ANNUAL REPORT 2015

AEL Zambia PLC

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Our values

Our Purpose
AEL unearths wealth by providing the mining industry with carefully controlled energy.

Our Mission
At AEL we apply our learning to developing appropriate technology and helping the mining industry use our energy confidently.

Living the AEL Values
AEL is part of the larger AECI group of companies which include the following:

Our AECI group values describe the behaviours required to achieve our strategic vision and are a reflection of our corporate identity, our principles and our beliefs. These values, therefore, shape the culture and define the character of the company into the future. We embrace the BIGGER concept in addressing our strategic intent for the business:

- **Bold**- Push our performance above and beyond;
- **Innovative**-Actively challenge ourselves to reinvent who we are, what we do and how we do it;
- **Going Green**- Driving solutions for a sustainable future;
- **Engaged**- Be committed to a culture of accountability, honesty, inclusivity; and
- **Responsible**- Acting in a manner that is mindful of all stakeholders' interests.

Our core competence:
We make explosive energy easy to use.

Wealth Unearthed

As one of the leading explosives companies in Zambia, AEL recognises the enormous responsibility of its role in mining the country's mineral resources. Mining is the reason for AEL's existence. AEL deeply appreciates the importance of mining to the welfare of the Zambian people and the development of the country's economy.

AEL strives to take care in the development, supply and application of its energy solutions to the mining and construction industries in Zambia. It is for this reason that AEL breaks rock with care and well-controlled energy. With this in mind, AEL endeavours to continually progress and remain relevant to its customers and the broader community of stakeholders. AEL takes its role as leader in many markets, applications and technologies very seriously, believing in the power of active collaboration with its customers.

AEL's passion for meticulous care and controlled energy drives its customer focus and innovation. It strongly underpins AEL's corporate objective 'to continually evolve and remain relevant'. This ensures a sharpness in AEL's core competencies of 'making its technologies significantly beneficial and immensely accessible'.

AEL's resolve to "unearth wealth with meticulous care, and energy" extends more broadly:

- To unearth the wealth of talent in its people and inspiring them to do remarkable work.
- To unearth the wealth in its technology programmes and energetically bringing them to fruition.
- To unearth the wealth and energy in productive and mutually beneficial customer relationships.
- To unearth the wealth that mining brings to a nation's people and how AEL can contribute more broadly.
- To deliver this, AEL constantly has to rely on its values of confidence, courage and care.

AEL applies its learning to successfully develop and bring appropriate technologies and services to mining industries throughout the world.

To this end, AEL commits itself to:

Quality through a culture of continuous improvement
AEL understands why quality is important to its customers. At the rock face, we learn through experience how our products and services can deliver improved results for your mine. This is what drives our investment in continuously improving our market offering. Customers reap the benefits of this continuous improvement as we provide you with superior products and better blasting efficiencies, at a competitive cost. We call it 'total blasting solutions'.

We continue to maintain and develop an internationally accepted quality management system according to AEL's accredited ISO 9001. AEL also adheres to the United Nations' quality standards, as set out in the international markets. AEL's customers are assured that they always receive products and services that are fit-for-purpose and of superior quality and safety standards.

Delivery on time and in full
AEL understands that its customers require absolute reliability and the knowledge that their blasting products will be delivered on time and in the right quantity. In order to achieve exceptional reliability,

Commitments (continued)

Delivery on time and in full (continued)

and guided by customer demand, we invest in creating a network of strategically located distribution sites. Our capability to supply on time, dependably, allows our customers to carry very low stock levels and in some cases no stock without the risk of production downtime.

Often, our customers have special delivery requirements. We go the extra mile to ensure that deliveries match our customers' operational needs.

Safety, health and environmental policy
All of AEL's products are designed and materials selected with the safety of the explosives handler in mind. Our products are researched, designed and tested for suitability to the harsh mining environments. When used correctly, our products contribute to creating a safer mining environment. We are committed to ensuring that our products comply with the most stringent safety rules, regulations and legislation.

AEL achieved ISO14001 listing for all its three sites in Zambia. This international standard ensures that AEL manages its environmental impact while adhering to the requirements of international norms, legislation and regulations. It forms the foundation for continuous improvement in environmental performance.

Product stewardship - from cradle to grave
In the blasting industry, when a supplier's value system lacks product stewardship, it is reasonable to expect that both supplier and mining employees will be exposed to unnecessary risks and danger. These risks become apparent when potentially dangerous explosives need to be relocated, or expired products must be disposed of safely. They also manifest when hazardous elements are used in products themselves, which compromise the safety of the mining environment.

AEL takes ownership of, and responsibility for, the entire chain of supply to our customers. For many years, AEL has practised product stewardship which is a moral and ethical code along the life cycle of a product or service.

This involves an absolute commitment to, and responsible management of our products, throughout their life cycles. We focus on performance, health, safety and environmental issues in each life cycle phase.

Product stewardship is thus a comprehensive cradle-to-grave approach for each product and service. It goes beyond traditional manufacturing to include suppliers, contractors, distributors and customers. It affords us the opportunity to analyse existing practices, to identify gaps leading to potential liabilities, and to develop processes that will add value to our business results.

Foreign currencies

The following conversion guide is provided to facilitate the interpretation of this report. At 31 December, one foreign unit was worth approximately:

	2015	2014
	ZMW	ZMW
United States Dollar	10.98	6.49
South African Rand	0.71	0.55

Profile and shareholders information

Shareholders information

AEL Group	80%
Public (institutions, individuals and employees)	20%
Total	**100%**

Note

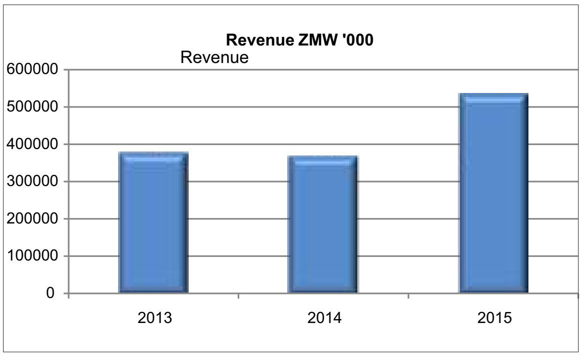
AEL Group will free-float 5% of its shares to the Zambian public within the year 2016 to make it compliant with the Listing Rules of the Lusaka Stock Exchange (LuSE) requiring all listed companies to have a minimum of 25% of their shares freely tradeable.

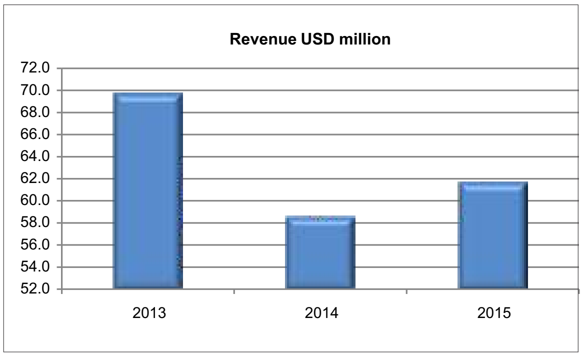
Results at a glance for the year ended 31 December 2015

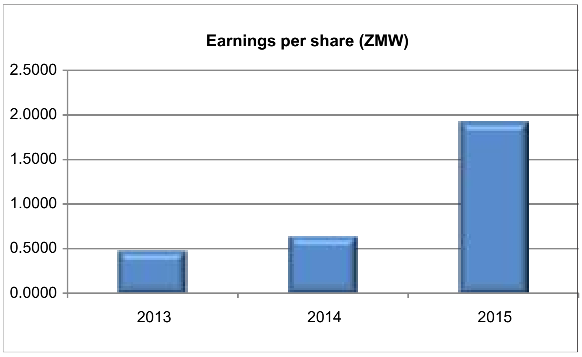
	2013	% change	2014	% change	2015
		ZMW (000)			
Financial					
Revenue	375,804	*-2.34%*	366,996	*45.45%*	533,808
Profit from operations	15,120	*84.62%*	27,914	*112.93%*	59,436
Earnings	9,674	*34.80%*	13,041	*159.85%*	33,887
Performance per share			**ZMW**		
Earnings per share	0.474	*34.81%*	0.639	*159.78%*	1.66
Core ratios					
Operating margin	4.00%		7.60%		11.10%
Return on equity	11.70%		12.80%		15.00%
Gearing	119.60%		83.50%		46.20%

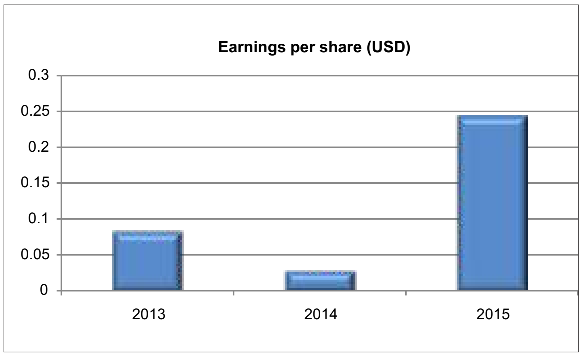
	2013	% change	2014	% change	2015
			USD millions		
Financial					
Revenue	69.7	*-15.93%*	58.6	*5.29%*	61.7
Profit from operations	2.8	*60.71%*	4.5	*66.67%*	7.5
Earnings	1.7	*70.59%*	2.9	*55.17%*	4.5
Performance per share			**USD Cents**		
Earnings per share	0.0825	*-66.79%*	0.0274	*786.86%*	0.243
Core ratios					
Operating margin	4.00%		7.70%		12.20%
Return on equity	11.00%		18.40%		22.40%
Gearing	121.00%		85.60%		49.50%

