



ANNUAL REPORT

2023



Public Service Micro Finance Company

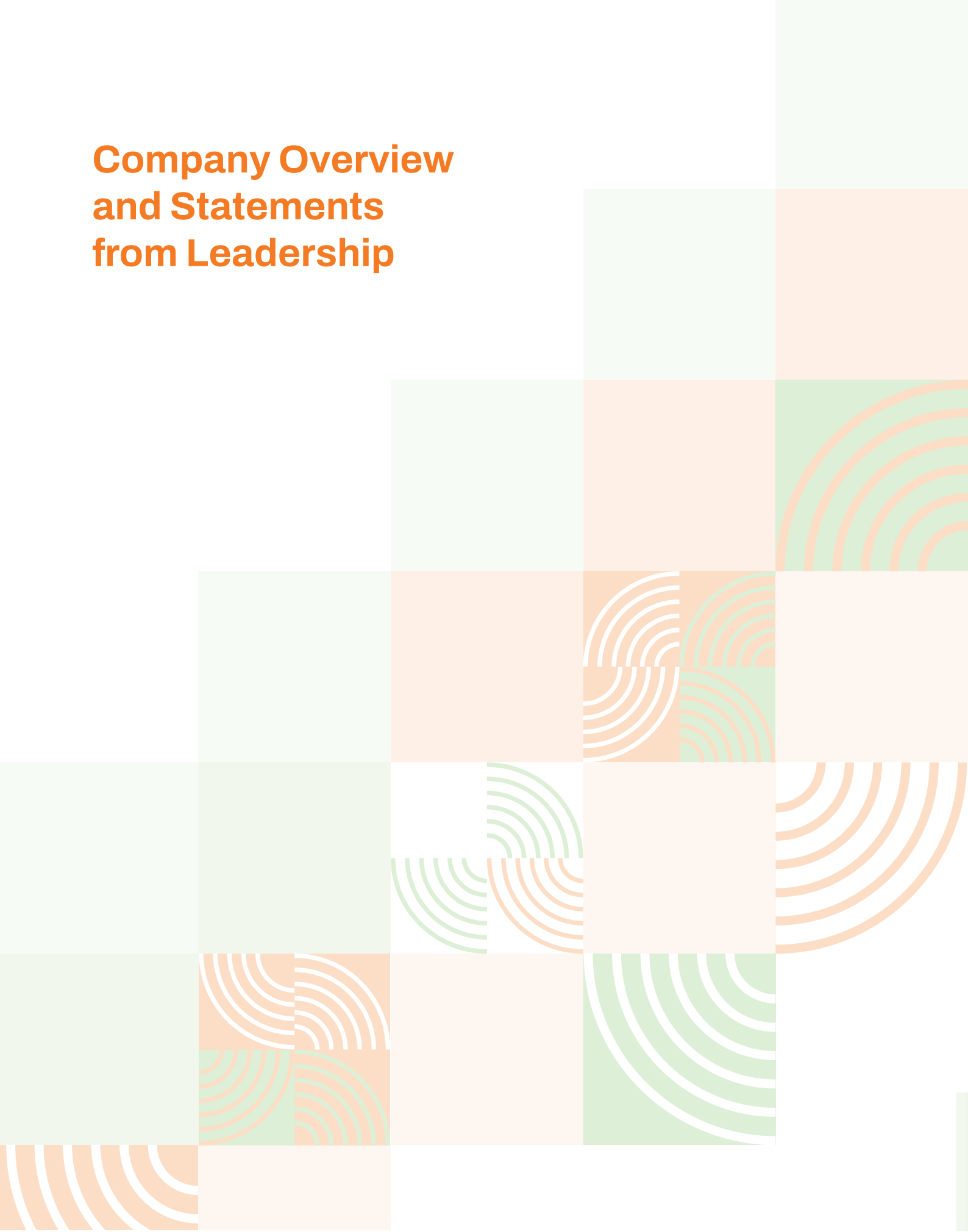
Annual Report 2023

Financial Freedom For Public Service Workers



Contents

Company Overview and Statements from Leadership



About This Report

Report Scope and Boundaries

This report represents Public Service Microfinance Company Limited's (PSMFC) comprehensive annual performance for the financial year ending 31st December 2023. Our goal is to provide a transparent and detailed account of our operations, financial health, and strategic initiatives to our stakeholders. The report is designed to present a holistic view of our achievements, challenges, and future prospects.



The scope of this report includes all significant operations of PSMFC, covering the period from 1st January 2023 to 31st December 2023.

It encompasses detailed information on our financial results, governance, risk management, and corporate social responsibility activities. This report includes our full range of products and services, providing insights into both our financial and non-financial performance.

Materiality Determination

The materiality determination process involves identifying and prioritizing issues that significantly impact our ability to create value for our stakeholders. This includes consultations with internal and external stakeholders and assessing internal and external factors to ensure that the report addresses the most relevant and impactful topics. The materiality assessment ensures that we focus on areas that are vital to our long-term value creation.

Key Issues Reported

	Statements of the Directors	Annual Financial Statements
Who we are and our business	✓	✓
Our Strategy	✓	
Our Stakeholders	✓	
Financial Risk and Disclosures	✓	✓
Reporting standards		
• International Financial Reporting Standards		✓
• Governance	✓	
• Companies Act		✓

Intended users of our report – Our shareholder the Government of the Republic of Zambia and interested stakeholders.

Purpose – provide detailed information to our shareholder of the financial performance and status on risk and governance related issues.

Report Preparation and Frameworks

The integrity of PSMFC's external reporting is ensured through robust internal processes and multiple levels of oversight. We apply a

comprehensive assurance model to evaluate and validate various aspects of our operations, thereby maintaining an effective control environment and ensuring the reliability of information used in our reporting.

The report preparation process for PSMFC involves the following key steps:

- 1. Data Collection:** Detailed data collection from all departments to ensure comprehensive coverage of our operations.
- 2. Verification and Analysis:** Thorough verification and analysis of data to guarantee accuracy and reliability, reflecting our commitment to transparency.
- 3. Internal Review:** Multiple layers of internal review and approval, including oversight by the Board, to maintain high standards of governance and accountability.
- 4. Compliance with Standards:** Preparation of the report in accordance with the International Financial Reporting Standards (IFRS), Global Reporting Initiative (GRI) Standards, and the principles of the International Integrated Reporting Council (IIRC) Framework.
- 5. External Assurance:** Engagement of independent external auditors to provide assurance on key components of the report, enhancing the credibility and completeness of the disclosed information.

PSMFC ensures that the annual report is accurate, reliable, and provides valuable insights for our stakeholders. Our commitment to high standards of reporting reflects our dedication to corporate governance and accountability.

External Assurance and Audited Financial Statements

Our external auditors, Messrs. iABC Associates, appointed by the Office of the Auditor General and approved by our shareholders, provided independent assurance on the fair presentation of the financial statements for the financial year ended 31 December 2023. They also verified the annual report, ensuring

that no information was materially inconsistent with the audited financial statements or their audit findings.

By maintaining rigorous external assurance and audit processes, we uphold the integrity and reliability of our financial reporting, reflecting our commitment to transparency and accountability to our stakeholders.

How to Navigate the Report

The report is categorised in three main sections, namely:

Section 1: Statements from Leadership, Governance Reviews and Strategy;

Section 2: Performance Reviews, Financial Highlights and Performance Indicators; and

Section 3: Audited Financial Statements for the year ended 31st December 2023.

The annual report is integrated, and with the aid of the Index, should assist the user and reader in obtaining a clear picture of the overall performance and operations of the Company.

Specific matters may be repeated in each section, if not all sections; however, this is done in order to ensure that the context of the contents of each report or statement are provided in relevant perspective.

Approval by the Board

The Board of Directors of Public Service Microfinance Company Limited (PSMFC) is committed to ensuring the integrity and accuracy of our external reporting. Our internal reporting

processes are robust and supported by multiple levels of oversight to guarantee the reliability of the information presented.

A combined assurance model is utilised to evaluate and verify various aspects of our operations. This model includes the internal controls associated with elements of external reporting. Assurance is provided through:

- 1. Management (First Line):** Responsible for implementing and maintaining effective internal controls and processes.
- 2. Relevant Functions (Second Line):** Provide additional oversight and review to ensure compliance and accuracy.
- 3. Internal Audit (Third Line):** Conducts independent assessments of the internal controls and reporting processes to ensure they are effective and reliable.

The Board believes that the preparation and presentation of this report are materially in accordance with the guidelines of the International Integrated Reporting Framework. The Board is confident that the report provides a balanced and comprehensive assessment of PSMFC's governance, strategy, risks, opportunities, performance, and outlook, highlighting how these factors impact the company's ability to create and preserve value while mitigating potential risks.

On behalf of the Board:

.....
Board Chairperson


.....
Chief Executive Officer



About PSMFC

Why we Exist

Public Service Micro Finance Company Limited is wholly owned by the Government of the Republic of Zambia (GRZ) and is mandated to provide affordable loans and other innovative financial solutions to public service workers across the country. The company was established in March 2013 and currently has one office in Roma Township, Lusaka.

The establishment of the company was premised on the fact that most of public service workers faced challenges in accessing affordable finance from the conventional banking sector and micro finance institutions that normally charge high lending rates.

The company thus responded to aforementioned challenges faced by public service workers through:

1. Cash loans being paid directly to the applicant's bank account indicated on the application form and supported by bank statements.
2. Asset-based loans (i.e., motor vehicles and motor vehicle accessories, agricultural assets, bring your own device, building materials and household furniture), where PSMFC pays the accredited dealer, and the client collects the assets applied for.
3. Having key partners which include accredited dealers of motor vehicles, agricultural assets, information and communication technology (ICT) equipment and devices, building materials and household furniture, "parastatal" and quasi-government institutions and financial institutions.
4. Acquiring and implementing required resources such as human resource, transport, ICT equipment and funds for loan disbursement.
5. The company had entered into strategic partnerships with NATSAVE and other relevant government institutions to enhance service delivery to public service workers serving in the remote parts of Zambia.



Our Vision

To be the leading institution in the provision of affordable financial solutions to public service workers for improvement of livelihood.



Our Mission

To enhance equity in the distribution of financial services to public service workers through mobilisation of resources and offering affordable credit and other innovative financial services.



Our Values

We place our business conduct and work culture as a company on eight (8) core values with one not being priority to the other but with all being the core priority of the company:

1. Professionalism
2. Accountability
3. Customer Oriented
4. Excellence
5. Value for Money
6. Integrity
7. Transparency
8. Teamwork

What we offer

We offer the following loan products:

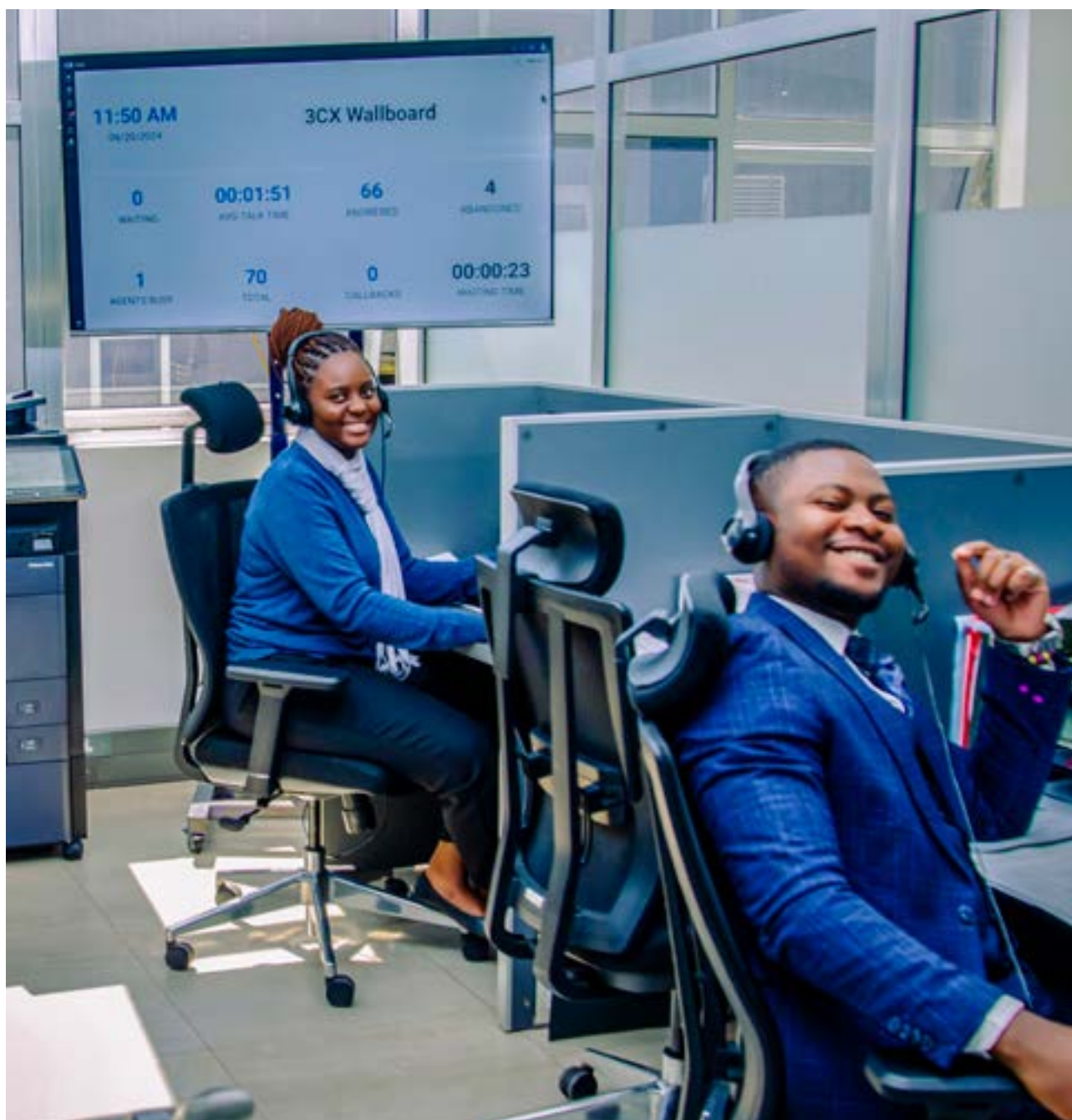
1. **Personal Loan:** Unsecured long term cash loan facility for loans ranging from ZMW5,000 to ZMW100,000. The applicable interest is 5% per annum amortised over the term of the loan, with a repayment period ranging from 6 to 60 months (or contract period for officers on contract or period remaining to date of retirement or end of contract).
2. **Short Term Cash Solution:** Unsecured short term cash loan facility. The product is designed to enable public service workers meet immediate short-term financial needs. The loan facility ranges from K1,000 to ZMW150,000 with maximum loan tenure of 6 months and interest rate at 10% of the amount borrowed.
3. **Public Service Motor Vehicle Loan Scheme:** Designed to enable public service workers access to duty-free brand-new motor vehicles of their choice, from accredited motor vehicle dealers. The maximum loan tenure is 84 months (or unexpired contract period for officers on fixed term contract or period remaining to date of retirement for pensionable officers) with interest of 15% per annum.
4. **Public Service Agricultural Asset Plus Loan Scheme:** Designed to enable public service workers access to agricultural equipment for the mechanisation of their farming operations. The maximum loan tenure is 84 months (or contract period for officers on contract or period remaining to date of retirement or end of contract) with interest of 15% per annum. This interest was reduced to 9% per annum in the third quarter of 2023.
5. **Public Service Bring Your Own Device Loan Scheme:** Designed to enable public service workers acquire affordable ICT equipment to enable them to perform their duty remotely (away from their usual office environment) and, for use while undertaking studies and other private work. This product was also introduced in response to the covid regulations during the pandemic and has been continued in full cognisance of the current trends wherein society is leveraging highly on ICT.. The maximum loan tenure is 36 months with interest of 15% per annum.
6. **Public Service Building Materials Loan Scheme:** Designed to enable public service workers construct affordable houses anywhere in the country through the acquisition of various types of building materials purchased from dealers accredited with PSMFC. The loan has a maximum tenure of 60 months with interest of 15%.
7. **Public Service Leaders' Personal Loan Scheme:** A long term cash loan facility insured against loss of earnings from employment. The maximum amount payable is K1,500,000 with interest of 16% per annum, amortised over the tenor of the loan with a maximum tenure of 60 months. The rationale behind the introduction of this loan was to support the transition of staff welfare loans issued by the Government of Zambia to all staff including the "leaders" to PSMFC.
8. **Public Service Household Furniture Loans:** Designed to enable public service workers acquire household furniture of their choice from dealers of household furniture accredited with PSMFC. The loan has a maximum tenure of

60 months (or contract period for officers on contract or period remaining to date of retirement or end of contract) with interest of 15% per annum.

