

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZCCM INVESTMENTS HOLDINGS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ZCCM Investments Holdings Plc, (the 'Company') and its subsidiaries (the 'Group') which comprise the consolidated and separate statement of financial position as at 31 March 2019, and the consolidated and separate statements of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated and Company financial position of ZCCM Investments Holdings Plc as at 31 March 2019, and of the consolidated and Company financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the Securities Act of Zambia.

Basis for Opinion

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

Partners

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

Chartered Accountants

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**INDEPENDENT AUDITOR'S REPORT
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Report on the Audit of the Financial Statements (continued)

Key Audit Matters

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

Key audit matters	How the matter was addressed in our audit
<p>Classification, measurement and impairment of financial assets</p> <p>ZCCM-Investments Holdings PLC applied IFRS 9 “financial instruments” for the first time in the financial period under review.</p> <p>The directors are required to review the classifications of assets and align the classifications to the requirements of the financial reporting standards. The directors also reviewed the fair valuations and impairment model.</p> <p>Due to the complex and subjective judgements required in estimating the timing and valuation of impairment and in estimating the fair value of assets, this was considered a key audit matter.</p>	<p>We checked the classification of the financial assets to ensure compliance with the reporting standards.</p> <p>We checked the valuation and verified the calculation of the fair values. We also verified the inputs used in the valuations.</p> <p>In considering the reasonableness of the impairment provision, we reviewed the assumptions used in impairment calculations.</p> <p>Based on the procedures performed, we are satisfied that the impairment provision is reasonable and the financial assets were properly classified and valued.</p>
<p>Valuation and Measurement of Investments in associates</p> <p>As at 31 March 2019, the investments in associates and the financial assets at fair value through profit or loss of ZMW 10,276 million represented 76% of the total assets that were subject to significant estimations.</p> <p>The valuation of the Group’s investments is performed by an external valuation expert and has applied the Discounted Cash Flow (DCF) valuation methodology using the income approach. In addition, two other valuation methods (Cost approach and market approach), were used to corroborate the DCF findings.</p> <p>These models require significant judgements and estimation over significant unobservable inputs and assumptions.</p>	<p>We evaluated the competence, experience and independence of the external valuation expert.</p> <p>We compared the assumptions used to the preceding period and considered the reasonableness.</p> <p>We tested the appropriateness of the data used by the expert.</p> <p>We involved a specialist in evaluating the appropriateness of the valuation models used.</p> <p>For investments valued using the market approach we agreed the prices of the listed shares to the Lusaka Stock Exchange lists.</p>

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Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matters	How the matter was addressed in our audit
<p>Completeness and Accuracy of Environmental rehabilitation provision</p> <p>The valuation of environmental rehabilitation provision was performed by the Group's internal environmental experts and a significant degree of judgement and estimation is applied to determine the environmental rehabilitation provision.</p>	<p>We evaluated the competence, experience and independence of the Group's environmental expert.</p> <p>We further obtained a report on the review of the assessment of the environmental liability.</p> <p>We performed a recalculation of the provision and compared to the provision recorded in the financial statements.</p> <p>We challenged the assumptions of the rates used through comparison to independently sourced information that was readily available and found these to be reasonable.</p>

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the Securities Act of Zambia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and 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 management either intends to liquidate the Group and/or the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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 Group and/or 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities of business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 246 of the Companies Act of Zambia of 2017, we report that, in our opinion the required accounting records and registers have been properly kept in accordance with the Act.

In accordance with Schedule IV, Rule 18, of the Securities Act of Zambia Cap 254 of the Laws of Zambia we confirm that in our opinion:

- The Group has throughout the financial year kept proper accounting records in accordance with the requirements of the Securities and Exchange Commission Rules;
- The statement of financial position and statement of profit or loss and other comprehensive income in agreement with the Group's accounting records; and
- We have obtained all the information and explanations which to the best of our knowledge and belief are necessary for the purpose of our audit.



Chartered Accountants



**Christopher Mulenga (AUD/F000178)
Name of Partner signing on behalf of the Firm**

Lusaka

Date: 29 October 2019