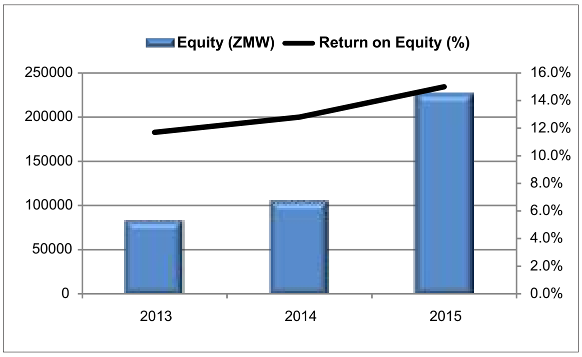
Results at a glance (continued)

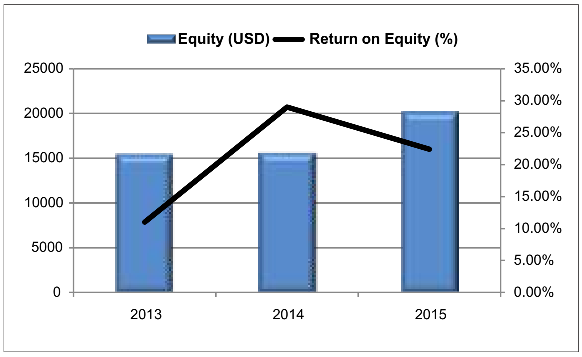


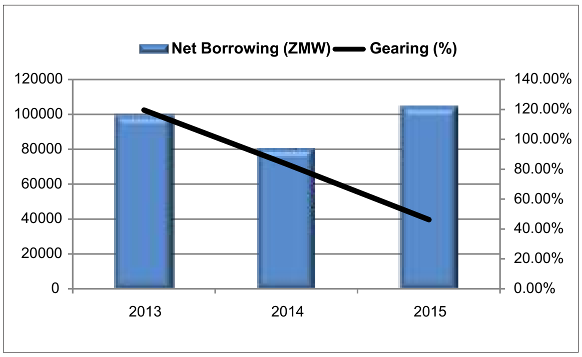


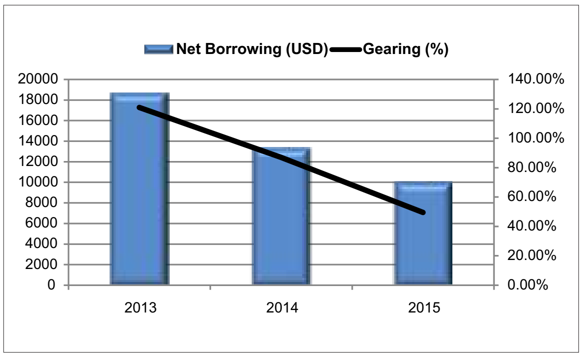












Financial Calendar

• Annual general meeting	31 March 2016
• Financial year end	31 December 2015
• 2015 audited financial results released	March 2016
• 2015 annual report posted	March 2016

Board of Directors

BOARD CHAIRMAN

JORDAN SOKO

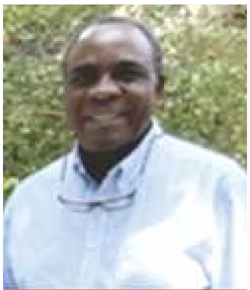
Chartered Management Accountant
MBA - Lincoln University United Kingdom
Zambian

MANAGING DIRECTOR

JACO HUMAN

Diploma in Management
Henley Business School
MBA - Henley Business School
South African (Zambian Resident)

DIRECTOR



Dr. SIXTUS MULENGA

PhD - University of London
Royal School of Mines
Imperial College
Zambian

DIRECTOR

WAYNE DU CHENNE

Diploma Mining Engineering
MBA - Henley Business School
South African

Safety & Health Performance

The Company's safety performance continued on a positive note for the year 2015 with ZERO recordable lost time injuries (LTI). The Company achieved a total of 4,066,827 injury free man hours as at 31 December 2015.

Safety is of key importance to the Company and therefore management has continued to focus on safety initiatives to keep the Total Recordable Injury Rate (TRIR) within limit.

During the year under review management focussed on safety initiatives in all operations i.e. manufacturing, engineering and distribution aimed at promoting safe working practices among employees. The ultimate goal was to continually assist employees and contractors identify hazards, mitigate exposure areas and improve the safety performance across the Company's operations.

Economic and Business Overview

Zambia's economic performance for year 2015 was lower than in previous years with GDP growth coming in at 5.7%. This decline was attributed to lower production in the mining sector compared to the year 2014. Inflation for the year ended at 19.5% compared to 7.9% in 2014. The exchange rate of the local currency to other international convertible currencies i.e. (USD) moved from 1 USD: ZMW 6.49 (2014) to 1 USD: ZMW 10.98 in 2015.

Copper production in 2015 marginally increased by 1% compared to the prior year. Agriculture achieved a stronger performance growing by over 6% whilst manufacturing and public services declined.

The slowdown in the world economy has negatively impacted many economies across the globe and Zambia has borne the effects of the slowing growth in China and Europe. Coupled with the power deficit arising from poor rainfall and low water levels for hydro-power generation, the mining industry was faced with productivity challenges. Lower copper prices also put pressure on mine operations forcing mining companies to “right-size” and put on hold some of their operations.

Overall business performance for the Company was positive for the first three quarters of the year but was beset by unprecedented challenges in the last quarter. The copper price declined from USD 6446.45/tonne as at 31 December 2014 to USD 4638.83/tonne as at 31 December 2015 (LME Prices), this put massive pressure on mine operations in terms of costs and operational viability.

Summary of Financial Performance

The Company's performance in terms of revenue for 2015 increased compared to 2014 by 45.45% from ZMW366,996 thousand to ZMW533,808 thousand, whilst gross margin increased from 22.90% in (2014) to 25.04% in (2015). Profit for the year after tax increased by 160% from the prior year to ZMW33,887 thousand (2015) from ZWM 13,041 thousand (2014).

The recommended dividend is ZMW 0.24 per share (2014: ZMW 0.12).

Initiatives

Towards the last quarter of the year 2015, AEL continued to focus on initiatives to sustain the prevailing market base under severe market-share pressure that saw a decline in mining operations.

Chairman's Review (continued)

Initiatives (continued)

To achieve and sustain the strong performance for the year, management, the union and employees worked together to deal with the challenges of labour placements in the wake of reduced productivity. The teams were outstanding in the manner with which they addressed the challenges for continued sustainability.

Management continues to look for growth opportunities and business development activities in the Central African region. These opportunities are also targeted at identifying business opportunities outside the traditional "copper" market. To this effect an office site in the quarry business in the Lusaka area is now operational with a view to opening other sites in the Eastern and Southern provinces.

Corporate Social Responsibility

AEL maintained its position as a good corporate citizen through sound ethical values, transparency, impartiality and the accountability of management in the administration of Corporate Social Responsibility (CSR).

The Company spent ZMW 197,370 on Corporate Social Responsibility in terms of donations and goodwill during the year under review.

Continued focus on the removal of Camara Lantana an invasive plant species provides opportunities for employment to the local community youths as part of the Company's CSR program.

Among other activities of CSR the company has continued to upgrade the standards of the local primary school by maintaining a classroom block, upgrading the playing fields and installing drinking water taps.

Acknowledgement

In conclusion I would like to thank all stakeholders for their continued support and confidence in the Company's operations. I would also like to recognise the dedicated efforts of each and every employee and our contractors for the successful performance and growth of the Company over the years.

To the board members, management and staff of the Company, I am glad to acknowledge that as a team, we have all embarked on a growth path in pursuit of our strategic goals showing commitment to our collective responsibilities under the AEL ethics and values.

Outlook

The Company had a very positive financial and safety performance in 2015 ensuring that there was ZERO harm to employees as well as equipment damage.

Business growth was affected by several factors including the presence a large number of competitors in the market. The strategic intent of the management team remains the same which is to do sustainable business at increased profit margins and controlling costs.

The main focus areas for 2016 will be to consolidate the underground mining division through maintaining and where possible growing market share. Considering the current economic climate customers are looking at reducing costs through explosives whether by reducing prices or improved production. The strategic intent of implementing a technical division has and will hold us in good stead as the amount of technical work has increased drastically. With regards to the surface mining business, the intent is to maintain the growth in this market which is of paramount importance and which will in turn reduce manufacturing costs.

Through identification of market risks, management understands that diversification is a necessity to the positive performance of the business.

Management continued focus on supplier value add as well as cost management through the value chain. This intervention is yielding results for the business during the period of low mine productivity.

Reinvestment \ Future Investments

Works on the Bulk Plant upgrade continued within the year to improve safety as well as maintain high standards of operations in terms of environmental management controls on an optimised footprint. The upgrade will ensure the Company maintains its position in the region with the capacity to take up any new opportunities.