9. Public Service Domestic Tourism Loan

Scheme: Designed to enable Public Service workers access to loans to undertake tourism in various parts of the country. The loan scheme

aims to not only make easier for public service workers have access to local tourist sites but to also boost the local tourism sector. The loan has a maximum tenure of 60 months (or contract period for officers on contract or period remaining to date of retirement or end of contract) with interest rate is 12% per annum with a tenure of 60 months.



How we add economic value

We offer a range of innovative loan products to public service workers. Our terms and conditions, including interest rates, are very competitive and aid the public service workers to bridge finance for household expenses through personal loans and short-term cash solutions as well as the purchase of assets through the device loans, household furniture loans, agricultural loans, and motor vehicles loans.



Our clientele, estimated at **over 500,000**, include all public service workers in mainstream civil service on Payroll Management and Establishment Control (PMEC), Office of the President (SD), Quasi Government Institutions, Local Authorities (Mayors and Council Chairpersons), defence forces (Zambia Army, Zambia Airforce, Zambia National Service) and State-Owned Enterprises (SOEs). We are proud to have reached our clients in all corners of Zambia and to have provided innovative affordable financial solutions.

Our Stakeholders



Ministries, Provinces and Spending Agencies (MPSAs)

Each MPSA appointed a Focal Point Team comprising officers from Human Resource, Accounts and Internal Audit to assess and submit prequalified application forms. Permanent Secretaries and District Commissioners played a critical role in ensuring this was achieved.



Media Houses (Print and electronic/ Community Radio Stations)

Media Houses (Print and Electronic/ Community Radio Stations) continued to play a pivotal role in ensuring the visibility of the Company throughout the Country.



Zambia National Commercial Bank (Zanaco)

Zanaco continued to provide banking services for the Company.



Motor Vehicle, ICT Equipment, Furniture, Building Materials, Furniture Agricultural Asset and Tourism Services Dealers

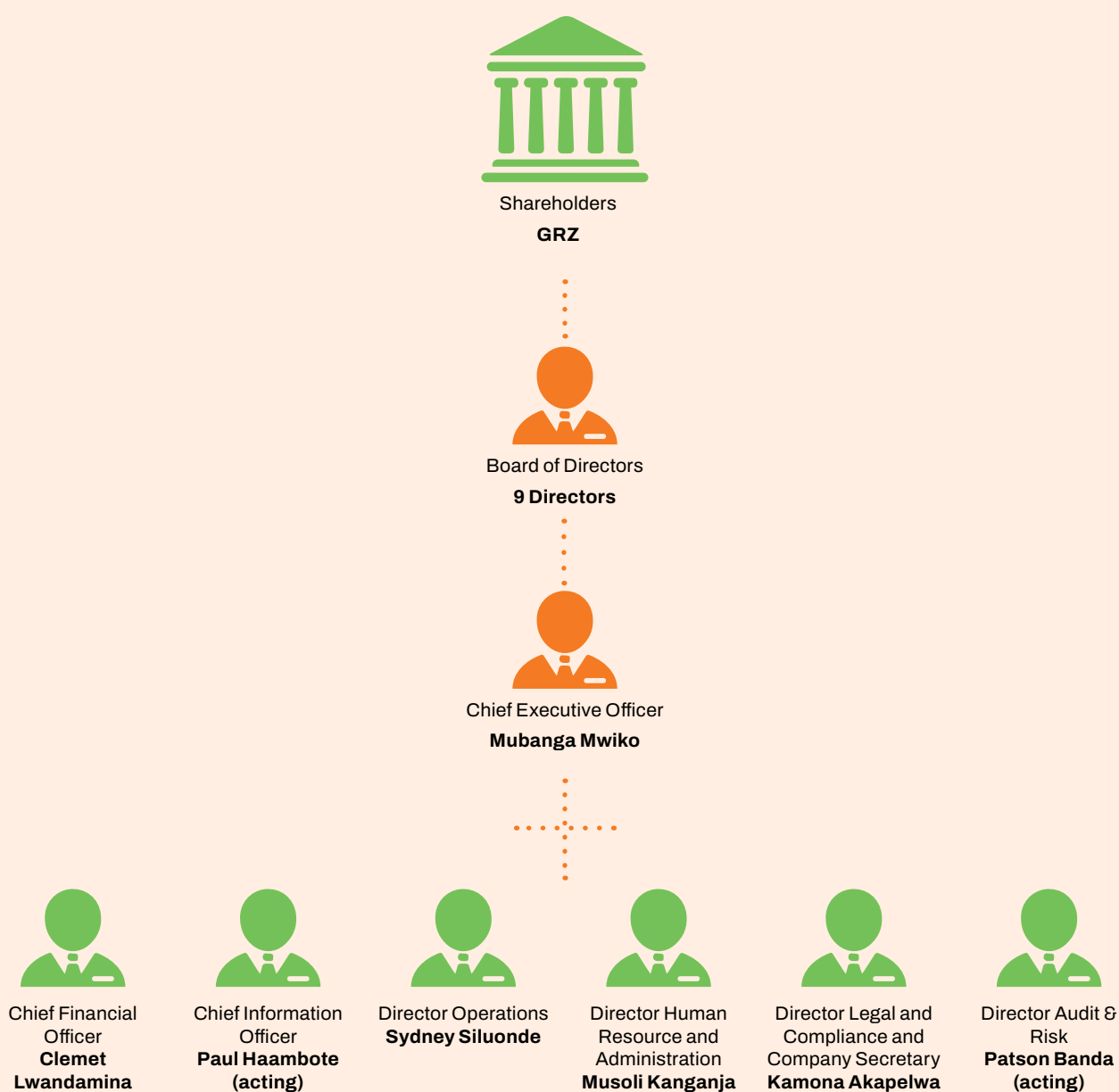
These business partnerships was entered so that public service workers can access brand-new motor vehicles, ICT equipment, building materials, household furniture and agricultural assets on favourable terms.

Our Employees

The Company commenced operations in July 2013 with two (2) members of staff. At the end of the year 2023 our staff compliment stood at thirty-seven (37) (2022: 33).

Due to the corporate restructure that was implemented in 2020, we can safely state that we

are on route to better serving the number of clients and products and by utilizing technology and partnerships with other Government and Quasi - Government Institutions, hence achieving cost leadership while fulfilling our mandate.



Statement by the Secretary to the Treasury



Introduction

It is my honour to present an overview of Public Service Micro Finance Company Limited's performance for the fiscal year ending 31st December 2023. As the representative of the shareholders, I am pleased to provide this report highlighting the company's achievements and challenges during this period.

Despite the challenges faced in 2023, including economic pressures and operational hurdles, PSMFC continued to demonstrate resilience and commitment to its mission. The Ministry of Finance and National Planning has actively provided guidance and oversight, ensuring that the company remains focused on its strategic objectives and adheres to sound financial and corporate governance practices.

Governance and Oversight

The fiscal year 2023 was marked by significant developments in the governance structure of PSMFC. A board of directors was appointed between December 2023 and March 2024. This new governance framework enhances oversight and strategic direction, ensuring that PSMFC operates with greater accountability and transparency.

Throughout the year, the Ministry of Finance and National Planning oversaw the company's affairs, ensuring compliance with statutory obligations and fostering a culture of ethical governance. The establishment of the new board signifies a strengthened governance framework, poised to steer PSMFC towards sustainable growth and stability.

Economic Landscape and Strategic Response

In 2023, the global economy faced numerous challenges, including persistent inflation, geopolitical tensions, and the aftermath of the COVID-19 pandemic, which collectively contributed to a slower growth trajectory.



Despite these global headwinds, the Zambian economy exhibited notable resilience and achieved a growth rate of **4.7%**, slightly higher than the **4.6%** recorded in 2022.

Several key sectors were instrumental in driving this growth:

- ❑ **Education:** The education sector continued to expand, supported by government investments in infrastructure and teacher training programs. These initiatives aimed to enhance the quality of education and increase access across the country.
- ❑ **Transport and Storage:** Improvements in the transport and storage sector were driven by ongoing infrastructure projects, including road and rail upgrades, which facilitated better connectivity and efficiency in the movement of goods and people.
- ❑ **Information and Communication Technology (ICT):** The ICT sector experienced robust growth, fuelled by increased demand for digital services and the proliferation of mobile and internet connectivity. This sector's expansion played a crucial role in supporting economic activities and innovation across various industries.

Conversely, other sectors faced more subdued performance:

- ❑ **Agriculture:** The agriculture sector grappled with challenges such as climate variability, inadequate access to financing, and infrastructure deficits, which hindered productivity and growth.
- ❑ **Mining:** The mining sector, a critical component of Zambia's economy, faced operational disruptions and fluctuating commodity prices, impacting output and investment levels.
- ❑ **Construction:** The construction sector's growth was tempered by high costs of materials and regulatory hurdles, affecting the pace of development projects.



Inflation in Zambia saw a significant reduction, decreasing from **22.1%** in 2022 to **11.2%** in 2023. Despite this decline, inflation remained above the target range of **6-8%**, closing the year at **9.9%**. The government's monetary policy efforts were pivotal in managing inflationary pressures and stabilizing the economy.

On the fiscal front, the budget performance aligned closely with projected targets. However, expenditures, including amortization, fell short of expectations by 18.4%, resulting in a budget deficit of 7.8% for the year. The government's focus on fiscal discipline and prudent resource management was crucial in navigating the economic challenges.

Mitigating Economic Challenges

Given the economic landscape, PSMFC implemented several strategic initiatives to mitigate potential adverse impacts and leverage growth opportunities:

- ❑ **Maximizing Loan Disbursements:** PSMFC prioritized maximizing loan disbursements to sustain financial performance. The company expanded its reach through mobile units and virtual offices, streamlined loan processes, and introduced innovative products such as the Leaders Personal Loan.
- ❑ **Optimizing Interest Income:** By channelling resources into lending activities, PSMFC enhanced its interest income, achieving a 43%

increase in interest earned on loans, compared to a 39% growth in the previous year. This growth aligned with a 56% expansion in the loan book, underscoring the company's effective lending strategies.

- ❑ **Cost Management:** The company implemented rigorous cost management practices to control operating expenses, thereby improving overall financial performance and maintaining a robust financial position.

Participation by Public Service Workers

Throughout 2023, Public Service Micro Finance Company Limited (PSMFC) made significant progress in extending its loan products to public service workers across all districts in Zambia. The company's commitment to inclusivity and financial accessibility was evident in its widespread reach, ensuring that public service workers in both urban and rural areas benefitted from the financial solutions offered.

During the year, PSMFC successfully provided loan products to individuals in all ten provinces and every district, marking a milestone in the company's efforts to serve a geographically diverse clientele. The comprehensive coverage was achieved through targeted awareness campaigns, roadshows, and strategic partnerships with key stakeholders.

Key highlights of the loan disbursements for 2023 include:

- ❑ **Total Disbursements:** The company disbursed a total of ZMW515,896million, reflecting a substantial increase of 61% from the previous year.

- ❑ **Beneficiaries:** A total of 9,454 public service workers received loans, demonstrating the company's commitment to meeting the financial needs of its target audience.
- ❑ **Gender Distribution:** Male applicants received 60% of the total disbursed amount, while female applicants received 40%. This balanced distribution underscores PSMFC's dedication to promoting gender equity in financial access.

Operational Performance and Financial Health

Despite the economic challenges, PSMFC maintained a stable operational performance. The average lead time between loan application and disbursement remained fairly constant compared to the previous year, even as loan applications and maintenance significantly increased. Specific lead times were as follows:

- ❑ **Assets-based products:** 21 days (2022: 21 days)
- ❑ **Short Term Cash Solution:** 5 days (2022: 48 working hours)
- ❑ **PSMFC Personal Loan:** 10 months (2022: 10 months)

The company's existing market, comprising over 500,000 public service workers, continued to be well-served, ensuring financial solutions reached a wide array of employees from various government departments as well as employees from parastatal and quasi-government institutions.

Technological Enhancements and Process Improvements

PSMFC placed significant emphasis on technological advancements and process improvements throughout 2023. Recognizing the critical role of technology in enhancing operational efficiency and customer satisfaction, the company implemented several key initiatives:

- ❑ **Digital Engagement:** The company enhanced its digital engagement platforms, including social media channels and the official website, to facilitate better communication and service delivery.
- ❑ **Loan Application Process:** Streamlined and simplified the loan application process, reducing paperwork and processing times. The introduction of digital applications via email and WhatsApp significantly improved customer convenience.
- ❑ **Virtual Office Operations:** The operationalization of a virtual office enabled the company to provide remote services to clients, ensuring continuous support and access to financial products.

Health and Safety

PSMFC continued to prioritize the health and safety of its employees and customers throughout 2023. The company maintained stringent health and safety protocols, being cognizant of the ongoing implications of COVID-19. Measures included regular sanitization of premises, provision of personal protective equipment, and enforcement of social distancing guidelines. These actions were critical in ensuring a safe environment for both staff and clients, thereby maintaining operational continuity and customer trust.

Capitalization and Financial Support



In 2023, significant capital injections were made by the Ministry of Finance and National Planning on behalf of the Government of the Republic of Zambia, amounting to **ZMW100 million**, compared to **ZMW162.8 million** in 2022. This demonstrates the continued support and commitment of the shareholder in strengthening the company's financial position.

Furthermore, the Ministry continued to transfer recoveries from loans previously administered by it to the company. Looking ahead, the Government has maintained its commitment to reach its target of a total capital injection of ZMW1.5 billion. This substantial commitment underscores the government's recognition of the vital role played by PSMFC in providing financial services to public service workers.

Remuneration Policies

The Emoluments Commission continued to play a vital role in the implementation of fair and transparent remuneration practices, which ensured that compensation packages were competitive and aligned with the company's financial sustainability goals.

