loss component is established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment of statistics for similar financial assets.

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27 Financial instruments *(continued)*

Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company has complied with all capital requirements of its funders.

The Company sets the amount of capital in proportion to its overall financing structure. The Company manages the capital structure and makes adjustments to it in the light of the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of the dividends paid to shareholders, return capital to shareholders, issues new shares, or sell assets to reduce debt.

Capital structure

	2016	2015
Cash and cash equivalents (note 19)	**45,584**	40,191
Loans and borrowings (note 21)	**(87,575)**	(101,595)
Equity	**292,795**	381,486
	250,804	320,082

The Directors define capital as equity plus cash less borrowings and its financial strategy in the short term is to minimize the level of debt in the business whilst ensuring sufficient finances are available to continue the Company's business activities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company is exposed to foreign currency risks arising from exchange rate fluctuations. Foreign currency denominated purchases and sales, together with foreign currency denominated borrowings, comprise the currency risk of the Company. The risks are minimized by matching the foreign currency receipts to the foreign currency payments as well as holding foreign currency bank accounts.

Interest rate risk

The Company is exposed to interest rate risk to the extent of the balance of the bank accounts and borrowings.

(i) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2016	2015
Loans to subsidiary (note 16)	**-**	42,955
Amounts due from related parties	**2,501**	1,844
Trade and other receivables (note 18)	**85,698**	86,340
Cash and cash equivalents (note 19)	**45,584**	40,191
	133,783	171,330

Notes to the financial statements
for the year ended 31 December 2016

In thousands of USD

27 Financial instruments *(continued)*

(i) Credit risk *(continued)*

Exposure to credit risk (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was

	Carrying amount	
	2016	2015
Domestic	**56,487**	71,488
Other	**18,571**	7,935
	75,058	79,423

Impairment losses

The aging of trade receivables at the reporting date was:

	2016			2015		
	Gross	**Impairment**	**Net**	Gross	Impairment	Net
Not past due						
0-21 days	**33,379**	**-**	**33,379**	33,054	-	33,054
22-45 days	**21,294**	**-**	**21,294**	3,388	-	3,388
46-59 days	**14,596**	**-**	**14,596**	1,773	-	1,773
Over 60 days	**7,860**	**(2,071)**	**5,789**	43,279	(2,071)	41,208
	77,129	**(2,071)**	**75,058**	81,494	(2,071)	79,423

Management believes that the impaired amounts that are past due by more than 21 days are still collectable in full based on historical payment behaviour and extensive analysis of customer credit risk.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016	2015
Balance at 1 January	**2,071**	2,071
New provisions	**-**	-
Balance at 31 December	**2,071**	2,071

The collectability of receivables is assessed at the reporting date and specific allowances are made for any doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Notes to the financial statements
for the year ended 31 December 2016

In thousands of USD

27 Financial instruments *(continued)*

(i) Liquidity risk *(continued)*

The following are the contractual maturities of financial liabilities:

31 December 2016	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 Years	2 to 5 years	Longer than 5 years
Non-derivative financial liabilities						
Amount due to related parties	**64**	**64**	**64**	**-**	**-**	**-**
Loans and borrowings	**87,575**	**121,255**	**14,020**	**14,020**	**28,040**	**65,175**
Trade and other payables	**123,549**	**123,549**	**76,041**	**-**	**-**	**47,508**
Total	**211,188**	**244,868**	**90,125**	**14,020**	**28,040**	**112,683**

31 December 2015	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Longer than 5 years
Non-derivative financial liabilities						
Amount due to related parties	16	16	16	-	-	-
Loans and borrowings	101,595	140,025	14,020	14,020	28,040	83,945
Trade and other payables	137,218	137,218	87,601	-	-	49,617
	238,829	277,259	101,637	14,020	28,040	133,562