Environmental Policy

AEL WILL

- Strive to continually improve the sustainability of its environmental performance.

COMPANY VALUE

Strive towards exemplary performance in environment in our development, manufacture, storage, distribution, testing, destruction and use of explosive initiating systems, bulk explosives and nitrogen-based chemicals.

CONSEQUENTLY AEL WILL:

- Identify, assess and prioritise the hazards and risks associated with our activities, products and services and implement appropriate action plans to minimize the impacts of these on the environment.
- Comply with applicable legislation in the countries in which we conduct our explosives business and, where appropriate, institute additional measures to ensure protection of the environment, employees and surrounding communities.
- Set demanding targets and measure progress to ensure continual improvement in environmental performance.
- Continually improve our environmental performance, standards and practice with regard to our impact on the water soil and air by using the internationally accepted ISO14000 management system.
- Provide appropriate environmental training and information for all our employees, contractors and others who work with us, handle our products, or operate our technologies.
- Hold senior executives and line management accountable for environmental performance and active stewardship.
- Require every employee to exercise personal responsibility in preventing pollution of the environment.
- Involve all employees in the drive to minimize environmental incidents.
- Promote and maintain open and constructive dialogue with employees, local communities, regulatory agencies, business organizations and any other affected or interested parties, in all matters of common concern.
- Communicate its environmental policy to all employees and contractors through induction and to interested and affected parties through the internet or on request.
- Support the Responsible Care Initiative.

AEL WILL:

- Ensure that all its activities are conducted safely, to minimize risk to employees, contractors and the public.

- Protect the health of its employees, contractors, customers and the public.

COMPANY VALUE

AEL will strive towards exemplary performance in the safety and health arena, including our development, manufacture, storage, distribution, testing, destruction and use of explosive initiating systems, bulk explosive and nitrogen based chemicals.

CONSEQUENTLY AEL WILL

- In the first instance, require every employee to exercise personal responsibility in preventing harm to themselves and others.
- Set demanding targets and measure progress to ensure continual improvement in the safety and health performance.
- Comply with applicable legislation in the countries in which we conduct our explosives business and, where appropriate, institute additional measures to ensure safety and health in the workplace, and to protect the surrounding communities.
- Identify, assess and prioritize the hazards and risks associated with our activities and implement appropriate corrective actions to minimize the impacts of these.
- Provide appropriate safety and health training and information for all our employees, contractors and others who work with us, handle our products, or operate our technologies.
- Hold executives, senior managers and line management accountable for safety and occupational health performance.
- Involve all employees in the drive to minimize or prevent safety and health incidents.
- Promote and maintain open and constructive dialogue with employees, local communities, regulatory agencies, business organizations and any other affected or interested parties, in all matters of common concern.

Report of the Directors

The directors of AEL Zambia Plc ("the Company") are pleased to present their report and audited financial statements for the financial year ended 31 December 2015.

1. Registered Office Address

Plot 1168/M
Mufulira
Republic of Zambia

2. Principal Activities

AEL Zambia Plc ("the Company") is situated in the Zambian mining town of Mufulira, which is approximately 400km to the north of the capital city, Lusaka. AEL Zambia Plc is engaged in the manufacture and distribution of bulk emulsion, packaged explosives, initiating systems and explosives accessories. AEL Zambia Plc's major customers include the major mining and quarrying operations in the country, as well as, export markets in the Democratic Republic of Congo, Malawi, Tanzania and Zimbabwe.

3. Ultimate Holding Company

The Company is a subsidiary of AEL Mining Services South Africa and the ultimate holding company is AECI Limited, which is listed on the Johannesburg Stock Exchange in South Africa.

AEL South Africa holds 80% in AEL Zambia Plc. The remaining 20% shareholding is publicly held through the Lusaka Stock Exchange (LuSE).

4. List of Directors and Officers

The Directors of the company during the year were:

Mr. J Soko	(Chairman - resident)
Mr. J Human	(Managing Director - resident)
Dr. S Mulenga	(Non-executive Director - resident)
Mr. S Wade	(Resigned - 15 February 2015)
Mr. W Du Chenne	(Non-executive Director - non-resident)

The Company's secretary is Choice Corporate Services Limited.

5. Report on Operations

The revenue for 2015 showed a 45% increase from 2014. Revenue for the year was ZMW533,808 thousand compared to ZMW366,996 thousand in 2014.

The Company exported goods valued at ZMW184,587 thousand (2014:ZMW89,568 thousand), which represents 34.58% of 2015 revenue (2014: 24.40%). Export sales to the Democratic Republic of Congo increased by 101.02%.

Local sales increased by 25.88%.

The Company achieved a retained profit after tax of ZMW33,887 thousand compared to ZMW13,041 thousand for 2014 which is an increase of 159.85%.

Operating expenses increased fromZMW56,536 thousand in 2014 to ZMW74,964 thousand in 2015. Manpower levels gradually decreased throughout the year. Salaries and wages increased by ZMW4,683 thousand (2014:ZMW3,273 thousand).

In view of the challenges facing the mining industry, the Company has continued to place emphasis on business growth to maintain and sustain margins. Business processes as well as control of variable costs in product manufacture are being pursued to achieve financial objectives and viability for the future.

6. Capital Expenditure

Capital expenditure for the year was ZMW1,575 thousand (2014: ZMW11,560 thousand). The reduction in capital expenditure is related to reduced operational levels on the mines, that have necessitated cutting back on expenditure whilst maintaining the infrastructure.

7. Future Developments

The Company is committed to its growth strategy with the focus in diversifying the customer base in Zambia as well as expansion into the Central African region. The Company will continue to partner with all potential mining investors in the country so as to broaden the diversification process.

8. Health and Safety

The AEL Zambia Plc policy is that the Company is committed to a clean, safe and healthy environment for its employees, contractors, customers and surrounding communities.

The Company had no lost time or recordable injuries during the year.

A Safety Health Environmental Quality framework together with an internal “Operational Excellence” system of audits is frequently carried out to ensure compliance with best practices and sustaining of high standards, within any given function, operation and process.

9. Environment

AEL Zambia Plc will ensure all its activities are conducted safely. Continuous improvement in safety, health and environment performance protects our employees, customers and the public.

AEL Zambia Plc is accredited with ISO14001 which ensures strict compliance to environmental legislation.

The Company strictly adheres to all environmental legislation and regulations. Environmental monitoring on effluent and emissions on a monthly basis strictly reviewed to ensure compliance to set legislative parameters. Initiatives are in place to reward employees who identify hazards and risks associated with the company's activities and assist in ways of elimination.

10. Directors and their interests

Directors' interests are tabled yearly at the first board meeting of each year. The interests are captured and recorded by the Company Secretary in South Africa and Zambia.

11. Corporate Governance

AEL Zambia Plc subscribes to the high standards of ethical behaviour and corporate governance. Each and every employee signs a code of ethics and company values statement annually. The Company values of “honesty and integrity” in all our activities is a culture and a pre-requisite that underpins the daily management of the company.

The Company furthermore adopts best practice from its shareholder AECI Limited, which has adopted the practices in the “King Report on Corporate Governance”. The Company is operated from the premise of accountability and internal control.

Report of the Directors (continued)

12. Audit Committee

An annual audit committee is held with the stakeholders to recommend for approval to the board on the Company's financial statements as a fair reflection of the Company accounts.

13. Human Resources and Industrial Agreements

AEL Zambia Plc is dedicated to serving its customers and other stakeholders. The Company attaches prime importance to the care and growth of its employees. The Company's competitive advantage lies in its people, which need to be competent, creative and use strong initiative.

The Company will provide a safe and healthy working environment and develop people to enhance their employability. There will be a link between performance and reward, with good performance being recognized and poor performance is not endorsed. The organization will endeavour to ensure a demographically balanced organization at all levels. Communication through forums, collective agreements and an open door policy underpins effective two way communication at all levels.

Staff Levels

Staff levels decreased from 270 in January 2015 to 265 in December 2015. The monthly number of employees for the year was as follows:

Month	Total
January	270
February	276
March	278
April	278
May	278
June	279
July	275
August	271
September	274
October	270
November	267
December	265

14. Research and Development

The Company did not spend any material amount on research and development.

15. Gifts and Donations

Total donations during the year amounted to ZMW197,370 (2014: ZMW141,793).

16. Auditors

In accordance with the provision of the Articles of Association of the Company, Messrs KPMG will retire at the next Annual General Meeting. A resolution for appointing external auditors for the forthcoming year and authorising the directors to determine their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Choice Corporate Services Limited
Company Secretary

Directors' Responsibilities in Respect of the Preparation of the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements of AEL Zambia Plc, comprising the statement of financial position at 31 December 2015, and the statements 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 a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zambia. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of 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 that 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 the applicable financial reporting framework.

Approval of the financial statements

The financial statements of AEL Zambia Plc, as identified in the first paragraph, were approved by the board of directors on **25 February 2016** and signed by:

....
Director

....
Director

KPMG Chartered Accountants
First Floor, Elunda Two
Addis Ababa Roundabout
Rhodes Park, Lusaka
P.O. Box 31282
Lusaka, Zambia

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

Independent auditor's report
to the shareholders of AEL Zambia PLC

Report on financial statements

We have audited the financial statements of AEL Zambia Plc ("the Company") which comprise the statement of financial position at 31 December 2015, and the statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 22 to 59.