PSMFC remains committed to promoting employee satisfaction and maintaining a harmonious work environment through robust conditions of service and contract management.

Growth Prospects and Strategic Review



In 2023, PSMFC disbursed a total of **ZMW320.873 million** to 7,354 public service workers across 113 Ministries, Provinces, and Spending Agencies (MPSAs), and 116 districts.

This represents a significant increase from the previous year, with male applicants receiving 57% of the total disbursements and female applicants receiving 43%. The Motor Vehicle Loans Scheme and the Personal Loan Scheme dominated the percentage share of total disbursements, reflecting the high demand for these financial products.

Strategic Initiatives for 2024

Looking ahead, PSMFC has identified several strategic initiatives to sustain growth and enhance service delivery:

1. **Product Diversification:** The company plans to continue to introduce new financial products tailored to the evolving needs of public service workers. This includes exploring opportunities for green financing and expanding the range of asset-based loans.
2. **Digital Transformation:** PSMFC will continue to invest in digital technologies to improve operational efficiency and customer experience. The development of a mobile application for loan applications and customer service is a key priority for 2024.

3. **Geographic Expansion:** To further extend its reach, the company aims to establish more branches and mobile units in underserved regions. This will ensure that more public service workers have access to PSMFC's financial solutions.
4. **Strengthening Governance:** With the new Board of Directors in place, the company will enhance its governance practices, ensuring robust oversight and strategic alignment with its long-term objectives.
5. **Capacity Building:** Continued investment in employee training and development will equip staff with the skills and knowledge necessary to meet the company's strategic goals. This includes leadership development programs and technical training.

Evaluation of Progress against the Strategic Plan

In 2023, Public Service Microfinance Company Limited (PSMFC) made significant strides towards achieving the goals outlined in its 2022-2026 Strategic Plan. The strategic plan focused on expanding access to financial services, enhancing operational efficiency, and promoting sustainable growth.

- **Expanding Access to Financial Services:** A major highlight of the year was the successful implementation of initiatives aimed at increasing the reach of the company's financial products. PSMFC managed to provide loan products to public service workers in all districts of Zambia, ensuring comprehensive geographic coverage. (admission of the defence forces (Army, ZAF, ZNS) to access PSMFC products) This achievement aligns with our strategic objective

to enhance equity in the distribution of financial services across the country.

□ **Enhancing Operational Efficiency:**

Operational efficiency was another critical focus area. In 2023, PSMFC maintained the desire to streamline processes and reduce turnaround times. The integration of digital loan applications via email and WhatsApp significantly improved customer satisfaction by reducing the average lead time for various loan products. Additionally, the operationalization of virtual office services allowed us to maintain service delivery continuity and expand our reach.

- **Promoting Sustainable Growth:** The strategic plan also emphasized sustainable growth through prudent financial management and innovation. The company achieved a 37% growth in its loan book and a 29% increase in interest earned on loans.

□ **Commitment to Stakeholder Engagement:**

Throughout the year, PSMFC continued to prioritize stakeholder engagement, ensuring that our strategies and operations align with the needs and expectations of our stakeholders.

By staying true to its strategic plan, PSMFC has positioned itself as a leading provider of affordable financial solutions for public service workers, demonstrating resilience and adaptability in a challenging economic environment.

Conclusion

The exceptional performance of PSMFC's loan products to date exemplifies the company's commitment to its mission and vision. Throughout the year, the company has demonstrated resilience and adaptability, navigating economic challenges

and seizing opportunities for growth.

The continued support from the government and the innovative and prudent approach of the management team have been instrumental in sustaining success and maintaining PSMFC's position as a trusted institution. As shareholders, we remain resolute in our commitment to supporting the company's mission of enhancing equity in the distribution of financial services to public service workers.

Moving forward, we are confident that PSMFC will continue to achieve significant milestones in its quest to provide affordable financial solutions to public service workers across Zambia. By mobilizing resources and offering innovative financial services, the company is well-positioned to contribute to the improvement of livelihoods and the economic development of the nation.



Felix Nkulukusa
Secretary to the Treasury

Statement by the CEO



Introduction

2023 has been a transformative year for Public Service Micro Finance Company Ltd (PSMFC). Despite facing significant economic challenges, we have successfully navigated these turbulent waters through strategic initiatives, innovation, and unwavering commitment to our mission of empowering public service workers. Our dedication to delivering affordable financial solutions has not only enhanced the lives of our clients but also contributed to the broader economic development of Zambia.

Over the years, we have expanded our product offerings and refined our services to better meet the needs of our clients. 2023 marked a year of significant progress and achievements, setting a solid foundation for future growth.

Economic Landscape and Strategic Response

The Zambian economy faced a series of challenges in 2023, including a weakening Kwacha and rising fuel costs. These factors contributed to increased operational expenses across various sectors, putting pressure on businesses and individuals alike. The macroeconomic instability necessitated a strategic realignment of our resources to ensure financial stability and sustained growth.

In response to these economic challenges, PSMFC adopted several cost-saving measures and budget realignments. We focused on optimizing our operational efficiencies, which included scaling back non-essential activities and prioritizing critical functions that drive cost efficiency. This approach helped us maintain our financial health while continuing to meet the growing demand for our financial products.

To maintain our commitment to providing loans as a first priority, we held back investments in fixed term deposits. This strategy allowed us to keep sufficient cash on hand for ready and timely disbursements, ensuring we could support our lending activities effectively.

Another crucial aspect of our strategic response was the realignment of our loan products to better suit the changing economic conditions. We adjusted interest rates and repayment terms to make our loans more accessible and affordable for our clients. These adjustments were particularly important for products like the Agricultural Assets Plus Loan Scheme, which saw a reduction in interest rates from 18% to 15% at the beginning of the year and further down to 9% in

August 2023.

We also recognized the importance of supporting sectors that contribute significantly to Zambia's economic resilience. Agriculture is one such sector, and our modified Agricultural Assets Plus Loan Scheme was tailored to include financing for agricultural inputs and livestock.

Our strategic initiatives extended beyond financial adjustments. We actively engaged with our stakeholders, including government bodies, to ensure our strategies aligned with national economic policies. By participating in policy discussions and contributing to economic planning, PSMFC positioned itself as a proactive partner in Zambia's economic development.

Financial Performance and Shareholder Contributions

The year 2023 saw significant financial contributions from shareholders, including the liquidation of unpaid share capital. These efforts, coupled with strategic realignments to control operating costs, have positioned PSMFC for anticipated revenue growth in the coming year.



The liquidation of unpaid share capital worth **K100 million** and an additional **K12,158,242.03** through GRZ loan recoveries significantly enhanced our financial stability.

Our shareholders' commitment to liquidating an additional K 1. billion shares in the forthcoming year further demonstrates their confidence in PSMFC's strategic direction and growth potential.

Dividends

At Public Service Microfinance Company Limited (PSMFC), we are committed to rewarding our shareholders while maintaining a strong financial position. According to our Dividend Policy, which mandates a stable dividend payout of 20% of the audited annual profits, we are pleased to provide an update for 2023.



During the year 2023, PSMFC paid dividends amounting to **ZMW441,320**, relating to dividends declared in 2022.

This marks a significant milestone as our first dividend distribution since the company's inception. The payment of these dividends reflects our solid financial performance and our ability to generate sufficient profits to reward our investors.

Our shareholders have historically supported the company's growth by opting to reinvest their dividends. This strategy has bolstered our financial stability, allowing us to expand our loan portfolio and offer competitive interest rates. The dividend payout in 2023 underscores our confidence in PSMFC's future earnings potential and financial health.

Financial Strategies and Performance Metrics

Our financial strategies for 2023 focused on maximizing returns on investments, ensuring liquidity, and maintaining a robust capital base.

This approach has enabled us to meet the growing demands of our clients and ensure financial stability. Key performance metrics include:

1. **Loan Disbursements:** Total disbursements reached K463 million, benefiting 9,399 individuals. This represents a 63% increase over the previous year, highlighting the strong demand for our financial products.
2. **Interest Earnings:** Interest earnings increased by 50.5%, demonstrating the effectiveness of our financial strategies and the trust of our clients in our products.
3. **Asset Quality:** We maintained a high-quality loan portfolio by implementing rigorous risk management practices and ensuring timely recoveries.
4. **Capital Adequacy:** The infusion of capital from our shareholders has strengthened our financial base, enabling us to meet regulatory requirements and support our growth objectives.

Product Innovations and Market Expansion

Domestic Tourism Product

One of the most notable achievements of 2023 was the introduction of the Domestic Tourism Product, a strategic initiative aimed at promoting local tourism. This product offers unsecured loans to public service workers, enhancing their morale and productivity while contributing to the tourism sector's growth. The Domestic Tourism Product is designed to support the government's policy of boosting domestic tourism by providing affordable financing options for public service workers to explore Zambia's rich cultural and natural heritage.

The Domestic Tourism Product features an interest rate of 12% per annum and a maximum loan tenor of 60 months. The loan amount is determined by the applicant's ability to repay, ensuring that the product remains accessible while managing financial risk.

Payments for tourism packages are made directly to tax-compliant local service providers, fostering economic growth within the tourism sector.

Enhanced Agricultural Assets Plus Loan Scheme

We made significant modifications to the Agricultural Assets Plus Loan Scheme to include financing for agricultural inputs and livestock. These changes have made the product more accessible and beneficial, promoting agricultural productivity and contributing to national food security.

Digital Loan Applications

To improve accessibility and convenience, we encouraged digital submissions of loan applications via email and WhatsApp. This initiative reduced processing times and enhanced customer satisfaction. The average lead time for asset-based loans was reduced to 21 days, short-term cash solutions were processed within 7 days, and personal loans within 12 months.

Operational Highlights

2023 saw a remarkable increase in our loan disbursements.



PSMFC disbursed a total of **K 320.873 million** to **7,354 beneficiaries**, representing a 30% increase over the previous year. This substantial growth reflects the strong demand for our financial products and our ability to meet this demand effectively.

Our interest earnings also saw a significant rise of 39%, demonstrating our effective financial

management and the growing trust of our clients. These results are a testament to the hard work and dedication of our staff, as well as the strategic adjustments we made to our loan products and services.

Our operational efficiency was further enhanced by encouraging digital submissions of loan applications via email and WhatsApp. This approach

reduced processing times and improved customer satisfaction. The average lead time for asset-based loans was reduced to 21 days, short-term cash solutions were processed within 7 days, and personal loans were processed within 12 months. These improvements highlight our commitment to providing timely and efficient services to our clients.

Summary Disbursement Highlights

Product	No. of Districts Impacted (Out of 116 Districts)	No. of Provinces Impacted (Out of 10 Provinces)	No. of Beneficiaries	Total Disbursed (K' Million)
Agricultural Assets Loan	87	10	653	50.63
Bring Your Own Device	111	10	1,561	15.88
Domestic Tourism Loan	1	1	2	0.03
Motor Vehicle Loan	47	10	425	181.53
Personal Loan	89	10	1,949	103.83
Short Term Cash Solution	103	10	3405	50.03
Building Materials Loan	60	10	804	62.87
Leaders' Personal Loan	4	3	38	38.56
Household Furniture Loan	66	10	619	12.53

MPSA with Highest Number of Beneficiaries

Product	MPSA	No of accounts
Building Materials Loan	Ministry of Education	446
Agricultural Assets Loan	Ministry of Education	350
Bring Your Own Device	Ministry of Education	1,050
Household Furniture Loan	Ministry of Education	324
Leaders' Personal Loan	Cabinet Office	4
Motor Vehicle Loan	Ministry of Health	72
Personal Loan	Ministry of Education	567
Short-term Cash Solution	Ministry of Education	1,157
Domestic Tourism Loan	Public Service Micro Finance Company	2

MPSA with Highest Disbursements

Product	MPSA	Total Disbursed (K 'million)
Building Materials Loan	Ministry of Education	26.10
Agricultural Assets Loan	Ministry of Education	16.80
Bring Your Own Device	Ministry of Education	10.45
Household Furniture Loan	Ministry of Education	5.97
Leaders' Personal Loan	Cabinet Office	3.54
Motor Vehicle Loan	Ministry of Health	28.13
Personal Loan	Ministry of Education	28.43
Short-term Cash Solution	Ministry of Education	16.95
Domestic Tourism Loan	Public Service Micro Finance Company	0.03

Technological Enhancements

In 2023, PSMFC focused on maintaining and optimizing our existing systems, emphasizing operational efficiency and leveraging technology to enhance service delivery. Although no new technological advancements were introduced, significant improvements were made in streamlining processes and reducing turnaround times through digital transformation.

Accounting Information System

Our accounting information system continued to play a crucial role in centralizing financial transactions, aiding in budget projections, and facilitating accurate reporting. This system provided the tools needed to manage our financial operations effectively and ensure compliance with regulatory requirements.

Digital Loan Applications

We implemented digital loan applications via email and WhatsApp, which significantly reduced processing times and improved customer satisfaction. The average lead time for asset-based loans was reduced to 21 days, short-term cash solutions were processed within 7 days, and

personal loans were processed within 12 months. These improvements highlight our commitment to providing timely and efficient services to our clients.

Social Media Engagement and Customer Interaction

Enhancing customer engagement through digital transformation has been a key focus. We expanded our digital presence, utilizing social media platforms such as Facebook, Instagram, and LinkedIn to reach a wider audience. Our Facebook page, now boasting nearly 8,000 followers, has been particularly effective in disseminating information and engaging with our clients. The introduction of WhatsApp for Business further streamlined customer communication, allowing us to respond quickly to client inquiries. These platforms have proven valuable for customer engagement, feedback collection, and service improvement.

Participation in Trade Fairs and Expos

In addition to our digital efforts, we participated in various trade fairs and expos, including the Zambia International Trade Fair and the Agricultural and Commercial Show. These events provided platforms

for direct engagement with our clients, allowing us to showcase our products and services while receiving real-time feedback. These interactions have been invaluable in understanding the needs and preferences of our clients, guiding our product development and service delivery.

Future Technological Plans

Looking ahead to 2024, we plan to further enhance our digital transformation efforts by developing a mobile app for even easier loan application submissions. These technological advancements are expected to reduce turnaround times, improve accessibility, and enhance the overall customer experience. By leveraging technology, we aim to position PSMFC at the forefront of innovation in the financial sector, ensuring that we meet the evolving needs of our clients.

Our digital engagement strategy has not only improved customer satisfaction but also enabled us to gather valuable feedback, which informs our service delivery improvements. The positive response to these platforms underscores their importance in our overall customer engagement strategy. By continuously improving our technological capabilities and customer engagement efforts, we are committed to providing exceptional service and support to our clients.

Governance and Risk Management

In 2023, PSMFC made significant strides in strengthening our governance and compliance frameworks. Our commitment to robust governance is reflected in our adherence to statutory obligations and proactive risk management practices. During the year and at the date of signing, we also established a board in line with our Articles of Association.

To ensure adherence to the Data Protection Act 2023, we integrated specific guidelines into our policies and educated staff on the importance of data protection. By maintaining a high standard of governance and compliance, PSMFC continues to build trust and confidence among our clients and stakeholders.

Effective risk management remains a cornerstone of our operations. The economic environment posed several challenges in 2023, particularly with the increased cost of goods and services driven by a weakening Kwacha and rising fuel prices. To mitigate these risks, PSMFC employed a comprehensive risk management strategy within our Enterprise Risk Management (ERM) framework.