(ii) Exposure to currency risk

	2016			2015		
	USD	**Kwacha Exposure (USD equivalent)**	**USD Total**	USD	Kwacha Exposure (USD equivalent)	USD Total
Financial assets						
Trade and other receivables	**79,031**	**6,667**	**85,698**	83,529	2,811	86,340
Amounts due from related parties	**-**	**2,501**	**2,501**	1,844	-	1,844
Loans to subsidiary	**-**	**-**	**-**	42,955	-	42,955
Cash and cash equivalents	**44,517**	**1,067**	**45,584**	39,221	970	40,191
Total financial assets	**123,548**	**10,235**	**133,783**	167,549	3,781	171,330
Financial liabilities						
Trade and other payables	**(119,064)**	**(4,485)**	**(123,549)**	(135,509)	(1,709)	(137,218)
Loans and borrowings	**(87,575)**	**-**	**(87,575)**	(101,595)	-	(101,595)
Amounts owed to related parties	**-**	**(64)**	**(64)**	-	(16)	(16)
Total financial liabilities	**(206,639)**	**(4,549)**	**(211,188)**	(237,104)	(1,725)	(238,829)
Gap	**(83,091)**	**5,686**	**(77,405)**	(69,555)	2,056	(67,499)

The following significant exchange rates applied during the year

	Closing rate		**Average rate**	
	2016	2015	**2016**	2015
Exchange rate	USD	USD	USD	USD
ZMW	**9.90**	10.9806	**10.312**	8.630

Notes to the financial statements
for the year ended 31 December 2016

In thousands of USD

27 Financial instruments *(continued)*

(iii) Exposure to currency risk *(continued)*

Exchange rate sensitivity

A strengthening/(weakening) of the USD by 10 percent, as indicated below against the Kwacha at 31st December 2016, would have increased/(decreased) equity and profit or loss by the amounts shown below. This computation is based on the foreign exchange rate variance that the Company considered

	Weakening		Strengthening	
	Equity	**Profit or loss**	**Equity**	**Profit or loss**
31-Dec-16 ZMW	**569**	**569**	**(569)**	**(569)**
31-Dec-15 ZMW	206	206	(206)	(206)

(iv) Interest rate risk

At the reporting date, the Company had the following interest-bearing financial instruments:

	Carrying amount	
	2016	2015
Variable rate instruments		
Loans and borrowings	**(87,575)**	(101,595)
Cash and cash equivalents	**45,584**	40,191
	(41,991)	(61,404)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in the interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. The analysis assumes all the other variables remain constant.

	decrease 100 basis points		increase 100 basis points	
	Equity	**Profit or loss**	**Equity**	**Profit or loss**
31-Dec-16				
Variable rate instruments	**420**	**420**	**(420)**	**(420)**
31-Dec-15				
Variable rate instruments	614	614	(614)	(614)

Notes to the financial statements
for the year ended 31 December 2016

In thousands of USD

27 Financial instruments *(continued)*

(v) Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with carrying amounts shown in the statement of financial position are as follows:

	31 December 2016		31 December 2015	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Trade and other receivables	**85,698**	**85,698**	86,340	86,340
Loans to subsidiary	**-**	**-**	42,955	42,955
Amounts due from related parties	**2,501**	**2,501**	1,844	1,844
Cash and cash equivalents	**45,584**	**45,584**	40,191	40,191
Total financial assets	**133,783**	**133,783**	171,330	171,330
Financial liabilities				
Loans and borrowings	**(87,575)**	**(87,575)**	(101,595)	(101,595)
Trade and other payables	**(123,549)**	**(123,549)**	(137,218)	(137,218)
Amounts due to related parties	**(64)**	**(64)**	(16)	(16)
Total financial liabilities	**(211,188)**	**(211,188)**	(238,829)	(238,829)
Net position	**(77,405)**	**(77,405)**	(67,499)	(67,499)

The carrying amounts equal the fair value as the effect of discounting is considered immaterial. All the financial assets and financial liabilities are all level 3 Category.

Notes to the financial statements
for the year ended 31 December 2016

28 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements by the Company.