Directors' responsibility for the financial statements

The Company's directors are 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 of Zambia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of AEL Zambia Plc at 31 December 2015, 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.

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, other records and registers have been properly kept in accordance with the Act.

KPMG

KPMG Chartered Accountants **17 March 2016**

Victor Sitabule **AUD/A008772**
Partner

Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 K'000	2014 K'000
Revenue	*4*	533,808	366,996
Cost of sales		(400,150)	(282,966)
Gross profit		133,658	84,030
Other income	*7*	742	420
Administration and other expenses	*5*	(74,964)	(56,536)
Profit from operations		59,436	27,914
Finance income	*8*	922	4
Finance costs	*8*	(278)	(2,082)
Profit before tax		60,080	25,836
Income tax expense	*9*	(26,193)	(12,795)
Profit for the year		33,887	13,041
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences		93,051	8,513
Total comprehensive income for the year		126,938	21,554
Earnings per share			
Basic and diluted earnings per share (ZMW)	*23*	1.66	0.639

The notes on pages 26 to 59 are an integral part of these financial statements.

Statement of Financial Position

as at 31 December 2015

	Note	2015 K' 000	2014 K' 000
Assets			
Property, plant and equipment	*10*	48,867	36,190
Finance lease receivables	*11*	-	1,967
Non-current assets		48,867	38,157
Inventories	*12*	99,178	58,038
Trade and other receivables	*13*	128,550	78,166
Finance lease receivables	*11*	3,599	2,250
Cash and cash equivalents	*14*	50,312	10,572
Current assets		281,639	149,026
Total assets		330,506	187,183
Equity			
Share capital	*15*	204	204
Retained earnings		116,593	85,524
Foreign currency translation reserve		109,320	16,269
Total equity		226,117	101,997
Liabilities			
Provisions	*18*	4,467	2,242
Deferred tax liabilities	*9(iv)*	8,321	7,393
Non-current liabilities		12,788	9,635
Interest-bearing loans and borrowings	*17*	-	8,912
Trade and other payables	*19*	70,776	55,315
Current tax liabilities	*9(iii)*	20,825	11,324
Current liabilities		91,601	75,551
Total liabilities		104,389	85,186
Total equity and liabilities		330,506	187,183

These financial statements were approved by the board of directors on **25 February 2016** and signed by:

....
Director

....
Director

The notes on pages 26 to 59 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital	Foreign currency translation reserves	Retained earnings	Total
	K' 000	K' 000	K' 000	K' 000
Balance at 1 January 2014	204	7,756	74,959	82,919
Total comprehensive incomefor the year				
Profit for the year	-	-	13,041	13,041
Other comprehensive income				
Foreign currency translation differences	-	8,513	-	8,513
Total comprehensive income for the year	-	8,513	13,041	21,554
Transactions with the owners of the Company				
Contributions and distributions				
Dividends to equity holders	-	-	(2,476)	(2,476)
Total contributions and distribution	-	-	(2,476)	(2,476)
Balance at 31 December 2014	204	16,269	85,524	101,997
Balance at 1 January 2015	**204**	**16,269**	**85,524**	101,997
Total comprehensive income for the year				
Profit for the year	**-**	**-**	**33,887**	33,887
Other comprehensive income				
Foreign currency translation differences	**-**	**93,051**	**-**	93,051
Total comprehensive income for the year	**-**	**93,051**	**33,887**	126,938
Transactions with the owners of the Company				
Contributions and distributions				
Dividends to equity holders	**-**	**-**	**(2,818)**	(2,818)
Total contributions and distributions	**-**	**-**	**(2,818)**	(2,818)
Balance at 31 December 2015	**204**	**109,320**	**116,593**	226,117

Retained earnings

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

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the gains / (losses) on translation to the presentation currency.

The notes on pages 26 to 59 are an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2015

	Note	2015 K' 000	2014 K' 000
Cash flows from operating activities			
Profit for the year		33,887	13,041
Adjustments for:			
Depreciation	10	11,675	7,462
Gain on disposal of plant and equipment	7	(21)	(378)
Net finance expense	8	(644)	2,078
Income tax expense	9	26,193	12,795
Change in provision	18	2,225	-
Movement in foreign currency translation		70,230	2,493
		143,545	37,491
Change in inventories		(41,140)	8,580
Change in trade and other receivables		(50,384)	(12,587)
Change in trade and other payables		21,617	(2,541)
Income taxes paid	9	(15,764)	(7,530)
Cash flows generated from operating activities		57,874	23,413
Cash flows from investing activities			
Interest received	8	922	4
Acquisition of plant and equipment	10	(1,575)	(11,560)
Proceeds from disposal of plant and equipment		65	461
Finance lease receipts		618	1,921
Cash flows generated from/(used in) investing activities		30	(9,174)
Cash flows from financing activities			
Interest paid	8	(278)	(2,082)
Dividends paid	16	(8,974)	(256)
Proceeds from loans and borrowings	17	13,154	-
Interest paid on loans and borrowings	17	(246)	(2,081)
Repayments of loans and borrowings	17	(21,820)	(16,883)
Cash flows used in financing activities		(18,164)	(21,302)
Net increase/(decrease) in cash and cash equivalents		39,740	(7,063)
Cash and cash equivalents at 1 January		10,572	17,635
Cash and cash equivalents at 31 December	14	50,312	10,572

The notes on pages 26 to 59 are an integral part of these financial statements.

Introduction

Functional and presentation currency

The financial statements are presented in Zambian Kwacha which is the Company's presentation currency. All financial information presented in Kwacha has been rounded to the nearest thousand unless otherwise indicated. The Company's functional currency is the United States Dollar (USD).

Methodology

Assets and liabilities

Assets and liabilities have been converted to Kwacha at the closing rate of ZMW10.98=1USD (2014: ZMW 6.49=1USD).

Income and expense

All items of income and expense have been translated to Kwacha at the average exchange rates for the period of ZMW 8.65=1USD (2014: ZMW 6.23=1USD)

All resulting differences are recognized in other comprehensive income as the foreign currency translation reserve.

Accounting policies

1. Reporting entity

AEL Zambia Plc (“the Company”) is incorporated in Zambia under the Zambian Companies Act as a limited liability company and is domiciled in Zambia. The address of its registered office and place of business is Plot 1168/M, Mufulira. AEL Zambia is engaged in the manufacture and distribution of bulk emulsion, packaged explosives, initiating systems and explosives accessories. The Company is a subsidiary of AEL Mining Services South Africa.

2. Basis of preparation

(a) Statement of compliance

The financial statements of AEL Zambia Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of Zambia (“Companies Act”).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis of accounting.

(c) Use of judgements and estimates

In preparing these financial statements, management has made judgments, 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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

2. Basis of preparation (continued)

(c) Use of judgements and estimates (continued)

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2016 is included in the following note:

Note 18 - recognition and measurement of provisions; key assumptions about the likelihood and magnitude of an outflow of resources.

3. Operating segments

The Company has two reportable segments: North Western Zambia and the Copperbelt.

	2015			2014		
	North Western	Copperbelt	Total	North Western	Copperbelt	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Revenue from external customers	144,188	205,033	349,221	82,347	195,081	277,428
Depreciation	(761)	(1,082)	(1,843)	(369)	(873)	(1,242)
Reportable segment gross margin	26,299	55,305	81,604	18,486	44,536	63,022
Reportable segment assets	89,274	126,946	216,220	43,922	78,750	122,672
Reportable segment liabilities	(29,543)	(42,009)	(71,552)	(2,427)	(16,400)	(18,827)
Margin %	18.2%	27.0%	23.4%	29.1%	29.6%	29.4%

Description of the types of products from which each reportable segment derives its revenue

Revenue represents the invoiced value from the sale of explosives and accessories supplied to customers.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

3. Operating Segments (continued)

Measurement of operating segment profit or loss, assets and liabilities (continued)

The Company evaluates performance on the basis of gross margin before administration expenses, and excludes tax, and non-recurring foreign currency gains and losses.

Factors that Management used to identify the Company's reportable segments

The Company's reportable segments are separate and different geographical areas which produce bulk emulsion independent of each other. Whilst the primary raw materials are identical, the cost base is different due to the location.

Reconciliation of reportable segment revenues, profit or loss assets and liabilities

	2015 K'000	2014 K'000
Revenue		
Total revenue of reportable segments	349,221	277,428
Other revenue	184,587	89,568
Company's revenue	533,808	366,996
Profit or loss		
Total gross margin of reportable segments	81,604	63,022
Other gross margin	52,054	21,008
Company's gross margin	133,658	84,030
Unallocated amounts:		
Other expenses	(73,510)	(57,483)
Bad debt allowance	(752)	1,000
Exchange differences	684	(1,711)
Profit before income tax expense	60,080	25,836
Assets		
Total assets for reportable segments	216,220	122,672
Unallocated assets	114,286	64,511
Company assets	330,506	187,183
Liabilities		
Total liabilities for reportable segments	(71,552)	(18,827)
Unallocated liabilities	(32,837)	(66,359)
Company liabilities	(104,389)	(85,186)

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

4. Revenue

(a) Revenue, net of value added tax, represents the invoiced value from the sale of explosives and accessories supplied to customers during the year in the ordinary course of business.