One significant risk we faced was related to loan recoveries, particularly from retirees, dismissed employees, and those who had resigned or been seconded. By maintaining a robust risk register and conducting regular reviews, we were able to implement effective mitigation strategies to minimize financial risks.

Human Capital Development

Investing in our human capital remains a core focus at PSMFC. Despite challenges in achieving optimal staffing levels, we engaged four new employees in 2023, strengthening our operational capacity. Recognizing and nurturing talent is vital for our growth, and our annual Labour Day awards to honour outstanding staff performance have reinforced our commitment to a supportive and rewarding work environment.

Our employee value proposition includes a competitive remuneration package, opportunities for growth and learning, and a supportive work environment that fosters teamwork and



collaboration. These elements are crucial in attracting and retaining top talent, which is essential for our continued growth and success.

Competitive Remuneration and Benefits

We offer a competitive salary package that includes bonuses, paid time off, and various employee wellness programs. These benefits are designed to ensure that our employees feel valued and motivated, contributing to higher productivity and job satisfaction.

Opportunities for Growth and Learning

PSMFC is committed to the continuous development of its employees. We provide various opportunities for professional growth, including training programs, workshops, and support for further education. By investing in our employees' development, we ensure that they have the skills and knowledge needed to excel in their roles and contribute to the company's success.

Employee Development and Organizational Growth

Our human capital is the backbone of PSMFC, and investing in our employees is paramount to our success. In 2023, we continued to focus on employee development and recognition.

Our annual Labour Day awards ceremony recognized outstanding employee performance, motivating our staff and fostering a culture of excellence. We remain committed to providing a supportive and rewarding work environment, offering competitive remuneration packages, opportunities for growth and learning, and a culture that promotes teamwork and collaboration.

Our employee value proposition (EVP) is designed to attract and retain top talent by offering a comprehensive package that includes competitive remuneration, opportunities for professional growth, and a supportive work environment. In 2023, we continued to build on our EVP by focusing on employee wellness, job stability, and creating a culture of collaboration and teamwork.

Staffing Levels Segregated by Gender

SN	Job Title	Level	Approved Es- tablishments	Status		Gender	
				Filled	Vacant	Male	Female
2.	Directors	Senior Management	6	4	2	2	2
3.	Managers	Middle Management	8	6	2	4	2
4.	Officer	Professional	14	4	10	3	1
5.	Assistant Officer	Technical	15	8	7	5	3
6.	Executive Officer	Support	1	1	-	1	-
7.	Support Administrative 1 • Secretaries • Registry Clerks • Front Office Assistants • Virtual Office Tellers	Support	12	8	4	4	4
8.	Support Administrative 2 Drivers	Support	4	4	-	4	-
9.	Support Administrative 3 Office Orderly	Support	1	1	-	-	1

Details of staff engaged for the period January 2023 to December 2023.

During the year the company engaged a total four (4) staff members (2022: 4 employees).

SN.	Name of Officer	Position	Department	Entry Date
1.	Clement Lwandamina	Chief Financial Officer	Finance	27th February 2023
2.	Mwendachabe Chitembo	Virtual Office Teller	Operations	13th January 2023
3.	Chipampa Chanda	Virtual Office Teller	Operations	9th January 2023
4.	Isabel Nakaanza	Virtual Office Teller	Operations	23rd January 2023

Supportive Work Environment

Creating a supportive work environment is a key component of our EVP. We promote a culture of collaboration and teamwork, where employees feel respected and appreciated.

Our engagement with key partners and suppliers has also been instrumental in supporting our operations. In 2023, we continued to work closely with partners such as ZANACO, Armaguard, ZSIC, Liquid

Telecom, and Craft Silicon. These partnerships have ensured the smooth running of our operations, from banking services to internet connectivity and security.

Financial Risk Management and Mitigation

Effective financial risk management was a cornerstone of our operations in 2023. The economic environment posed several challenges,

particularly with the increased cost of goods and services driven by a weakening Kwacha and rising fuel prices. To mitigate these risks, PSMFC employed a comprehensive risk management strategy within our Enterprise Risk Management (ERM) framework.

One significant risk we faced was the potential for budget overruns due to unforeseen costs. To address this, we implemented supplementary budgets and made strategic reallocations within our existing budget. These measures ensured that we maintained financial stability while continuing to support our operational needs.

Our risk management practices also included rigorous monitoring and evaluation of our loan portfolio. By maintaining a robust risk register and conducting regular reviews, we were able to implement effective mitigation strategies to minimize financial risks.

Inclusion of the Armed Forces in Our Portfolio

One of our significant achievements in 2023 was the successful inclusion of the armed forces in our portfolio. This strategic move involved extensive sensitization and engagement with ZAF officials across the country. By extending our services to the armed forces, we have broadened our client base and reinforced our commitment to supporting all sectors of public service workers.

Corporate Social Responsibility (CSR) and Sustainability

Our commitment to sustainability and corporate social responsibility (CSR) has been a focal point of our strategic initiatives. In 2023, we laid the groundwork for more robust sustainability reporting

and initiatives, recognizing the growing global emphasis on environmental, social, and governance (ESG) practices.

Our sustainability efforts will include enhancing our environmental footprint, promoting social inclusion, and ensuring robust governance practices. These initiatives are essential not only for compliance with global standards but also for meeting the expectations of our stakeholders and contributing positively to the communities we serve.

Key Achievements in CSR

- 1. Environmental Initiatives:** We have started implementing measures to reduce our environmental impact, such as energy-efficient office practices and waste reduction programs. These initiatives are aimed at minimizing our carbon footprint and promoting environmental sustainability.
- 2. Social Inclusion:** PSMFC is committed to promoting social inclusion by supporting initiatives that benefit marginalized communities.
- 3. Governance Practices:** We have strengthened our governance practices to ensure transparency and accountability in all our operations. This includes regular reviews of our policies and procedures, as well as ongoing training for our staff on best practices in governance and compliance.

Key Partnerships and Collaborations

In 2023, PSMFC strengthened its partnerships and collaborations, which have been integral to our business model and operational success. Our key partners and service providers included:

- ❑ **ZANACO:** As our principal banker, ZANACO has provided essential banking services that support our financial operations.
- ❑ **Armaguard:** This security services provider has ensured the safety and security of our office premises.
- ❑ **ZSIC (General and Life):** Providing comprehensive insurance services for our property, furniture, equipment, group life assurance, and motor vehicles.
- ❑ **Liquid Telecom:** Delivering reliable internet services, critical for our banking operations and day-to-day activities.
- ❑ **Craft Silicon:** Offering support services for our banking and payroll software, ensuring seamless operations.

These partnerships have added significant value to our company by optimizing our operations and enhancing our service delivery to clients. They have also enabled us to focus on our core mission of providing financial solutions to public service workers, knowing that our operational needs are well-supported.

Financial Outlook and Strategic Goals for 2024

As we move into 2024, our financial outlook remains positive. We anticipate continued revenue growth, driven by the enhanced Agricultural Assets Plus product and the Building Materials Loan and Furniture Loan portfolios. Our strategic goals include expanding our reach to public service workers in rural areas, further developing our digital capabilities, and introducing new financial products that meet the evolving needs of our clients.

Our financial strategies for 2024 will focus on maintaining a robust capital base, optimizing our investment portfolio, and ensuring liquidity to support our operational needs. We will continue to leverage fixed deposit accounts and other financial instruments to maximize returns on our cash reserves. Additionally, we plan to explore new revenue streams and opportunities for diversification, ensuring that PSMFC remains resilient in the face of economic uncertainties.

Strategic Initiatives for 2024

1. **Digital Transformation:** We will introduce online loan applications and develop a mobile app to enhance customer accessibility and streamline our operations. These technological advancements are expected to reduce turnaround times, improve the customer experience, and position PSMFC as a leader in digital innovation.
2. **Product Expansion:** Building on the success of our existing products, we will continue to innovate and expand our product portfolio. This includes enhancing the Domestic Tourism Product and Agricultural Assets Plus Loan Scheme to better meet the needs of our clients. We will also explore new financial products that align with the evolving needs of public service workers, ensuring that we remain responsive to their financial requirements.
3. **Operational Efficiency:** We will continue to focus on operational efficiency, optimizing our processes and leveraging technology to improve service delivery. This includes streamlining our loan processing times, enhancing our digital engagement platforms, and ensuring that our internal systems are robust and efficient.

- 4. Human Capital Development:** Investing in our employees remains a top priority. We will continue to provide opportunities for professional growth, including training programs, workshops, and support for further education. By fostering a culture of collaboration and teamwork, we aim to create a supportive work environment that attracts and retains top talent.
- 5. Stakeholder Engagement:** We will strengthen our relationships with key stakeholders, including government bodies, financial institutions, and community organizations. By actively participating in policy discussions and economic planning, we aim to align our strategies with national priorities and contribute to Zambia's economic development.

Conclusion

2023 has been a year of significant achievements and strategic progress for PSMFC. Our financial

performance, product innovations, and operational efficiencies have positioned us for continued growth and success. Despite the challenges posed by the economic environment, our resilience and strategic initiatives have enabled us to navigate these difficulties and deliver value to our clients.

As we look ahead to 2024 and beyond, I am confident in our ability to achieve even greater heights. With the continued support of our shareholders, stakeholders, and dedicated employees, PSMFC will continue to thrive and make a positive impact on the lives of public service workers and the broader Zambian community.

Thank you for your unwavering support and trust in PSMFC.



Mubanga Mwiko
Chief Executive Officer



Strategy and Leadership

Our Strategic Objectives

Annually, our leadership team conducts a comprehensive review of our strategic objectives, reaffirming our commitment to the values of transparency and teamwork. We believe in the collective input of our workforce; thus, we engage employees at all levels within the company to contribute to our strategic planning process. This inclusive approach ensures that our strategies are well-rounded and align with the diverse perspectives within our organization.

Our strategy is firmly rooted in our mission to enhance equity in the distribution of financial services to public service workers. We achieve

this through the mobilization of resources and by providing affordable credit and other innovative financial services. Our goal is to make financial solutions accessible to all public service workers, thereby improving their quality of life and financial stability.

Leadership

In the wake of our corporate restructure, there are currently two vacant director positions. For administrative continuity and to maintain operational efficiency, these positions are temporarily filled by acting officers. These interim appointments ensure that the critical functions of the company continue seamlessly while we seek permanent appointments.

Executive Management



Chief Executive Officer

Mubanga Mwiko

Mr. Mwiko was appointed as Chief Executive Officer with effect from 19th April 2013. He brought more than 21 years financial management expertise acquired both in private and public sector. He served as Chief Accountant in the Ministry of Finance prior to his appointment as Chief Executive Officer.

Mubanga is a Chartered Accountant and holds a Master of Business Administration (Finance) Degree.



Chief Financial Officer

Clement Lwandamina

Mr. Lwandamina was appointed in February 2023. With a robust background in finance and financial management, Mr. Lwandamina brings a wealth of expertise and knowledge to his role. Prior to joining the Company, he served as Senior Accountant in Central Government.

Clement holds the CIMA (CGMA) qualification and MBA in Finance.



Director Human Resource & Administration

Musoli W. Kanganja

Ms. Kanganja was appointed as Manager Human Resource and Administration with effect from 16th September 2013. She was later promoted to the position of Manager Operations. Following the restructure of the company, she was reappointed as Director Human Resource and Administration. She brought more than 20 years human resource and administration expertise acquired h in the public sector. She worked in the Ministry of Finance prior to her appointment as s Manager Human Resource and Administration.

Musoli is an HR practitioner by profession.



Director Operations

Sydney Siluonde

Mr. Siluonde was appointed as Director – Operations with effect from 15th October 2020.

Prior to that he held the position of Director - Audit, Risk and Compliance for the period 2nd May 2014 to 14th October 2020.

He has more than 20 years of financial management, audit and risk management expertise acquired both in private and public sector. He served as Principal Internal Auditor in the Ministry of Finance prior to his appointment as Manager -Audit, Risk and Compliance.

Sydney is a Chartered Accountant (FZICA, FCCA) and holds a Master of Business Administration (Finance) Degree and is a certified Fraud Investigations Professional and holds a postgraduate certificate in Risk Management



Director Legal & Compliance & Company Secretary

Kamona Akapelwa

Ms. Kamona Akapelwa is a legal practitioner and chartered secretary who joined PSMFC on 26th January 2016. She has over tennine years' experience in banking and finance having worked for Standard Chartered Bank (Z) PLC where she last served as the Acting Head, Legal and Compliance for Retail Banking.

As a Senior State Advocate from the Civil Litigation Department of the Attorney General's Chambers, Ms. Akapelwa also has vast experience in litigation practice and previously worked as an Associate for top firms in Zambia



Acting Chief Information Officer

Paul C. Haambote

Mr. Paul Haambote was appointed to Act as Business Development Manager with effect from 19th October 2016.

He brought more than 11 years expertise in software development and business process flow design with a further 2 years in product development and client relationship management acquired from both the private and public sector. He worked at the Zambia National Building Society prior to his appointment as Business Development Manager.

Paul is a seasoned ICT specialist by profession.



Director Audit & Risk (acting)

Patson Banda

Patson has been with Public Service Micro Finance Company since 2014 .

He holds a ZICA Audit Practising Certificate, a Master of Science degree in Economics and Finance from the University of Lusaka (UNILUS), Bachelor of Accountancy Degree from Copperbelt University, ACCA(UK) and Postgraduate Certificate in Risk Management.

Patson has 16 years' experience in the private and public sector. His academic and professional experience include lecturing at Lusaka Business and Technical College in business courses, Accounting at World Vision, Internal Auditing in the Ministry of Health and Ministry of Agriculture.

Statement on Governance, Ethics & Risk



Governance Overview

Corporate Governance Commitment

PSMFC remains committed to maintaining high standards of corporate governance, ensuring transparency, accountability, and long-term

sustainable success. Our governance framework is designed to align with international best practices and regulatory requirements.

Board Composition

The Company's Articles of Association provide for the appointment of the following as members of the Board as follows.

1. Public Service Management Division Representative
2. Ministry of Finance and National Planning Representative
3. Ministry of Labour Representative
4. Accountant
5. Legal Practitioner
6. Banking Specialist
7. Chief Executive Officer

The Non-Executive (NED), Independent Non-Executive (INED) and Executive (ED) Directors, respectively, appointed between December 2023 and the signature date were as follows:

Name	Position	Appointment Date
Mwila Chola Daka	Ministry of Finance and National Planning (NED)	01-Dec-23
Valerie Kawangu	Legal Practitioner (INED)	01-Dec-23
Morgan Malambo	Public Service Management Division (NED)	01-Dec-23
Emma M. Malawo	Ministry of Labour and Social Security (NED)	01-Dec-23
Kafunga Imataa	Accountant (INED)	01-Dec-23
Addie Liempe	Banker (INED)	01-Dec-23
Mubanga Mwiko	Executive Director	Sep-16

Roles and Responsibilities

The Board is responsible for promoting the long-term sustainable success of the company, generating value for stakeholders, setting strategic direction, and ensuring effective oversight of management. Management, led by the Chief Executive Officer, handles the day-to-day operations of the company.