Set out below is an index of the significant accounting policies, the details of which are available on the note reference below.

A. Revenue
B. Finance income and finance costs
C. Income tax
D. Borrowings
E. Earnings per share
F. Foreign currency
G. Financial instruments
H. Share capital
I. Property, plant and equipment
J. Impairment
K. Provisions
L. Inventories
M. Employee benefits
N. Development costs
O. Interests in equity-accounted investees

A. Revenue

Revenue comprises monies earned by distributing and providing electricity to the end user. Revenue from prepaid electricity is deferred and recognised as and when the customer consumes/uses electricity.

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyers of electricity and no significant uncertainties remain regarding the derivation of consideration or associated costs.

Revenue comprises the fair value of consideration received or receivable for the distribution of electricity to the end user.

B. Finance income and finance costs

Finance income comprises interest income on funds invested, bank interest received and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest expense on borrowings. All non-qualifying borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Notes to the financial statements
for the year ended 31 December 2016

28 Significant accounting policies *(continued)*

C. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

D. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowing using the effective interest method.

E. Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible redeemable accumulative preferred stock.

Notes to the financial statements
for the year ended 31 December 2016

28 Significant accounting policies *(continued)*

F. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company entities at exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

G. Financial instruments

Non-derivative financial assets

The Company classifies non-derivative financial assets into the following category; loans and receivables.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognises loans and receivables issued on the date when they are originated.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Loans and receivables comprise trade and other receivables, cash and cash equivalents and loans to subsidiaries.

Non-derivative financial liabilities – measurement

Other financial liabilities

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. Non-derivative financial liabilities comprise other financial liabilities and include interest bearing loans and borrowings and trade and other payables.

Notes to the financial statements
for the year ended 31 December 2016

28 Significant accounting policies *(continued)*

G. Financial instruments *(continued)*

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayment and plus or minus cumulative amortisation using the effective interest method, with any difference between cost and redemption value.

Offsetting

Financial assets and financial liabilities are not offset, unless the Company has a legal right to offset the amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

H. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

I. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost or valuation less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognized net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in profit or loss as an expense as it is incurred.

Notes to the financial statements
for the year ended 31 December 2016

28 Significant accounting policies *(continued)*

I. Property, plant and equipment *(continued)*

Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

	Rates
	%
Properties	2
Transmission and distribution network	1.5 – 8.33
Motor vehicles	20
Office equipment, furniture and fittings	20

Capital work in progress is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date, and adjusted if appropriate. There were no revised estimates in respect of items of property, plant and equipment during the year.

J. Impairment

Non-derivative financial assets

Trade and other receivables

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowings or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measureable decrease in expected cash flows from a company of financial assets.

Financial assets measured at amortised cost

The Company considers evidence of impairment for trade and other receivables and loans to subsidiaries. All individual significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by Comparing together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

Notes to the financial statements
for the year ended 31 December 2016

28 Significant accounting policies *(continued)*

J. Impairment *(continued)*

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than investments and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGUs exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

K. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

L. Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with valuation being on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less all estimated costs necessary to make the sale.

Notes to the financial statements
for the year ended 31 December 2016

28 Significant accounting policies *(continued)*

M. Employee benefits

Pension obligations

All local employees below 60 years are registered with the statutory defined contribution pension scheme. A defined contribution scheme is a pension plan under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods. For the defined contribution scheme, the Company makes mandatory contributions to the National Pension Scheme Authority. These contributions constitute net periodic costs and are charged to the profit or loss as part of staff costs in the year to which they relate. The Company has no further obligation once the contributions have been paid.

Secondly, there is a defined benefit pension scheme, the assets of which are held in a separate trustee-administered fund. The pension scheme is funded by contributions to the pension scheme. The contributions by the Company are charged to the profit or loss in the period in which the contributions relate. The Company contributes 10.7% and the employees 5% of the employee's basic salary towards the scheme.