(b) The analysis by geographical area of the Company's turnover is set out below:

	2015 K' 000	2014 K' 000
Democratic Republic of Congo	174,644	86,880
South Africa	5,997	-
Tanzania	3,946	2,688
Zambia	349,221	277,428
	533,808	366,996

5. Administration and other expenses

	2015 K'000	2014 K'000
Auditors remuneration	421	471
Depreciation	2,817	1,643
Directors fees	441	175
Foreign exchange loss	-	1,711
Impairment of receivables	752	(1,000)
Operating lease costs	1,014	301
Employee benefit expenses (note 6)	38,857	29,480
Maintenance	3,539	1,845
Operating administration costs	13,690	8,115
Other operating expenses	13,433	13,795
Total operating expenses	74,964	56,536

Change in classification

During the current year, management modified the operating expenses by reclassifying fixed costs incurred in the production of goods sold to cost of sales.

Comparative amounts in the statement of profit or loss and other comprehensive income were reclassified for consistency.

6. Employee benefit expenses

	2015 K'000	2014 K'000
Salaries and wages	25,993	21,310
National Pension Scheme Authority contributions	1,074	1,136
Contributions to Saturnia Regina Pension Plan	1,980	1,649
Other expenses (overtime, bonuses)	9,810	5,385
	38,857	29,480

7. Other income

	2015 K'000	2014 K'000
Exchange gains	684	-
Sundry income	37	42
Gain on disposal of plant and equipment	21	378
	742	420

8. Finance income / (costs)

	2015 K' 000	2014 K' 000
Interest on intercompany receivables	254	-
Interest on lease receivables	664	-
Interest on bank balances	4	4
Finance income	922	4
Interest on overdraft	(32)	(1)
Interest paid on intercompany loan	(246)	(2,081)
Finance costs	(278)	(2,082)
Net finance income / (costs)	644	(2,078)

9. Income tax

(i) Amount recognised in profit or loss

	Note	2015 K' 000	2014 K' 000
Current tax expense			
Current year		25,265	10,733
Deferred tax expense			
Origination and reversal of temporary differences	*9 (iv)*	928	2,062
Income tax expense		26,193	12,795

(ii) Reconciliation of effective tax rate

The tax on the profit before tax differs from the theoretical amount that would arise using the basic rate as follows:

	%	2015 K' 000	%	2014 K' 000
Profit before tax		60,080		25,836
Tax on accounting profit	35	21,028	35	9,042
Non-deductible expenses	9	5,169	6	1,580
Effect of lower taxes	(10)	(6,140)	(7)	(1,726)
Under/(over) provision in prior year	2	944	6	1,620
Exchange differences	8	5,192	9	2,279
	44	26,193	49	12,795

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

9. Income tax (continued)

(iii) *Current tax liabilities*

	2015 K' 000	2014 K' 000
At 1 January	(11,324)	(8,121)
Charge for the year	(25,265)	(10,733)
Payments during the year	15,764	7,530
At 31 December	(20,825)	(11,324)

(iv) *Deferred tax liabilities*

Deferred tax assets and liabilities at 31 December 2015 and 2014 are attributed to the items detailed below:

	2015 K'000 Assets	Liabilities	Net	2014 K'000 Assets	Liabilities	Net
Property, plant and equipment	-	12,445	12,445	-	9,411	9,411
Unrealised exchange gains	-	194	194	-	-	-
Unrealised exchange losses	-	-	-	(599)	-	(599)
Impairment of debt	(240)	-	(240)	(23)	-	(23)
Incentive bonus provision	(1,479)	-	(1,479)	(611)	-	(611)
Environmental provision	(1,272)	-	(1,272)	(785)	-	(785)
Legal Provision	(80)	-	(80)	-	-	-
Other provisions	(1,154)	-	(1,154)	-	-	-
Leave provision	(93)	-	(93)	-	-	-
	(4,318)	12,639	8,321	(2,018)	9,411	7,393

	1 January 2014	Recognised in profit or loss	31 December 2014	Recognised in profit or loss	31 December 2015
Property, plant and equipment	7,715	1,696	9,411	3,034	12,445
Unrealised exchange gains	7	(7)	-	194	194
Unrealised exchange losses	(12)	(587)	(599)	599	-
Incentive bonus provision	(559)	(52)	(611)	(868)	(1,479)
Environment provision	(541)	(244)	(785)	(487)	(1,272)
Impairment of debt	(1,279)	1,256	(23)	(217)	(240)
Legal Provision	-	-	-	(80)	(80)
Other provisions	-	-	-	(1,154)	(1,154)
Leave provision	-	-	-	(93)	(93)
	5,331	2,062	7,393	928	8,321

10. Property, plant and equipment

Description	Property K'000	Plant and Machinery K'000	Motor Vehicles K'000	Furniture, Fixtures and Equipment K'000	Capital work in progress K'000	Total K '000
Cost						
At 01.01.14	3,008	74,121	8,218	4,192	2,388	91,927
Additions	-	7,155	814	74	3,517	11,560
Transfer	612	1,472	-	-	(2,084)	-
Disposals	-	(386)	(516)	-	-	(902)
Foreign currency exchange differences	602	14,156	1,402	647	1,108	17,915
At 31.12.14	4,222	96, 518	9,918	4,913	4,929	120,500
At 01.01.15	4,222	96,518	9,918	4,913	4,929	120,500
Additions	9	81	833	-	652	1,575
Transfers	1,564	239	2,043	-	(3,846)	-
Disposals	-	-	(1,040)	-	-	(1,040)
Adjustment	-	-	44	(1,795)	-	(1,751)
Foreign currency				6,330		
exchange differences	3,721	65,632	8,548		(395)	83,836
At 31.12.15	9,516	162,470	20,346	9,448	1,340	203,120
Accumulated Depreciation						
At 01.01.14	2,624	52,784	6,510	3,854	-	65,772
Charge for the year	111	6,190	1,117	44	-	7,462
Disposals	-	(303)	(516)	-	-	(819)
Foreign currency exchange differences	393	9,471	1,057	974	-	11,895
At 31.12.14	3,128	68,142	8,168	4,872	-	84,310
At 01.01.15	3,12 8	68,142	8,168	4,872	-	84,310
Charge for the year	322	9,124	2,188	41	-	11,675
Disposals	-	-	(1040)	-	-	(1040)
Adjustments	-	-	-	(1,707)	-	(1,707)
Foreign currency exchange differences	2,392	46,947	5,484	6,192	-	61,015
At 31.12.15	5,842	124,213	14,800	9,398	-	154,253
Net book values						
At 31.12.14	1,094	28,376	1,750	41	4,929	36,190
At 31.12.15	3,674	38,257	5,546	50	1,340	48,867

(I) Included in the cost of assets are fully depreciated assets of ZMW 83,912,208 (2014: ZMW 37,837,939) that are still in use.

(ii) A schedule listing the properties as required by section 193 of the Companies Act of Zambia is available for inspection by members or their duly authorized representative at the registered office of the Company.

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

11. Finance lease receivables

This note provides information about the contractual terms of the Company's interest-bearing lease receivable which is measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risks, see note 20.

	2015 K'000	2014 K'000
Gross investment in finance lease receivables	3,675	4,399
Unearned finance income	(76)	(182)
Present value of minimum lease payments	3,599	4,217
Gross investment in finance lease receivables		
Less than one year	3,675	2,250
Between two and five years	-	2,149
	3,675	4,399
Present value of lease payment receivables		
Less than one year	3,599	2,250
Between two and five years	-	1,967
	3,599	4,217

The finance leases are in respect of plant and equipment constructed on customer sites and the terms of the lease are between two and five years. The lease carries a variable interest rate of LIBOR + 2%, nominal rate 2.26%, and is repayable in November 2016. The asset is secured by the plant until fully paid.

12. Inventories

	2015 K'000	2014 K'000
Raw materials	46,151	25,147
Finished goods	40,047	23,094
Engineering stores and spares	12,980	9,797
	99,178	58,038

In 2015 raw materials, spares and changes in finished goods recognised as cost of sales amounted to ZMW 360 million (2014: ZMW 283 million). No security is held over inventory. There were no write downs in carrying amounts of Net Realisable Value (2014: Nil).

13. Trade and other receivables

	2015 K'000	2014 K'000
Trade receivables	45,423	65,147
Trade receivables due from related parties (note 24 (i)	66,191	3,656
Other receivables due from related parties (note 24 (i)	10,284	-
Other receivables	228	6,045
	122,126	74,848
Less: impairment provision	(1,072)	(65)
	121,054	74,783
Prepayments and deposits	7,496	3,383
Total	128,550	78,166

For more information about the Company's exposure to credit and currency risks, and impairment losses for trade and other receivables, see note 20.

14. Cash and cash equivalents

	2015 K'000	2014 K'000
Bank balances	50,177	10,562
Cash balance	135	10
Cash and cash equivalents in the statement of cash flows	50,312	10,572

Standard Chartered Bank Zambia Plc

The Company has a ZMW 2,745 thousand bank overdraft facility.

The overdraft balance at 31 December 2015 was Nil (2014: Nil).