The roles and responsibilities of the Board include:

- Defining and maintaining the company's values and strategic direction.
- Overseeing management's performance and ensuring alignment with the strategic goals.
- Protecting the interests of shareholders and stakeholders.
- Coordinating and monitoring key activities within the company.
- Developing managerial staff and ensuring effective resource allocation.

Board Committees

The Board Charter provides for three (3) Standing Committees, namely; Finance and Administration Committee, Audit and Risk Management Committee and Credit Committee, each with terms of reference defining the frequency of meetings, authority and duties, and reporting obligations.

1. Finance and Administration Committee.

Three (3) to five (5) members appointed by the Chairperson of the Board. The committee is to be chaired by a Board Member.

2. Credit Committee.

Three (3) to five (5) members appointed by the Chairperson of the Board. Members may be co-opted onto the committee. The committee is to be chaired by a Board Member.

3. Audit and Risk Committee. Three (3) to five (5) members appointed by the Chairperson of the Board. Members may be co-opted onto the committee. The committee is to be chaired by a Board Member.

Board Meetings and Attendance

The Board is scheduled to hold four meetings annually. Due to the recent appointments being made, no board meetings have been held or attended during the year under review.

Independence and Performance Evaluation

The independence and performance of the Board are evaluated annually. This evaluation is outsourced to ensure impartiality and objectivity. The assessment covers various aspects, including the effectiveness of the Board's oversight, the performance of individual directors, skills matrix, and the overall governance framework.

Role of the Company Secretary

The Company Secretary plays a critical role in ensuring that Board procedures are followed and that the company adheres to statutory and regulatory requirements. Responsibilities of the Company Secretary include:

- Advising the Board on governance matters.
- Ensuring compliance with statutory and regulatory requirements.
- Facilitating communication between the Board and management.
- Reviewing governance practices and suggesting improvements.
- Maintaining accurate records of Board meetings and decisions.

Quorum and Decision-Making

The Articles of Association provide that a quorum for Board meetings shall be three members. Decisions are made based on majority votes, and in case of a tie, the chairperson has the casting vote.

Corporate Governance Measures

PSMFC has implemented several measures to ensure strong corporate governance:

- ❑ **Code of Ethics:** A comprehensive code of ethics guides the conduct of directors, management, and employees.
- ❑ **Board Charter:** The Board charter outlines the roles, responsibilities, and functions of the Board and its committees.
- ❑ **Annual Board Training:** Regular training programs are conducted to keep the Board members updated on governance best practices.
- ❑ **Board Evaluation:** An annual evaluation of the Board's performance is conducted to identify areas for improvement.

Risk Management

Effective risk management is a cornerstone of PSMFC's strategy to ensure the sustainability and success of the company. Our risk management framework is designed to identify, assess, and mitigate risks across all aspects of our operations, thereby safeguarding the company's assets and ensuring the achievement of our strategic objectives.

Risk Management Framework

PSMFC's risk management framework is led by the Audit and Risk Department and is guided by principles that ensure proactive identification and mitigation of risks. The framework encompasses the

following key components:

- ❑ **Risk Identification:** Regularly identifying potential risks that could impact the company's operations and objectives.
- ❑ **Risk Assessment:** Evaluating the likelihood and impact of identified risks to prioritize them appropriately.
- ❑ **Risk Mitigation:** Implementing strategies to manage and mitigate the risks, including internal controls and contingency plans.
- ❑ **Risk Monitoring:** Continuously monitoring the effectiveness of risk mitigation strategies and updating them as necessary.

Risk Register and Major Risks

The risk register is maintained and regularly reviewed at the senior management level to systematically identify, assess, and prioritize risks. The major risks identified and managed during 2023 include:

- ❑ **Strategic Risks:** Risks related to the company's strategic direction and business model, including market competition and changes in the regulatory environment.
- ❑ **Operational Risks:** Risks arising from inadequate or failed internal processes, systems, or human factors, including process inefficiencies and IT system failures.
- ❑ **Financial Risks:** Risks related to the financial health of the company, including liquidity risk, credit risk, and market risk.
- ❑ **Credit Risks:** Risks associated with the potential default by borrowers on loan repayments, managed through rigorous credit assessment and monitoring processes.
- ❑ **Compliance Risks:** Risks of non-compliance

with laws, regulations, and internal policies, mitigated through regular compliance audits and training.

- ❑ **Reputational Risks:** Risks that could damage the company's reputation and stakeholder trust, managed through effective communication and stakeholder engagement strategies.

Fraud Prevention and Internal Controls

PSMFC is committed to preventing fraud and ensuring robust internal controls. The following measures are in place to mitigate fraud risks:

- ❑ **Internal Audits:** Monthly audits of all departments to ensure compliance with internal controls and procedures.
- ❑ **Segregation of Duties:** Clear separation of roles and responsibilities to prevent conflicts of interest and reduce the risk of fraud.
- ❑ **Whistleblower Policy:** Mechanisms for employees and stakeholders to report unethical behaviour anonymously.

Cyber Security Measures

Recognizing the importance of safeguarding information, PSMFC has implemented comprehensive cyber security measures to protect against data breaches and cyber threats. These measures include:

- ❑ **Regular Security Audits:** Periodic audits to assess the effectiveness of cyber security controls.
- ❑ **Employee Training:** Regular training programs to raise awareness about cyber security threats and best practices.
- ❑ **Incident Response Plan:** A well-defined plan to respond to and recover from cyber security incidents.

Regulatory Compliance

PSMFC is committed to adhering to all relevant laws and regulations. The company's regulatory compliance efforts in 2023 included:

- ❑ **Compliance Audits:** Regular audits to ensure adherence to statutory obligations and internal policies.
- ❑ **Training Programs:** Ongoing training for employees on regulatory requirements and compliance best practices.
- ❑ **Legal Updates:** Staying informed about changes in the regulatory landscape and updating policies and procedures accordingly.

Risk Management Meetings

Monthly risk management meetings are held to review the risk register, discuss emerging risks, and assess the effectiveness of risk mitigation strategies. These meetings ensure that risk management remains a priority and that the company is proactive in addressing potential threats.

Ethics and Compliance

Code of Ethics

Public Service Micro Finance Company Limited (PSMFC) is dedicated to fostering a culture of ethical behaviour and integrity. The company has established a comprehensive Code of Ethics that outlines the principles and standards of conduct expected from all employees and directors. This Code serves as a guide for decision-making and professional behaviour, ensuring that all actions are aligned with the company's values and ethical standards.

Key Principles of the Code of Ethics:

- ▣ **Integrity:** Conducting business in an honest, fair, and transparent manner.
- ▣ **Accountability:** Taking responsibility for actions and decisions.
- ▣ **Respect:** Treating colleagues, customers, and stakeholders with respect and dignity.
- ▣ **Compliance:** Adhering to all applicable laws, regulations, and internal policies.

Implementation and Monitoring

The Code of Ethics is integrated into the daily operations of PSMFC. All employees are required to acknowledge and commit to the Code upon joining the company. The adherence to ethical standards is regularly monitored through internal audits and compliance checks. Any violations of the Code are addressed promptly and appropriately to maintain the integrity of the organization.

Ethical Conduct and Training

To promote ethical behaviour across the organization, PSMFC conducts regular training sessions and workshops for employees at all levels. These sessions cover various topics, including ethical decision-making, conflict of interest, anti-corruption measures, and the importance of maintaining professional integrity. By providing continuous education and awareness, the company ensures that employees understand and adhere to ethical standards.

Training Programs

- ▣ **Induction Training:** New employees undergo an induction program that includes training on the company's Code of Ethics and ethical conduct.
- ▣ **Ongoing Training:** Regular training sessions are

held to reinforce ethical behavior and update employees on any changes to policies or regulations.

- ▣ **Specialized Workshops:** Workshops focused on specific areas such as anti-corruption, data protection, and conflict resolution.

Employee Engagement

PSMFC encourages open communication and engagement on ethical matters. Employees are provided with channels to seek guidance, report concerns, or discuss ethical dilemmas without fear of retaliation. This open environment promotes a culture of integrity and trust within the organization.

Compliance Framework

PSMFC has established a robust compliance framework to ensure adherence to all applicable laws, regulations, and internal policies. This framework is designed to prevent, detect, and respond to compliance risks, ensuring that the company operates within legal and ethical boundaries.

Components of the Compliance Framework

- ▣ **Policies and Procedures:** Comprehensive policies and procedures are in place to guide the company's operations and ensure compliance with regulatory requirements.
- ▣ **Compliance Monitoring:** Regular monitoring and audits are conducted to assess compliance with laws, regulations, and internal policies.
- ▣ **Reporting Mechanisms:** Mechanisms are established for reporting compliance issues or violations. Employees can report concerns anonymously through a whistleblowing hotline or other secure channels.

- ❑ **Risk Assessment:** Continuous risk assessment is performed to identify and mitigate compliance risks. This includes evaluating the effectiveness of controls and implementing corrective actions as needed.

Regulatory Compliance Overview

PSMFC is committed to adhering to all applicable laws and regulations. The legal compliance framework ensures that the company operates within legal boundaries, maintaining the highest standards of corporate governance. The Director of Legal and Compliance oversees all legal matters, ensuring that the company remains compliant with statutory and regulatory requirements.

Key Legal Compliance Activities

- ❑ **Statutory Compliance:** Ensuring that all statutory filings and legal obligations are met in a timely manner.
- ❑ **Regulatory Adherence:** Regularly reviewing and updating policies and procedures to align with changes in the regulatory environment.
- ❑ **Contract Management:** Reviewing and managing all contractual agreements to ensure legal and financial interests are protected.
- ❑ **Legal Risk Management:** Identifying and mitigating potential legal risks through proactive legal advice and support.

Significant Legal Issues Addressed in 2023

PSMFC has successfully managed its legal and regulatory obligations throughout 2023, addressing several significant issues:

- ❑ **Regulatory Audits:** Conducted thorough audits to ensure compliance with regulatory requirements. No significant legal compliance

issues were reported during the year.

- ❑ **Litigation Management:** Successfully managed and resolved any legal disputes, ensuring that there were no pending legal cases at the end of 2023.
- ❑ **Policy Updates:** Updated key policies and procedures to reflect changes in laws and regulations, ensuring continuous compliance. These updates were communicated to all employees to ensure understanding and adherence.

Regulatory Adherence

PSMFC takes proactive measures to ensure full compliance with all regulatory requirements. The company works closely with regulatory authorities to stay informed about regulatory changes and implements necessary adjustments promptly. This proactive approach helps PSMFC maintain its reputation for integrity and compliance.

Regulatory Compliance Activities

- ❑ **Regular Training:** Conducted regular training sessions for employees to keep them updated on regulatory requirements and compliance practices.
- ❑ **Compliance Audits:** Performed periodic compliance audits to identify and address any areas of non-compliance.
- ❑ **Engagement with Regulators:** Maintained open lines of communication with regulatory bodies to ensure alignment with regulatory expectations and requirements.

Impact of Regulatory Changes

PSMFC continuously adapts to the evolving regulatory landscape to ensure compliance and operational efficiency. In 2023, key regulatory

changes were successfully implemented:

- **Adaptation to New Regulations:** The company seamlessly adapted to new regulations introduced during the year, ensuring that all operational practices were in full compliance which included changes to employee related statutory obligations as administered by Zambia Revenue Authority (ZRA), National Pension Scheme Authority (NAPSA), National Health Insurance Management Authority (NHIMA) and Workers Compensation.
- **Enhanced Compliance Framework:** Strengthened the compliance framework by incorporating industry best practices and feedback from regulatory bodies. This included updating internal policies and procedures to better align with the latest regulatory requirements.
- **Employee Awareness:** Increased efforts to educate and train employees about new regulatory changes and their implications, ensuring that everyone within the organization understands and adheres to these requirements.

By maintaining a strong focus on legal and regulatory compliance, PSMFC ensures that it operates within legal boundaries and maintains the trust and confidence of its stakeholders.

External Audit and Assurance

External Auditors

PSMFC maintains a transparent and rigorous auditing process to ensure the integrity of its financial statements and compliance with regulatory requirements. For the financial year 2023, the external auditors, Messrs. iABC Associates, were appointed to conduct an independent audit of the company's financial statements.

Audit Process and Findings

The audit process involved a comprehensive review of the company's financial records, internal controls, and compliance with accounting standards. The auditors provided assurance that the financial statements give a true and fair view of the company's financial position as of 31 December 2023.

Collaboration with Internal Audit

The external auditors worked closely with the internal audit team to ensure a thorough and coordinated audit process. This collaboration included sharing information on risk areas, audit findings, and recommendations for improving internal controls.

Audit Committee Oversight

The Audit and Risk Management Committee provides oversight for the audit process, ensuring that the auditors had access to all necessary information and that their recommendations were implemented promptly.

Audit Findings and Recommendations

The external audit for the year 2023 concluded with the following key findings and recommendations:

- **Financial Statement Accuracy:** The auditors confirmed that the financial statements present a true and fair view of PSMFC's financial position and performance. There were no material misstatements identified.
- **Internal Control Effectiveness:** The audit highlighted the effectiveness of PSMFC's internal control systems. Minor areas for improvement were identified, and recommendations were made to enhance the robustness of these controls.
- **Compliance with Regulations:** The audit confirmed that PSMFC is in compliance with

all relevant laws and regulations. The auditors noted the company's proactive approach to regulatory changes and adherence to statutory requirements.

Implementation of Recommendations

PSMFC has taken the following steps to implement the auditors' recommendations:

- ❑ **Strengthening Internal Controls:** The company has initiated measures to address the minor control weaknesses identified. This includes updating procedures, enhancing oversight, and providing additional training to staff.
- ❑ **Ongoing Monitoring:** PSMFC has established a process for ongoing monitoring of the internal control environment to ensure continuous improvement and adherence to best practices.
- ❑ **Regulatory Compliance:** The company continues to engage with regulatory bodies and stays informed about any changes in regulations to ensure ongoing compliance.

We remain dedicated to maintaining a robust legal framework and adhering to sound corporate governance practices. Our proactive approach to risk management has enabled us to navigate potential legal risks effectively, resulting in no adverse legal cases. We will continue to prioritise legal compliance and risk mitigation measures to protect the interests of our stakeholders and uphold our reputation as a trusted financial institution.

We acknowledge the importance of effective corporate governance in promoting transparency, accountability, and ethical conduct throughout our organisation. As we move forward, we are committed to upholding the highest standards of corporate governance, fostering a culture of integrity, and ensuring the responsible management of resources and risks.