Post-retirement benefits

The expected costs of providing post-retirement benefits under defined benefits arrangements relating to employees service during the period are charged to profit or loss. Any actuarial assumptions are recognized immediately in other comprehensive income. In all cases, the pension costs are assessed in accordance with the advice of independent qualified actuaries but require the exercise of significant judgments in relation to assumptions for future salary and pension increases, long term price inflation and investment returns. While management believes the assumptions used are appropriate, a change in assumptions would impact the earnings of the Company.

N. Development costs

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sale the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs.

Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

O. Interests in equity-accounted investees

The Company's interest in equity-accounted investees comprise interest in a joint venture.

The Company's interest in joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the share of the profit or loss of equity accounted investees, until the date on which joint control ceases.

Notes to the financial statements
for the year ended 31 December 2016

29 New standards and interpretations not yet adopted

At date of authorisation of the financial statements, of CEC Plc for the year ended 31st December 2016, the following standards and interpretations were in issue but not yet effective.

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2017	*Disclosure Initiative (Amendments to IAS 7)*	The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.
1 January 2017	*Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*	The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this. Guidance is provided for deductible temporary differences related to unrealised losses that are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type. The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.
1 January 2018	*IFRS 15 Revenue from Contracts with Customers*	This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Company is currently in the process of performing a more detailed assessment of the impact of this standard on the Company and will provide more information in the year ended 31st December 2017 financial statements. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Notes to the financial statements
for the year ended 31 December 2016

29 New standards and interpretations not yet adopted *(continued)*

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2018	IFRS 9 *Financial Instruments*	On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement.* This standard will have no significant impact on the Company. It will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Company.

30 Capital commitments

Capital commitments authorised and contracted for by the directors as at 31st December 2016 amounted to USD2.959 million (2015: USD1.939 million).

31 Contingent assets and liabilities

The ERB awarded an electricity tariff increase to ZESCO applicable to all mining companies with effect from 2nd April 2014.

The ERB communicated a 28.8% increase from 5.31 USc/kWh to 6.84 USc/kWh for CEC Plc under the BSA between ZESCO and CEC Plc. Later, on 1st January 2016, the Ministry of Energy and Water Development issued a directive increasing the tariff to 10.35 USc/kWh effective for CEC Plc under the BSA between ZESCO and CEC Plc. Under the various PSAs between CEC Plc and its mining customers, this tariff decision resulted in differentiated increase linked to different customer tariff categories.

Most of the mines have contested this tariff increase and have since commenced an action in the High Court by way of Judicial Review. During the period from 2nd April 2014 to 31st December 2016, the mines opted to pay the invoices in part, based on the old tariffs exclusive of the 2014 ERB and 2016 Government tariff increases.

Pursuant to the ERB directive, ZESCO has continued to invoice CEC Plc on the basis of the new tariffs and CEC Plc, in turn, has continued to invoice its mining customers on the same basis. From a working capital perspective, CEC Plc payments to ZESCO during the period have been based on the old tariff prevailing (exclusive of 2014 ERB tariff pending determination in the High Court and the 2016 Government-motivated tariff increase).

In the event of the court's ruling in favour of the ERB, It will be expected that CEC Plc will pay an amount equivalent to USD275.669 million (2015: USD135.89 million) to ZESCO. On the same account CEC Plc will be due an equivalent amount from its customers. The contingent liability payable to ZESCO is offset against a contingent asset from CEC Plc's customers. CEC Plc therefore does not retain any residual risk on this transaction.

Notes to the financial statements
for the year ended 31 December 2016

32 Events subsequent to the reporting date

Dividends

Subsequent to the reporting period, the directors approved, on 7th February 2017, the payment of a dividend of US Cents 1.29 per ordinary share, which translates to 12.80 Ngwee (ZMW0.1280) per share, using the Bank of Zambia mid-rate applicable on the date of declaration. The dividend was paid to the shareholders registered in the share register of the Company at the close of business on Friday, 3rd March 2017. Dividend payment was effected on Monday, 6th March 2017.