For more information about the Company's exposure to credit and currency risks for cash and cash equivalents see note 20.

15. Share capital

	2015 K'000	2014 K'000
Authorised		
22,500,000 ordinary shares of ZMW0.01 each	225	225
Issued and fully paid		
20,406,600 ordinary shares of ZMW0.01 each	204	204

The holders of ordinary shares are entitled to dividends as declared from time to time and to vote at the annual general meetings of the Company.

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

16. Dividends

The following dividends were declared and paid by the Company for the year ended 31 December.

	2015 K' 000	2014 K'000
Opening balances	6,156	3,936
Declared	2,818	2,476
Paid	(8,974)	(256)
Dividends payable at year end (note 19)	-	6,156

The proposed dividend for 2015 is ZMW 0.24 per share (2014: ZMW 0.12).

17. Interest - bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 20.

	2015 K'000	2014 K'000
At 1 January	8,912	27,876
Drawdowns during the year	13,154	-
Interest	(246)	(2,081)
Repayments made during the year	(21,820)	(16,883)
At 31 December	-	8,912

Terms and debt repayment schedule

	Currency	Nominal interest rate	31.12.2015 Face value	31.12.2015 Carrying Amount	31.12.2014 Face value	31.12.2014 Carrying amount
AEL Mauritius Ltd Loan	USD	LIBOR+6%	-	-	8,912	8,912

The loan from AEL Mauritius Limited was paid in full in the current year.

18. Provisions

	2015 K'000
Environmental provision	
Balance at 1 January	2,242
Additional provision	2,225
Balance at 31 December	4,467

18. Provisions (continued)

The Company is required by the Mines and Minerals Development Act of 2008 to rehabilitate environmental disturbances caused by its operations. The restoration, rehabilitation and environmental provision represent the best estimate of the expenditure required to settle the obligation. The Company is yet to make contributions to the Environmental Protection Fund, controlled by the Department of Mines and Mineral Development. The Company's confirmed net environment fund contribution is ZMW 147,933 for two years cover that is for the years ended 31 December 2015 and 31 December 2014.

The valuation for the environmental restoration provision at 31 December 2015 was performed by the directors using their professional judgement and the assumptions applied by the independent expert in calculating the provision for the year ended 31 December 2013. A review audit by the independent expert is scheduled for quarter three of 2016.

The provision has been recognised initially as a liability at fair value assuming a discount rate of 2.54% and an inflation of 2.38%. The estimated liability for restoration, rehabilitation and environmental obligations as at 31 December 2015 is ZMW 4,465,933.

The provision is based on the net present value of the future cash flows that are expected to be incurred to rehabilitate the site. If the estimates relating to the discount rates and the timing and quantum of cash flows are revised there may be a significant impact on the carrying value of the provisions.

19. Trade and other payables

	2015 K'000	2014 K' 000
Amounts due to related parties (note 24)	40,224	34,030
Accruals and other payables	30,552	8,456
Other related party balances	-	6,673
	70,776	49,159
Dividends payable (note 16)	-	6,156
Total	70,776	55,315

For more information about the Company's exposure to liquidity and currency risks for trade and other payables see note 20.

20. Financial instruments - fair values and risk management

Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

20. Financial instruments - fair values and risk management (continued)

Financial risk management (continued)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

(i) Financial risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's management is responsible for developing and monitoring the Company's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Audit Committee is assisted in its oversight role by the Group Internal Audit. Group Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) Credit risk

Exposure to credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

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 33% of the Company's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

20. Financial instruments - fair values and risk management (continued)

(ii) Credit risk (continued)

***Trade and other receivables** (continued)*

The Company's management has established credit approval procedures under which each new customer is analysed individually for creditworthiness before the Company's 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.

More than 90% of the Company's customers have been transacting with the Company for over four years, and losses have occurred infrequently. In monitoring customer credit risk, it is to ensure that customers' outstanding balances payable are within the predetermined credit limits, and no further supplies are made if the outstanding amount has reached 60 days regardless of the amount.

Trade and other receivables relate mainly to the Company's related entities and the mines that account for 20% and 80% respectively. Customers that are graded as “high risk” are those that exceed 120 days, and placed on a restricted customer list, and future sales are made on a cash basis with approval of the Managing Director.

The Company does not require collateral in respect of 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 components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component 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 statistics for similar financial assets.

The Company is managing this risk by restricting dealings to highly rated customers approved within its credit limit policy. The higher the credit rating of the customer the higher the Company's allowable exposure is to that customer under the policy.

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

		Carrying amount	
	Note	2015 K'000	2014 K'000
Finance lease receivables	*11*	3,599	4,217
Trade and other receivables	*13*	121,054	74,783
Cash and cash equivalents	*14*	50,312	10,572
		174,965	89,572

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

20. Financial instruments - fair values and risk management (continued)

(ii) ***Credit risk*** *(continued)*

Trade and other receivables *(continued)*

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

	Carrying amount	
	2015 K'000	2014 K'000
Domestic	44,579	63,579
Democratic Republic of Congo	75,690	10,279
Chemserve- Zambia	45	104
Mauritius	545	325
Improchem Ltd AECI – South Africa	195	496
	121,054	74,783

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customers was:

	2015 K'000	2014 K'000
Contract customers	120,600	74,451
Small miners	454	332
	121,054	74,783

Impairment losses

The ageing of trade receivables at the reporting date was:

	2015 K'000 Gross amount	2015 K'000 Impairment	2014 K'000 Gross amount	2014 K'000 Impairment
Not due	72,794	-	39,647	-
Past due 0-30 days	26,772	-	24,838	-
Past due 31-60 days	6,037	-	4,248	-
Past due 61-90 days	2,741	-	2	-
Past due over 91 days	3,270	1,072	68	65
Total	111,614	1,072	68,803	65

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

	2015 K'000	2014 K'000
Balance at 1 January	65	1,065
Impairment loss recognized	752	-
Impairment reversed	-	(1,000)
Foreign exchange difference	255	-
Balance at 31 December	1,072	65

20. Financial instruments - fair values and risk management (continued)

(ii) *Credit risk (continued)*

***Trade and other receivables** (continued)*

Trade receivables are carried at amounts due as they are short term and the impact of discounting is not material. Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment and extension analysis of customer credit risk. Payment terms are generally 30 days from end of month of invoice date.

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

The following basis has been used to assess the allowance for doubtful trade receivables:
- an individual account by account assessment based on past credit history;and
- prior knowledge of debtor insolvency or other credit risk.

No material security is held over trade receivables.

Trade receivables have been aged according to their due date in the above ageing analysis. There are no individually significant receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

(iii) *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.

The Company is exposed to liquidity risk on loans and borrowings and trade and other payables.

The Company uses activity-based costing to cost its products and services, which assist it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company has a ZMW2,745,000 (USD 250,000) bank overdraft facility with Standard Chartered Bank.

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

20. Financial instruments - fair values and risk management (continued)

(iii) *Liquidity risk (continued)*

Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. The following are the contractual maturities of financial liabilities.

31 December 2015 K'000	Note	Carrying amount of financial liabilities at amortised cost	Contractual cash flows	Within 1 year	1 to 2 Yrs.	2 to 5 Yrs.
Non-derivative Financial liabilities						
Trade and other Payables		70,622	70,622	70,622	-	-
Total		70,622	70,622	70,622	-	-

31 December 2014 K'000	Note	Carrying amount of financial liabilities at amortised cost	Contractual cash flows	Within 1 year	1 to 2 Yrs.	2 to 5 Yrs.
Non-derivative Financial liabilities						
Trade and other Payables		55,315	55,315	55,315	-	-
Interest bearing loans		8,912	8,912	8,912	-	-
Total		64,227	64,785	64,785	-	-

(iv) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which 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. The Company does not have exposure to equity risk.

Currency risk

Exposure to currency risk

The Company incurs currency risk as a result of sales, purchases and borrowings that are denominated in a currency other than the US dollar. The currencies giving rise to the risk are primarily the Zambian Kwacha. The Company ensures the risk is kept to an acceptable level by matching assets and liabilities in the statement of financial position. No hedge is taken out for this risk.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that the risk is kept to an acceptable level by matching assets and liabilities in the statement of financial position. Net exposure is kept to an acceptable level by denominating recognised trade receivables in United States Dollars and foreign

20. Financial instruments - fair values and risk management (continued)

(iv) *Market risk (continued)*

Exposure to currency risk (continued)

exchange risk on intercompany and foreign payables is managed by maintaining a bank account in foreign currency.

The Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

The Company's exposure to foreign currency risk is as follows based on notional amounts:

	31 December 2015		
	USD Based	**ZMW Based**	**Total**
Finance lease receivables	3,599	-	3,599
Trade and other receivables	120,212	842	121,054
Cash and cash equivalents	50,171	141	50,312
Trade and other payables	(69,650)	(1,126)	(70,776)
Net position	104,332	(143)	104,189

	31 December 2014		
	USD Based	**ZMW Based**	**Total**
Finance lease receivables	4,217	-	4,217
Trade and other receivables	61,698	13,085	74,783
Cash and cash equivalents	10,250	322	10,572
Loans and borrowings	(8,912)	-	(8,912)
Trade and other payables	(40,703)	(14,612)	(55,315)
Net position	26,550	(1,205)	25,345

The following significant exchange rates applied during the year:

	Closing rate	
ZMW	2015	2014
USD 1	10.98	6.490
ZAR 1	0.709	0.553

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

20. Financial instruments - fair values and risk management (continued)

(iv) ***Market risk*** *(continued)*

Sensitivity analysis

A reasonably possible strengthening (weakening) of the US Dollar against the Zambian Kwacha at 31 December 2015 would affect the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables in particular, interest rates remain constant and ignores any impact of forecast sales and purchases.