Kamona Akapelwa
Company Secretary

The Year 2023 in Pictures





The Year 2023 in Pictures





The Year 2023 in Pictures



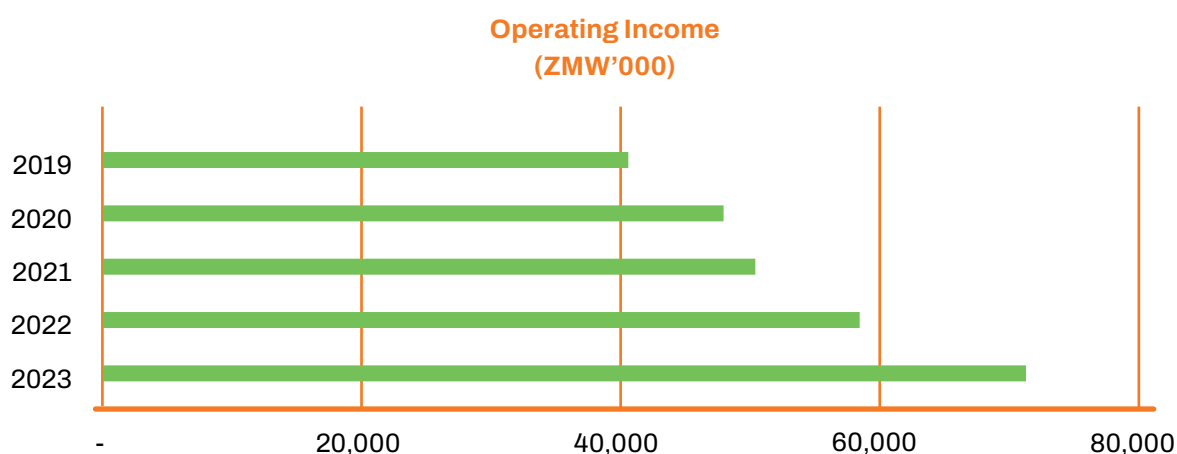
Key Performance Indicators

The key performance indicators describe the trends in profitability and the quantitative extent of the operations of the Company.

5 Year Financial Analysis

Operating Results – 5 Year

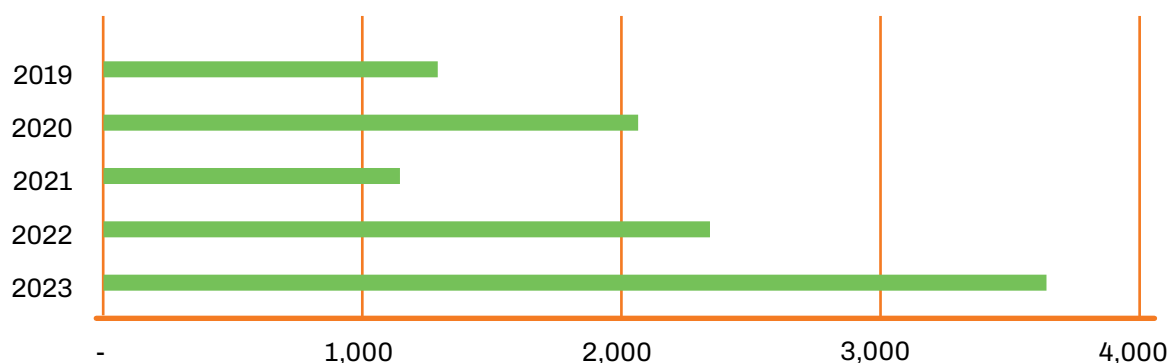
During the year the Company earned a net profit of ZMW3.729million compared to a profit of ZMW2.207million in 2022. The results of the operating performance are illustrated in the figures below with the explanations for each trend being provided.



Operating income includes interest earned from loans and advances to Public Service workers, Interest received from other financial net of withholding tax and interest from government securities.

- ▣ **Total Operating Income (23% increase):** ZMW70.97million (2022: ZMW57.717million).
- ▣ **Interest from Loans and Advances (43% increase):** ZMW68.87million (2022: ZMW43.20million). The increase was a result of the higher uptake of higher interest generating loan schemes (asset loans) in the majority of the year. In terms of value, the loan products obtained the most as opposed to last year were the asset based loans as opposed to the personal loans in the preceding year.
- ▣ **Interest from other FI (10% decrease):** ZMW9.10million (2022: ZMW10.09million). The decrease in interest was due to the increase provision of loans to public service workers rather than locking available funds in other financial institutions. Additionally, it was less profitable due to the low rates being provided by other financial institutions which continued to occur from the preceding year.
- ▣ **Interest from Government Securities (100 decrease):** No investments were held in government securities during the year.

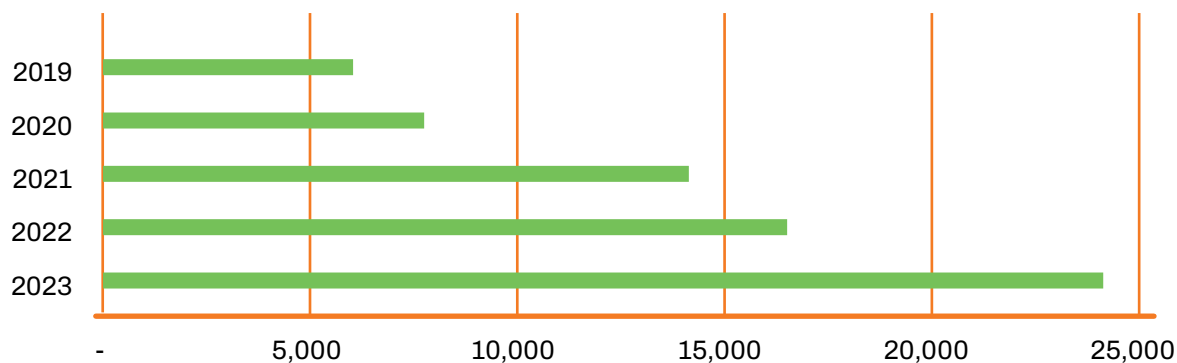
Non operating income (ZMW'000)



Non-operating income consists of rental income, interest from staff loans and income attributable to admin fees and charges on full finance (sundry income).

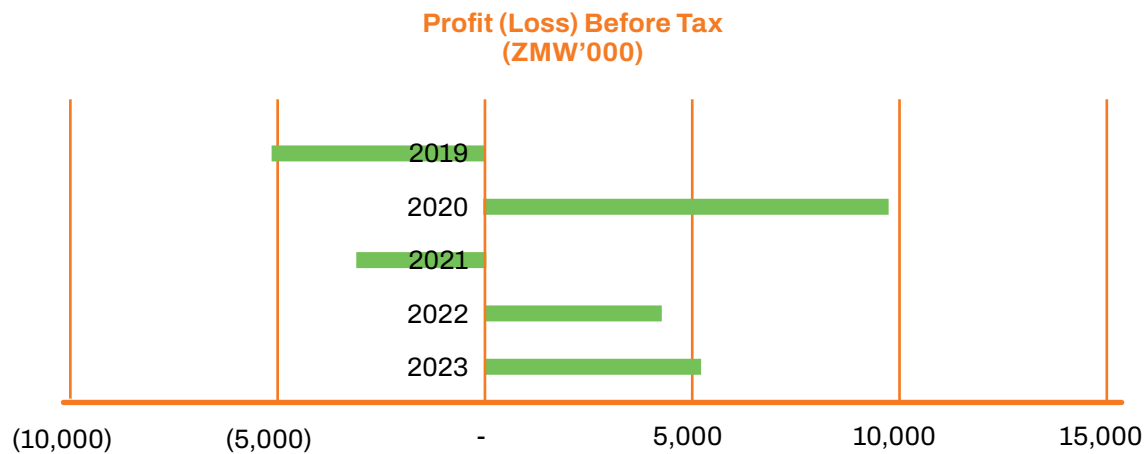
- ▣ **Total Non-operating Income (53% increase):** ZMW3.612million (2022: ZMW2.359million).
- ▣ **Interest on staff loans (103% increase):** ZMW2.189million (2022: ZMW1.077million).
- ▣ **Sundry income (19% increase):** ZMW1.344million (2022: ZMW1.126million)

Operating expenses (ZMW'000)

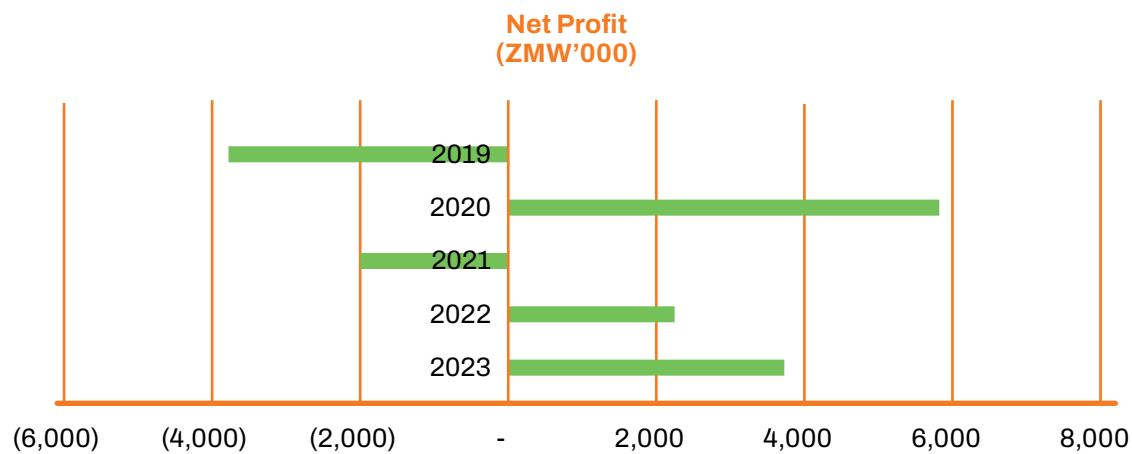


Operating expenses include office and administration expenses, employee costs and impairment provisions on loans in line with IFRS 9 Financial Instruments.

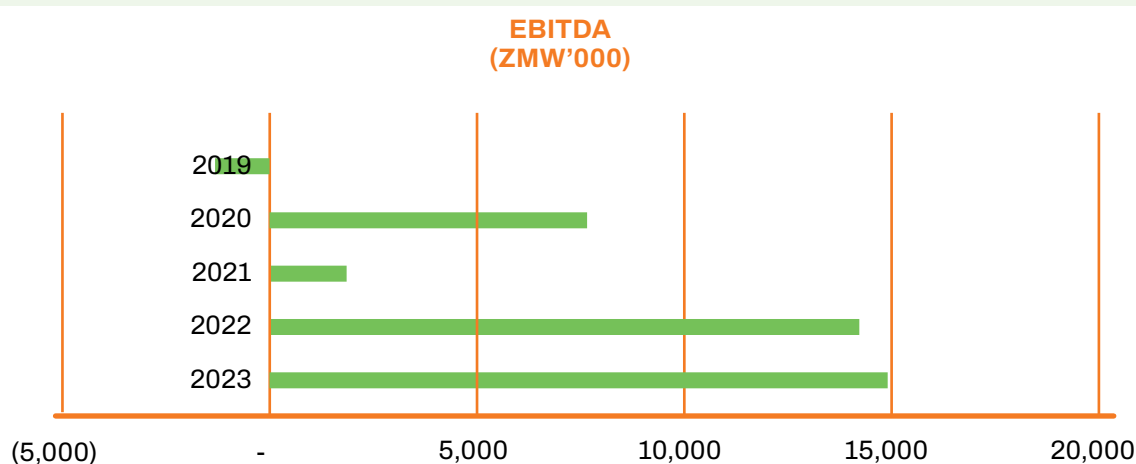
- ▣ **Total Expenditure (24% increase):** ZMW69.258million (2022: ZMW55.975million)
- ▣ **Operating expenses (42% increase):** ZMW23.638million (2022: ZMW16.607million). The increase was attributable to an increase expenditure relating to operations. This included 410% increase in advertising and publicity activities, and 66% increase in maintenance costs.
- ▣ **Employee Costs (19% increase):** ZMW41.718million (2022: ZMW35.147million). Employee costs include salaries and wages, bonuses, gratuity provisions and training costs. Additional staff members were recruited during the year thus increasing all line items relating to staff costs.
- ▣ **Impairment losses (8% decrease):** ZMW3.902million (2022: ZMW4.220million).



Due to the profits for the year current taxes amounted to ZMW1.598million (2022: ZMW1.894millionl).
The profit can be in the larger part attributed to the increase in the interest generated from loans and advances to public service workers.



Net profit for the year was ZMW3.728million (2022: ZMW2.206million). The profit was as a result of the increased interest income and the maintained expenditure in the current year. The current year received an increased uptake of loans from public service. The decrease in interest rates for asset-based loans and the favourable debt ratio requirement made the loans more accessible and lucrative for public service workers.,



Earnings before interest tax, tax depreciation and amortisation (EBITDA) represents the Company's ability to generate cash flows for its operations and its owners and financiers before considering non-cash items such as depreciation and interest on financial liabilities.

EBITDA for the year amounted to ZMW14.773million (2022: ZMW13.626million).

Operational Highlights – 5 year

In 2023, several strategic efforts by the Public Service Micro Finance Company (PSMFC) led to a significant increase in loans provided to public service workers. An analysis of the overall loans showed that the Personal Loan Scheme had the highest disbursements in Kwacha value and the most beneficiaries.

Several key factors contributed to PSMFC's sustained positive results from 2019 to 2023:

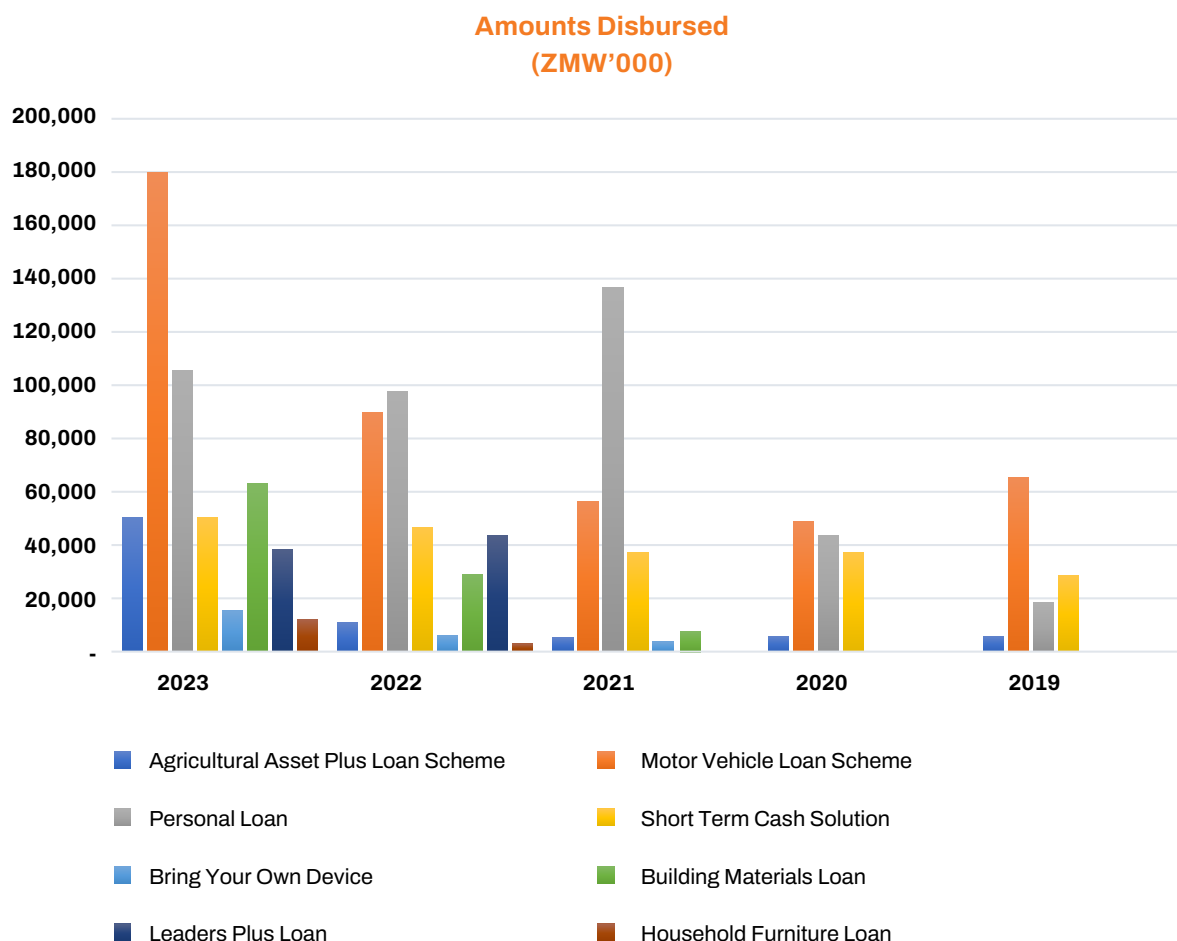
- ▣ **Reduced COVID-19 Restrictions:** Between 2019 and 2021, the uptake of loans was slow due to COVID-19 restrictions. The subsequent easing of these restrictions led to an increase in loan applications and disbursements as public service workers resumed economic activities.
- ▣ **Government Support:** The Zambian Government consistently supported PSMFC by committing a total of K1.5 billion and ensuring the consistent liquidation of this commitment each year. This increased the pool of funds available for onward

lending to public service workers, enhancing the company's ability to meet the rising demand for loans.