At 31 December 2015, if the Kwacha had weakened by 10 % against the US Dollar with all other variables held constant, post-tax profits and equity for the year would have been ZMW 10 million (2014: ZMW 3 million) higher mainly as a result of USD denominated trade and other payables/receivables and bank balances.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates. The Company generally contracts borrowings which are priced on LIBOR basis. The Company endeavours to take the best contract available.

The Company is exposed to interest rate risk to the extent of its loans and borrowings, bank overdraft and cash and cash equivalents. Interest bearing liabilities issued at fixed rates expose the Company to fair value interest risk while borrowings issued at a variable rate give rise to cash flow interest rate risk.

The Company ensures that the net exposure is kept to a minimum by maintaining positive bank balances, and through the repayment of instalments on the borrowings within the agreed dates. Interest rate risk on long-term interest bearing liabilities is managed by adjusting the ratio of fixed interest debt to variable interest debt.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2015 K'000	2014 K' 000
Variable rate instrument		
Finance lease receivables	3,599	4,217
Loans and borrowings	-	(8,912)
	3,599	(4,695)

Fair value sensitivity analysis for fixed rate instruments

The Company is exposed to interest rate risk as the Company borrows funds at both fixed and variable interest rates. The Company holds fixed rate instruments which are recorded at amortised cost and a change in interest rate at the reporting date would not affect profit or loss and equity.

20. Financial instruments - fair values and risk management (continued)

(iv) Market risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit or loss		Equity	
	100 bp Increase K'000	100 bp Decrease K'000	100 bp Increase K'000	100bp Decrease K'000
31 December 2015				
Variable instruments	36	(36)	36	(36)
31 December 2014				
Variable instruments	(47)	47	(47)	47

Fair values

Fair values versus carrying amounts

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

	Carrying amounts		Fair value	
Financial assets	2015	2014	2015	2014
Finance lease receivables	3,599	4,217	3,599	4,217
Trade and other receivables	121,054	74,783	121,054	74,783
Cash and cash equivalents	50,312	10,572	50,312	10,572
Total financial assets	174,965	89,572	174,965	89,572
Financial liabilities				
Trade payables	(70,622)	(55,315)	(70,622)	(55,315)
Loans and borrowings	-	(8,912)	-	(8,912)
Total financial liabilities	(70,622)	(64,227)	(70,622)	(64,227)
Net financial position	104,343	25,345	104,343	25,345

The carrying amounts equate fair value due to the low impact of discounting, as the financial assets and liabilities are all short term.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the key financial performance indicators of the Company. The Board reviews the statutory accounts by comparing the actual results against budget and prior year. The Company's target is to achieve growth in respect of sales, volume sales and profit before tax.

The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

20. Financial instruments - fair values and risk management (continued)

Capital management (continued)

There were no changes in the Company's approach to capital management during the year.

The Company's debt to capital ratio at the end of the reporting period was as follows:

	2015 K'000	2014 K'000
Total liabilities	104,389	85,186
Total equity	226,117	101,997
Debt equity ratio at 31 December	46%	84%

21. Operating lease

Lease payments under non-cancellable operating lease

	2015 K'000	2014 K'000
Less than one year	1,014	201
Between one and five years	1,101	100
	2,115	301

The Company leases six residential properties under operating leases. The leases typically run for a period of 1 year, with an option to renew the lease after that date. Lease payments are re-negotiated every 2 years to reflect market rentals. The Company does not have an option to purchase the leased properties on expiry of the lease period.

22. Contingencies and guarantees

22.1 Bonded warehouse guaranteed by Standard Chartered Bank Zambia Plc

The Company's bonded warehouse has been guaranteed by Standard Chartered Bank Zambia Plc with the Zambia Revenue Authority for ZMW1,300,000 (2014: ZMW1,300,000).

22.1 Tax penalty contingencies

AEL Zambia received a letter from the Zambia Revenue Authority on 26 June 2015 summarising the results of their tax audit conducted in April 2015.

The audit covered the 2010 to 2013 years for PAYE and company tax and 2012 and 2013 for VAT. In the intervening period, the Company objected to the initial assessment to which the Zambian Revenue Authority responded with a letter dated 4th January 2016. The Company is currently responding to the letter from the Zambia Revenue Authority.

The outcome of the above is not certain as this is currently being reviewed.

23. Earnings per share

The calculation of earnings per share is based on:-

- Retained profit for the year attributable to ordinary shareholders; and
- Weighted average number of ordinary shares outstanding.

	2015 K'000	2014 K'000
Retained profit for the year attributed to ordinary shareholders	33,887	13,041
Number of ordinary shares at 31 December	20,406,600	20,406,600
Basic and diluted earnings per share (ZMW)	1.66	0.64

Diluted earnings per share

The calculations of diluted earnings per share was based on the profit attributable to ordinary shareholders of ZMW33, 887,000 (2014:ZMW13, 041,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2015. The Company had no potential dilutive shares at year end.

24. Related party transactions

The Company is a wholly owned subsidiary of AEL SA and the ultimate holding company is AECI. The Company recorded significant volume of transactions with its parent Company and other companies in the AEL group. All transactions are to be settled in cash within six months of the reporting date. None of the balances is secured. Intergroup balances are disclosed under notes 13 and 19.

(i) Balances due from related parties

	2015 K'000	2014 K'000
Trade receivables		
AEL DRC SPRL	66,191	2,731
Other Receivables		
Improchem Ltd AECI	195	496
Chemserve Zambia	45	104
AEL DRC SPRL	9,499	-
AECI Mauritius	545	325
Total other receivables	10,284	925
Total balances due from related parties	76,475	3,656

(ii) Balances due to related parties

	2015 K'000	2014 K'000
African Explosives Limited - South Africa	38,588	27,057
African Explosives Limited – Mauritius	1,636	6,973
	40,224	34,030
Other payables due to related companies		
African Explosives Limited - South Africa	-	6,673

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

24. Related party transactions (continued)

(iii) Transactions with related parties

	2015 K'000	2014 K'000
African Explosives Limited - South Africa		
Purchases	213,808	171,290
Sales	5,997	-
African Explosives Limited –Tanzania		
Sales	3,946	2,688
AEL DRC SPRL		
Sales	174,644	86,880
AEL Mauritius Limited		
Raw material purchases	30,710	18,516

(iv) Other related party transactions

	2015 K'000	2014 K'000
Non-executive directors		
Fees	441	176

(v) Loan due to related party

	2015 K'000	2014 K'000
AEL Mauritius Ltd	-	8,912

(vi) Key management remuneration

	2015 K'000	2014 K'000
Short term employee benefits	12,394	7,606

25. Events subsequent to reporting date

There was no material post reporting date events requiring disclosures, or adjustment of, these financial statements.

26. Capital commitments

Authorised capital commitments contracted for by the directors as at 31 December 2015 amounted to ZMW 3,675,489 (2014: ZMW 4,528,692) and capital expenditure authorised by the directors but not contracted for was nil (2014: Nil).

27. Comparative amounts

Comparative amounts on note 5 and the statement of cash flows have been reclassified to achieve better disclosure.

28. Significant accounting policies

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

(a) Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at the reporting date. Foreign currency gains and loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign currency differences arising on retranslation are generally recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated using the exchange rate at the date of the transaction.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Expenditure on repairs and maintenance of plant and equipment made to restore or maintain future economic benefits expected from the asset is recognised as an expense when incurred.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets 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 cost 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 capitalized as part of that equipment. Borrowing costs related to the acquisition or constructions of qualifying assets are capitalized as part of the cost of the asset.

When significant 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised within “other income” in profit or loss.

Specific plant spares are measured at cost and are depreciated over the estimated useful lives of the plants to which they relate.

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

28. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(ii) Subsequent expenditure

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense when incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated on the depreciable amount, which is the cost of the asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item or property and equipment, since this most closely reflects the expected pattern consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated. Management reviews the appropriateness of useful lives of assets, depreciation methods and residual values annually and adjusts them if appropriate. The estimated useful lives are as follows:

Property	10 years
Plant and machinery	5 - 10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	4 - 5 years

Capital work in progress is not depreciated.

(c) Inventories

In all cases inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses, taking into account obsolescence.

The cost of inventories of raw materials products and intermediates and merchandise is based on the first-in-first-out (FIFO) method. Spares not specific to particular plants are measured using the weighted average.

The cost of products and intermediates comprises raw and packing materials, manufacturing costs and depreciation incurred in bringing them to their existing location and condition.

28. Significant accounting policies (continued)

(d) Provisions

A provision is recognised when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to their present value at a pre-tax rate that reflects current market assessment of the time value of money. The unwinding of the discount is recognised as finance costs.

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

Site restoration

In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and related expense, is recognised when land is contaminated. The adequacy of the provision is reviewed annually at the reporting date against changed circumstances, legislation and technology.

(e) Revenue recognition

Revenue, net of value added tax, represents the invoiced value from the sale of explosives and accessories supplied to customers during the year in the ordinary course of business.

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns, trade discount and volume rebates.

Revenue from the sale of explosives and accessories is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer; when delivery has been made and title has passed; recovery of the consideration is probable; the associated costs and possible return of goods can be estimated reliably; there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(f) Other income

Other income includes gains from sale of property, plant and equipment and sundry sales. Gains from sale of property, plant and equipment are recognised in profit or loss as income when ownership has been transferred to the buyer. Sundry income is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

28. Significant accounting policies (continued)

(g) Employee benefits

(i) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when the related employee services are provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company contributes to an externally managed defined contribution scheme which is funded by the Company and the employees. The Company also contributes to the National Pension Scheme Authority, a defined contribution scheme, for its eligible employees. Payments to both schemes are recognised.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

(h) Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determine whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the company separates payments and other consideration required by the arrangement into those for the lease and those and other elements on the basis of their relative fair values.

(ii) Leased assets

Assets held by the Company under leases that transfers to the Company substantially all of the risks and reward of ownership are classified as finance leases.

The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

28. Significant accounting policies (continued)

(h) Leases (continued)

(ii) Leased assets (continued)

Assets held under other leases are classified as operating leases and are not recognised in the Company's statements of financial position.

(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on as straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iv) Lease receivable

Initially the lessor records a finance lease receivable at the amount of its net investment, which comprises the present value of the minimum lease payments and any unguaranteed residual value accruing to the lessor. The present value is calculated by discounting the minimum lease payments due and any unguaranteed residual value, at the interest rate implicit in the lease. Initial direct costs are included in the calculation of the finance lease receivable, because the interest rate implicit in the lease, used for discounting the minimum lease payments, takes initial direct costs incurred into consideration.

The lessor derecognises the leased asset and recognises the difference between the carrying amount of the leased asset and the finance lease receivable in profit or loss when recording the finance lease receivable. The gain or loss is presented in profit or loss in the same line item in which the lessor presents gains or losses from sales of similar assets.

(i) 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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

28. Significant accounting policies (continued)

(i) Financial instruments (continued)

Non-derivative financial assets (continued)

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

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.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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 and finance lease receivables.

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.

Amortised cost

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

28. Significant accounting policies (continued)

(i) Financial instruments (continued)

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. Cash and cash equivalents are recognized at amortised cost and the carrying amount approximates the fair value due to the short term nature of these balances.

Share capital

Ordinary shares

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

(j) Impairment

Non derivative financial assets

Trade and other receivables

Financial asset 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 group of financial assets.

The Company considers evidence of impairment for trade and other receivables. 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 grouping together assets with similar risk characteristics.

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

28. Significant accounting policies (continued)

(j) Impairment (continued)

Non derivative financial assets (continued)

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.

Financial assets measured at amortised cost

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 group 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.

28. Significant accounting policies (continued)

(k) Finance income and finance costs

Finance income and finance costs include:

- Interest income and
- Interest expense on borrowings.

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(l) Income tax

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

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income 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.

(ii) Deferred tax

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 recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss.

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

A deferred tax asset is recognised for unused tax losses, 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 utilised. 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.

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

28. Significant accounting policies (continued)

(m) Dividends

Dividends are recognised as a liability when declared and are included in the statement of changes in equity.

(n) Earnings per share

The Company presents basic and diluted earnings per share (EPS) 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 adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take substantial period of time to get ready for their intended use, are added to the assets cost until such time as the assets are substantially ready for their use. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

(p) Operating segments

An operating segment is a distinguishable component of the Company that engages in business activities from which it earns revenues and incurs expenses, for which discrete financial information is available and whose operating results are regularly reviewed by the chief operating decision maker. Operating segment information is presented in respect of the Company's reportable segments, which are determined based on the Company's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

All operating segments' operating results are reviewed regularly by the Group's Financial Director (considered the Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Operating segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly loans and borrowings and related expenses and income tax assets and liabilities.

Operating segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

28. Significant accounting policies (continued)

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2016	*Clarification of acceptable methods of depreciation and amortisation* (Amendments to IAS 16 and IAS 38)	The amendments to IAS 16 *Property, Plant and Equipment* explicitly state that revenue - based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 *Intangible Assets* introduce a rebuttable presumption that the use of revenue -based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The impact of the adoption of the standard on the financial statements for the Company has not yet been quantified.
1 January 2016	Disclosure Initiative (Amendments to IAS 1)	The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. The impact of the adop tion of the standard on the financial statements for the Company has not yet been quantified.

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

28. Significant accounting policies (continued)

(q) New standards and interpretations not yet adopted (continued)

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2018	IFRS 15 *Revenue from Contracts withCustomers*	This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, and 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 ending 31 December 2016 financial statements. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The impact of the adoption of the standard on the financial statements for the Company has not yet been quantified.
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 a significant impact on the Company, which 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. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. The impact of the adoption of the standard on the financial statements for the Company has not yet been quantified.

Administration

Secretary and registered office

Choice Corporate Services Limited
Stand 30/1494
Corner Makishi / Mwalule Roads
Northmead
Lusaka
ZAMBIA

Web address

www.aelminingservices.com

Auditors

KPMG Chartered Accountants
1st Floor, Elunda 2
Addis Ababa Roundabout
Rhodes Park
P O Box 31282
Lusaka
ZAMBIA

Commercial bankers

Standard Chartered Bank Zambia
Zambia Way branch
Kitwe

AEL Zambia Plc

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 10thAnnual General Meeting of Members of AEL Zambia Plc will be held on Thursday, 31March 2016, at the Taj Pamodzi Hotel at 09:00 hours for the following purposes:-

1. **MINUTES**

   1.1. To approve minutes of Annual General Meeting held on 31 March 2015.

2. **AUDITED FINANCIAL STATEMENT FOR 2015**

   2.1 To receive and adopt the Chairman's Statement, the report of Directors, the report of the Auditors and the audited Financial statements for the year ended 31 December2015.

   2.2 To declare a dividend, as recommended by the Directors, of ZMW 0.24 per share for the year ended 31 December 2015 to all Shareholders standing in the Register of Member of the Company at the close of business on 30th April 2016 and payable on or before 30th June 2016.

3. To re-appoint the retiring Auditors and authorise the Directors.

4. To transact any other business of the company.

Note: A Member is entitled to attend and vote at the meeting is entitled to appoint a Proxy in his or her stead. A Proxy need not also to be a Member of the company

Voting and Proxies

On a poll of hands every member present in person or represented in terms of section 150, 151 and 152 of the Companies Act, 1994 shall have one vote and on a poll every member present in person or by proxy or so represented shall have one vote for every share held by such member.

A member entitled to attend, speak and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in place of that member. A proxy need not be a member of the Company. Registered holders of certificated AEL Zambia Plc shares and holders of dematerialised AEL Zambia Plc shares in their own name and who are unable to attend the Annual General Meeting and who wish to be represented at the meeting, must complete and return the attached form of proxy in accordance with the instructions contained in the form of proxy so as to be received by the share register within 48 hours before the date of the Annual General Meeting.

Holders of AEL Zambia Plc shares (whether certified or dematerialised) through a nominee should make timeously the necessary arrangements with that nominee or, if applicable, their agent or broker to enable them to attend and vote at the Annual General Meeting or to enable their votes in respect of their AEL Zambia Plc share to be cast at the Annual General Meeting by that nominee or a proxy or a representative.

By Order of the Board

Choice Corporate Services Limited

Company Secretary

AEL Zambia Plc

FORM OF PROXY

AEL ZAMBIA Plc

For the 7th Annual General Meeting

I/We ………………………………………..………………………………………....................
(Name/s in block letters)

Of …………………………………………………………………………………...........(address)

Being the shareholder/member of the above named Number of votes

……………………..
(1 share + 1 vote)

Do hereby appoint

1. ……………………………………..……. of ………..……..……..…………..……. or falling him/her

2. …………………………….….……. of ………………….……..…………..……….. or failing him/her

3. The chairman of the meeting.

As my/our proxy to attend, speak and vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at the Taj Pamodzi, Lusaka, Zambia on Tuesday, 31stMarch 2016 at 09:00 hours and at any adjournment thereof as follows:-

Agenda item	Mark with X where applicable		
	In favour	Against	Against
1. Appointment of directors			
2. Appointment of auditors			
3. Approval of financials			
4. Declaration of dividends, if any			

Signed at ______________________on this _______________day of________________________2016

Signature ____

Assisted by me (where applicable) (see note 3) …………………………….
Full name/s of signatory if signing in a representative capacity (See note 4)

Notes to the form of proxy:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

2. If this proxy form is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he/she thinks fit.

3. A minor must be assisted by his/her guardian.

4. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless the company has already recorded that authority.

5. In order to be effective, proxy forms must reach the registered office of the Company Secretary by no later than 28th March 2016.

6. The delivery of the duly completed proxy form shall not preclude any member or his/her duly authorized representative from attending the meeting, speaking and voting instead of such duly appointed proxy.

7. If two or more proxies attended the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted, shall be regarded as the validity appointed proxy.