- ▣ **Changes in Loan Terms and Conditions:** PSMFC made significant changes to the terms and conditions for loan eligibility. Interest rates for asset-based loans were reduced, and the debt service ratios were adjusted to accommodate more public service workers. These changes enabled those who previously could not meet the debt service ratio to access loans, thus broadening the customer base.
- ▣ **Strategic Roadshows:** The company's strategic efforts to conduct roadshows were critical to its success. These roadshows raised awareness among public service workers about the availability of loans and educated them on the simple steps required to access the loan products offered by PSMFC. This increased outreach and sensitisation campaign attracted more public sector workers, bolstering the company's positive results.

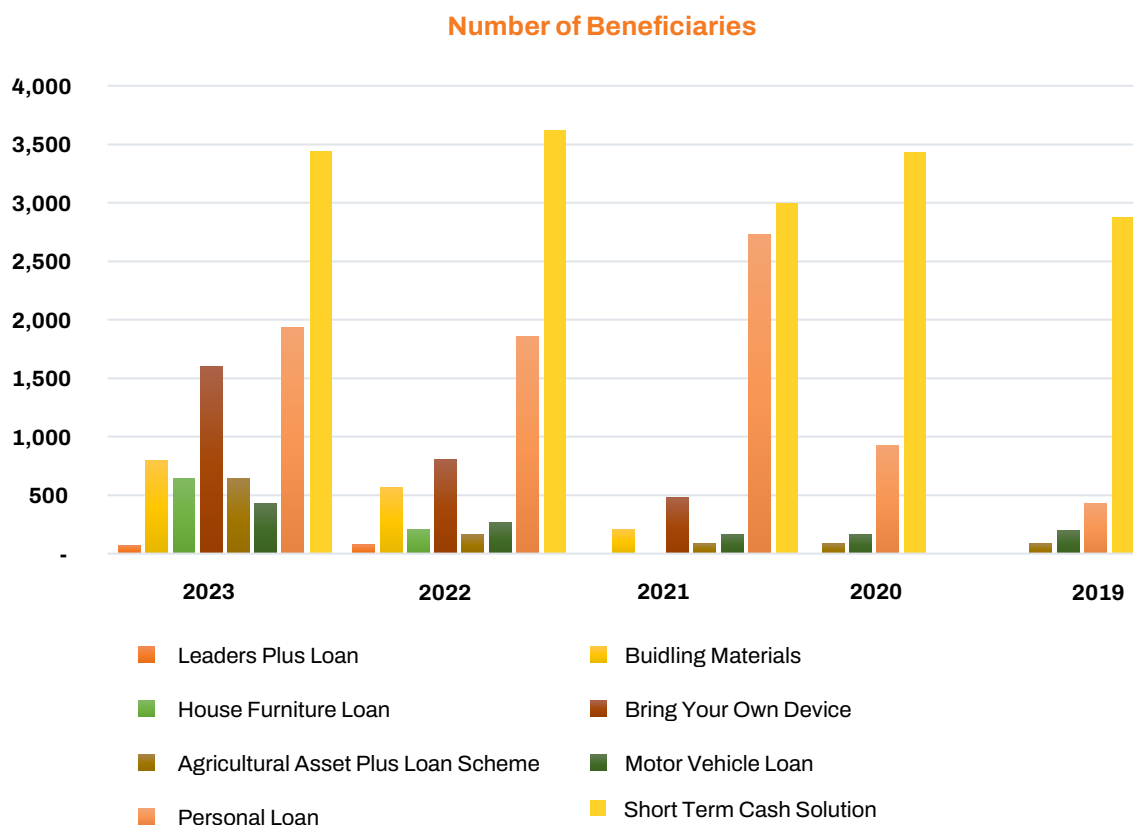
In addition to these factors, the Government of the Republic of Zambia, through the Ministry of Finance and National Planning, facilitated greater access to loans for public sector workers by increasing its support and providing capital injections. This

increased support contributed to the creation of a favourable lending environment, allowing the company to serve a larger customer base and increase loan disbursements, resulting in positive financial performance.



Total disbursements for all loan schemes amounted to ZMW515.896million (2022: ZMW320.873million) which was a 35% year on year increase (2022: 30%). The individual disbursements per loan product were:

- ▣ **Agricultural Asset Plus Loan Scheme (AAPLS):** ZMW50.637million (2022: ZMW9.715million)
- ▣ **Motor Vehicle Loan Scheme (MVLS):** ZMW181.527million (2022: ZMW88.505million)
- ▣ **Personal Loan Scheme (PLS):** ZMW103.830million (2022: ZMW96.127million)
- ▣ **Short-term Cash Solution (STCS):** ZMW50.028million (2022: ZMW46.533million)
- ▣ **Bring Your Own Device (BYOD):** ZMW15.880million (2022: ZMW6.589million)
- ▣ **Building Materials Loan (BML):** ZMW62.872million (2022: ZMW27.617million)
- ▣ **Household Furniture Loan (HFL):** ZMW12.532million (2022: ZMW2.620million)
- ▣ **Leaders Plus Loan (LPL):** ZMW38.565million (2022: ZMW43.167million)
- ▣ **Domestic Tourism Loan (DTLS):** ZMW0.027million (2022: Nil)



Number of beneficiaries that benefited from the loan schemes totalled 9,456 (2022: 7,354). Distribution of beneficiaries across all loan types were as follows.

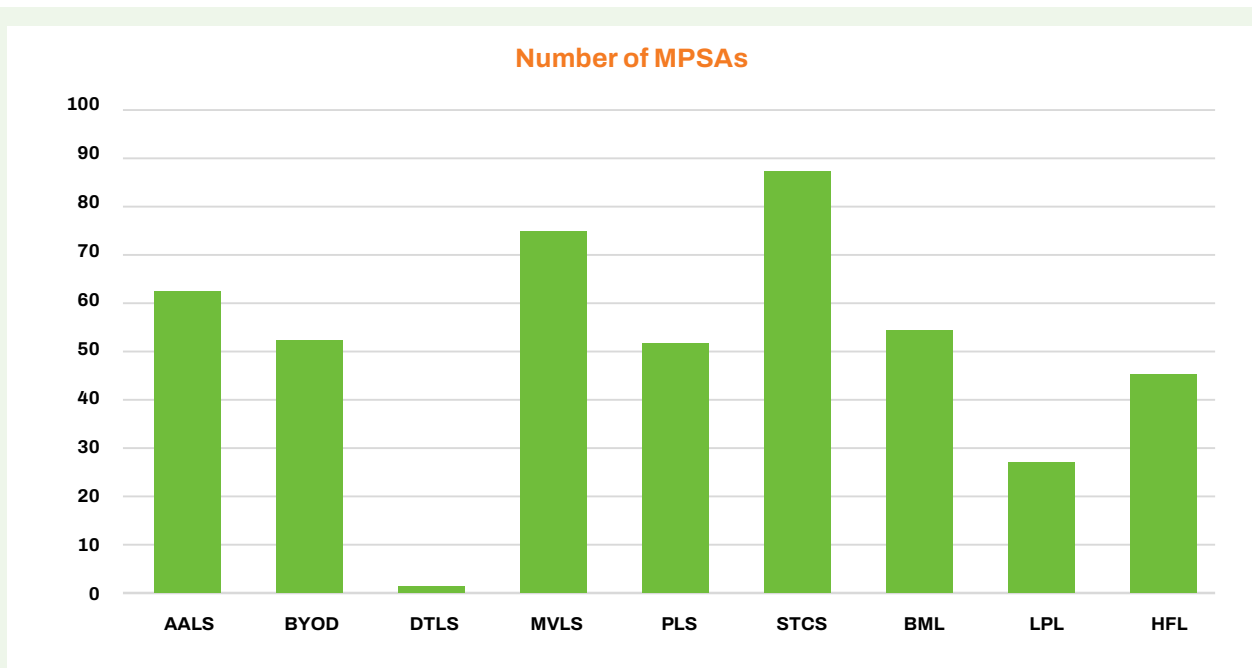
- ▣ **Agricultural Asset Plus Loan Scheme (AAPLS):** 653 beneficiaries (2022: 125 beneficiaries)
- ▣ **Motor Vehicle Loan Scheme (MVLS):** 425 beneficiaries (2022: 240 beneficiaries)
- ▣ **Personal Loan Scheme (PLS):** 1,949 beneficiaries (2022: 1,880 beneficiaries)
- ▣ **Short-term Cash Solution (STCS):** 3,405 beneficiaries (2022: 3,621 beneficiaries)
- ▣ **Bring Your Own Device (BYOD):** 1,561 beneficiaries (2022: 753 beneficiaries)
- ▣ **Building Materials Loan (BML):** 804 beneficiaries (2022: 528 beneficiaries)
- ▣ **Household Furniture Loan (HFL):** 619 beneficiaries (2022: 53 beneficiaries)
- ▣ **Domestic Tourism Loan (DTLS):** 2 beneficiaries (2022: Nil)

Current Year Analysis – FY2023

Loan Disbursements by MPSA FY2023

An introduction and recommendation from the Ministries, Provinces, and Spending Agencies (MPSA) confirming the employment status and

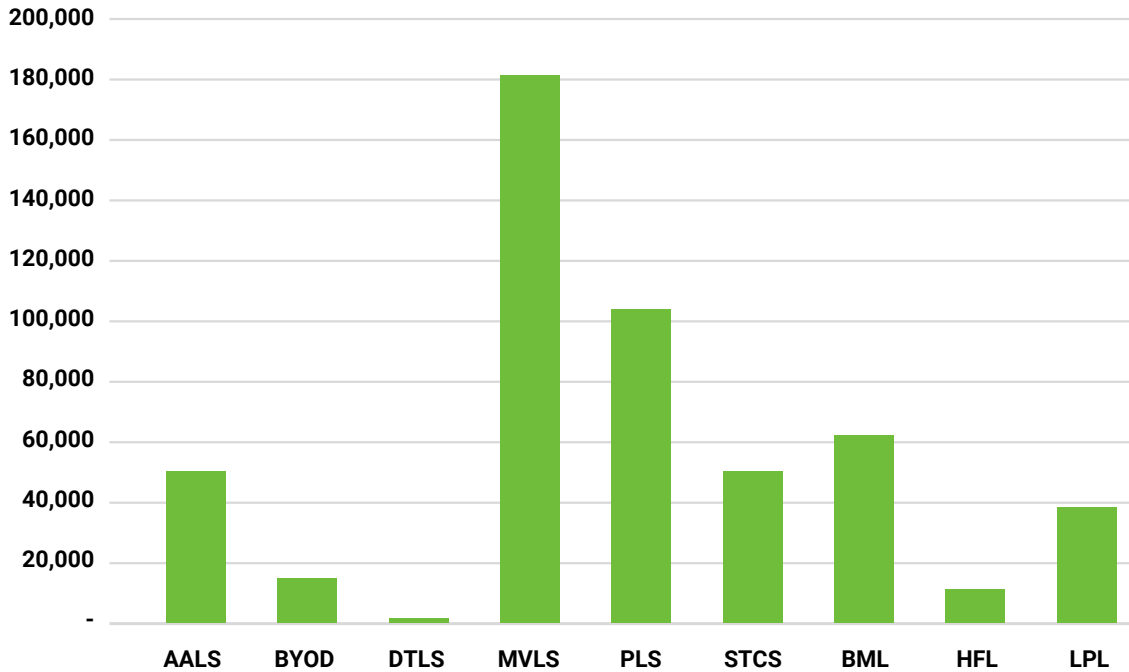
eligibility of the applicant Public Service Worker are required as part of the loan application process. The increase in loans reflects the active participation of each MPSA in verifying and facilitating the loan applications.



The Ministries, Provinces and Government Spending Agencies (MPSAs) represent the individual employers of the Public Service Workers. These also include Parastatals and institutions created under Acts of Parliament. The number of MPSAs that participated in the loan schemes were as follows:

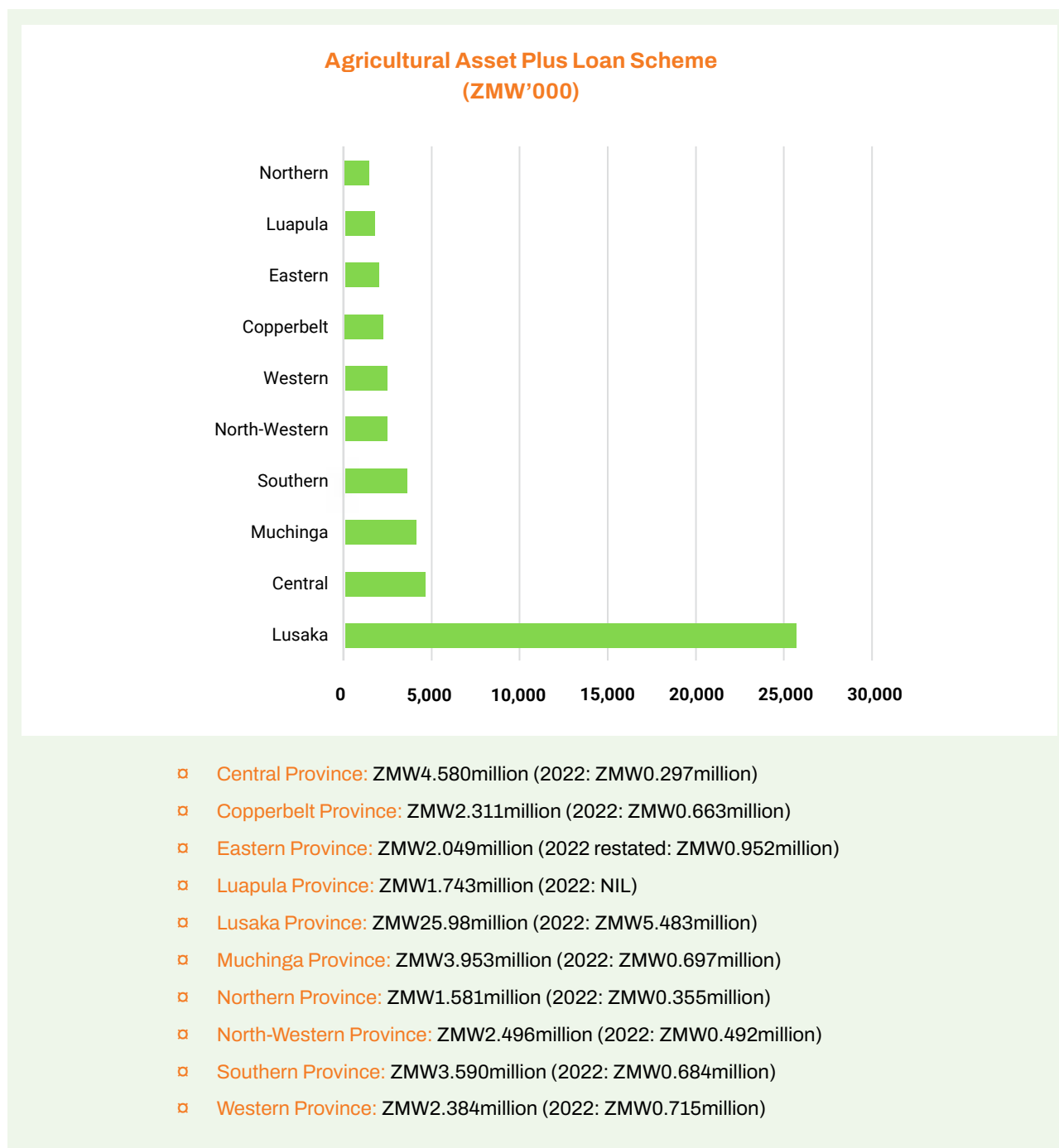
- ▣ Agricultural Asset Plus Loan (AAPLS): 62 MPSAs (2022: 34 MPSAs)
- ▣ Bring Your Own Device (BYOD): 52 MPSAs (2022: 47 MPSAs)
- ▣ Motor Vehicle Loan Scheme (MVLS): 74 MPSAs (2022: 65 MPSAs)
- ▣ Personal Loan Scheme (PLS): 53 MPSAs (2022: 57 MPSAs)
- ▣ Short Term Cash Solution (STCS): 87 MPSAs (2022: 83 MPSAs)
- ▣ Building Materials Loan (BML): 55 MPSAs (2022: 36 MPSAs)
- ▣ Household Furniture Loan (HFL): 44 MPSAs (2022: 21 MPSA)
- ▣ Leaders Plus Loan (LPL): 27 MPSAs (2022: 26 MPSA)
- ▣ Domestic Tourism Loan Scheme (DTLS): 1 MPSA (2022: Nil)

Loans Disbursed to MPSAs (ZMW'000)

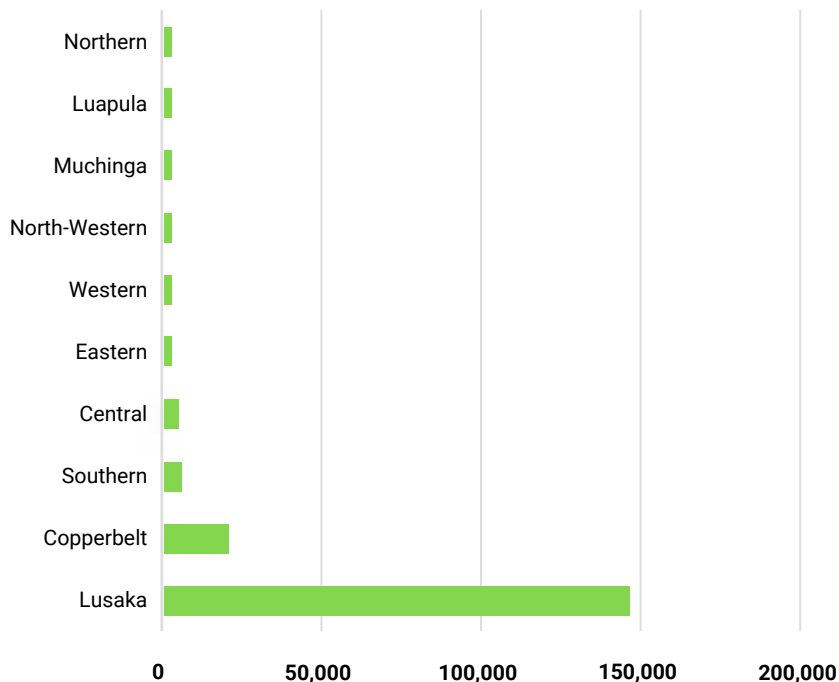


- ▣ Agricultural Asset Plus Loan (AAPLS): ZMW50.634million (2022: ZMW9.715million)
- ▣ Bring Your Own Device (BYOD): ZMW15.880million (2022: ZMW6.589million)
- ▣ Motor Vehicle Loan Scheme (MVLS): ZMW181.527million (2022: ZMW88.505million)
- ▣ Personal Loan Scheme (PLS): ZMW103.830million (2022: ZMW96.127million)
- ▣ Short Term Cash Solution (STCS): ZMW50.028million (2022: ZMW46.533million)
- ▣ Building Materials Loan (BML): ZMW62.872million (2022: ZMW27.617million)
- ▣ Household Furniture Loan (HFL): ZM12.532Wmillion (2022: ZMW2.620million)
- ▣ Leaders Plus Loan (LPL): ZMW38.565million (2022: ZMW43.167million)
- ▣ Domestic Tourism Loan Scheme (DTLS): ZMW0.027million (2022: Nil)

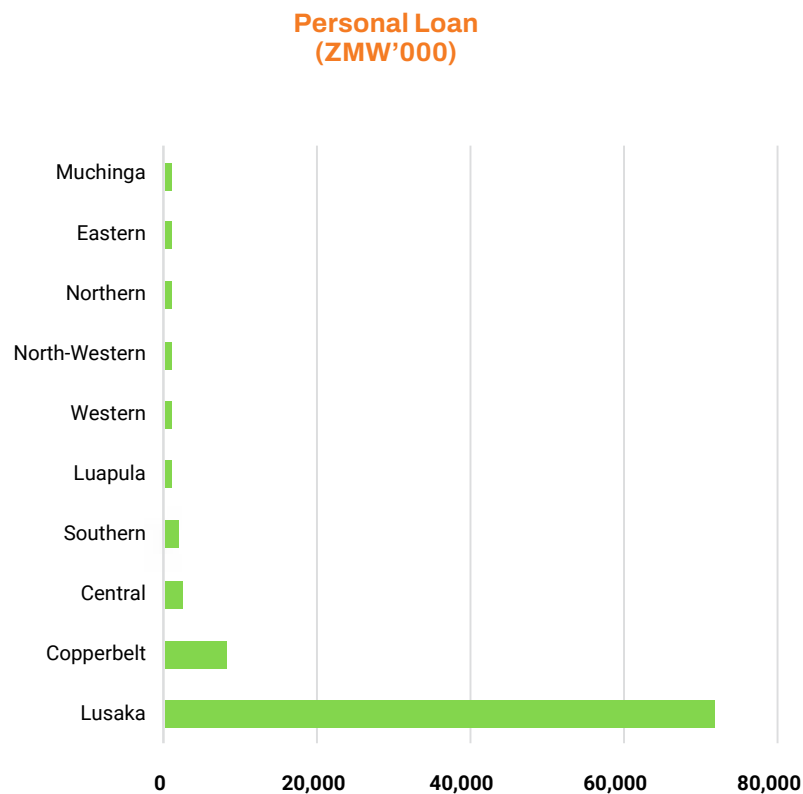
Loan Disbursements by Province



Motor Vehicle Loan Scheme (ZMW'000)

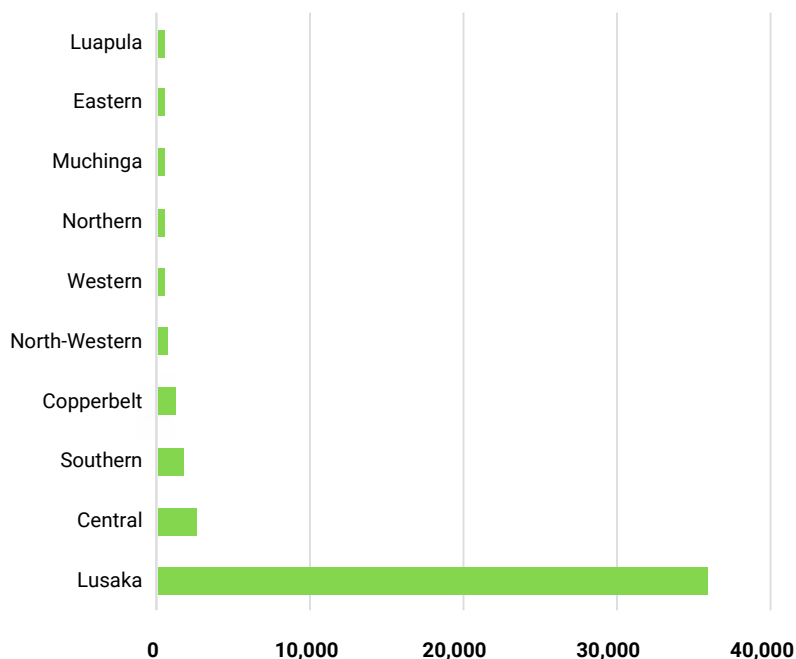


- ▣ Central Province: ZMW4.396million (2022: ZMW4.080million)
- ▣ Copperbelt Province: ZMW20.054million (2022: ZMW4.080million)
- ▣ Eastern Province: ZMW1.717million (2022: ZMW2.218million)
- ▣ Luapula Province: ZMW0.620million (2022: ZMW2.003million)
- ▣ Lusaka Province: ZMW145.064million (2022: ZMW66.652million)
- ▣ Muchinga Province: ZMW1.156million (2022: ZMW2.047million)
- ▣ Northern Province: ZMW0.260million (2022: ZMW2.148million)
- ▣ North-Western Province: ZMW1.168million (2022: ZMW2.026million)
- ▣ Southern Province: ZMW5.731million (2022: ZMW4.391million)
- ▣ Western Province: ZMW1.361million (2022: ZMW3.597million)



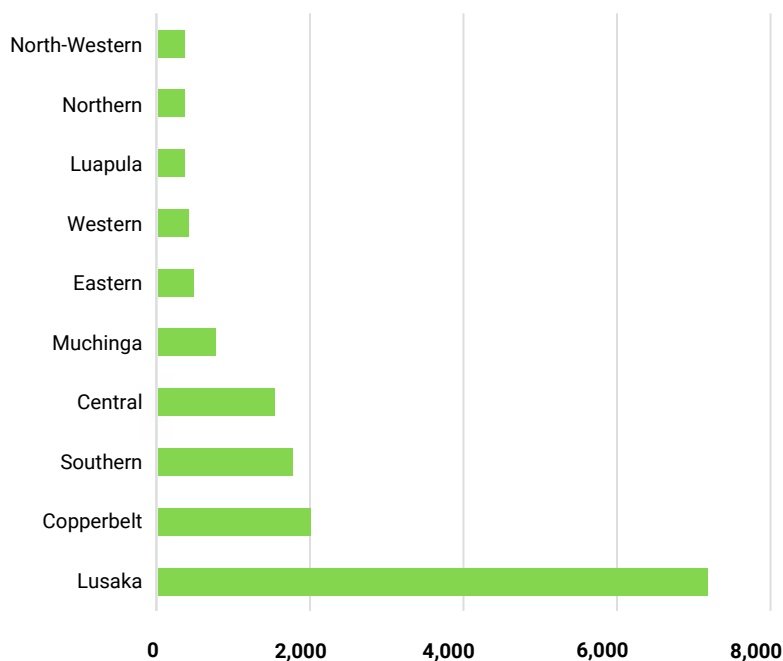
- ▣ Central Province: ZMW6.649million (2022: ZMW4.080million)
- ▣ Copperbelt Province: ZMW7.994million (2022: ZMW6.964million)
- ▣ Eastern Province: ZMW1.243million (2022: ZMW2.218million)
- ▣ Luapula Province: ZMW3.898million (2022: ZMW2.003million)
- ▣ Lusaka Province: ZMW71.277million (2022: ZMW66.652million)
- ▣ Muchinga Province: ZMW1.052million (2022: ZMW2.047million)
- ▣ Northern Province: ZMW1.554million (2022: ZMW2.148million)
- ▣ North-Western Province: ZMW1.850million (2022: ZMW2.026million)
- ▣ Southern Province: ZMW5.452million (2022: ZMW4.391million)
- ▣ Western Province: ZMW2.861million (2022: ZMW3.597million)

Short Term Cash Solution (ZMW'000)



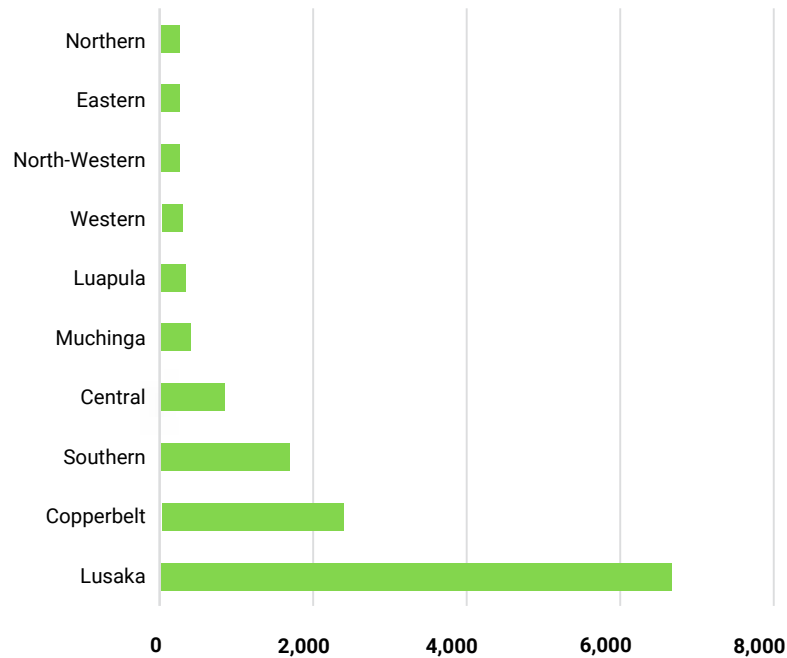
- ▣ Central Province: ZMW3.290million (2022: ZMW1.841million)
- ▣ Copperbelt Province: ZMW2.487million (2022: ZMW1.885million)
- ▣ Eastern Province: ZMW0.654million (2022: ZMW0.369million)
- ▣ Luapula Province: ZMW0.468million (2022: ZMW0.261million)
- ▣ Lusaka Province: ZMW37.133million (2022: ZMW38.322million)
- ▣ Muchinga Province: ZMW0.691million (2022: ZMW0.499million)
- ▣ Northern Province: ZMW0.695million (2022: ZMW0.366million)
- ▣ North-Western Province: ZMW1.085million (2022: ZMW0.719million)
- ▣ Southern Province: ZMW2.569million (2022: ZMW1.767million)
- ▣ Western Province: ZMW0.956million (2022: ZMW0.531million)

Bring Your Own Device (ZMW'000)

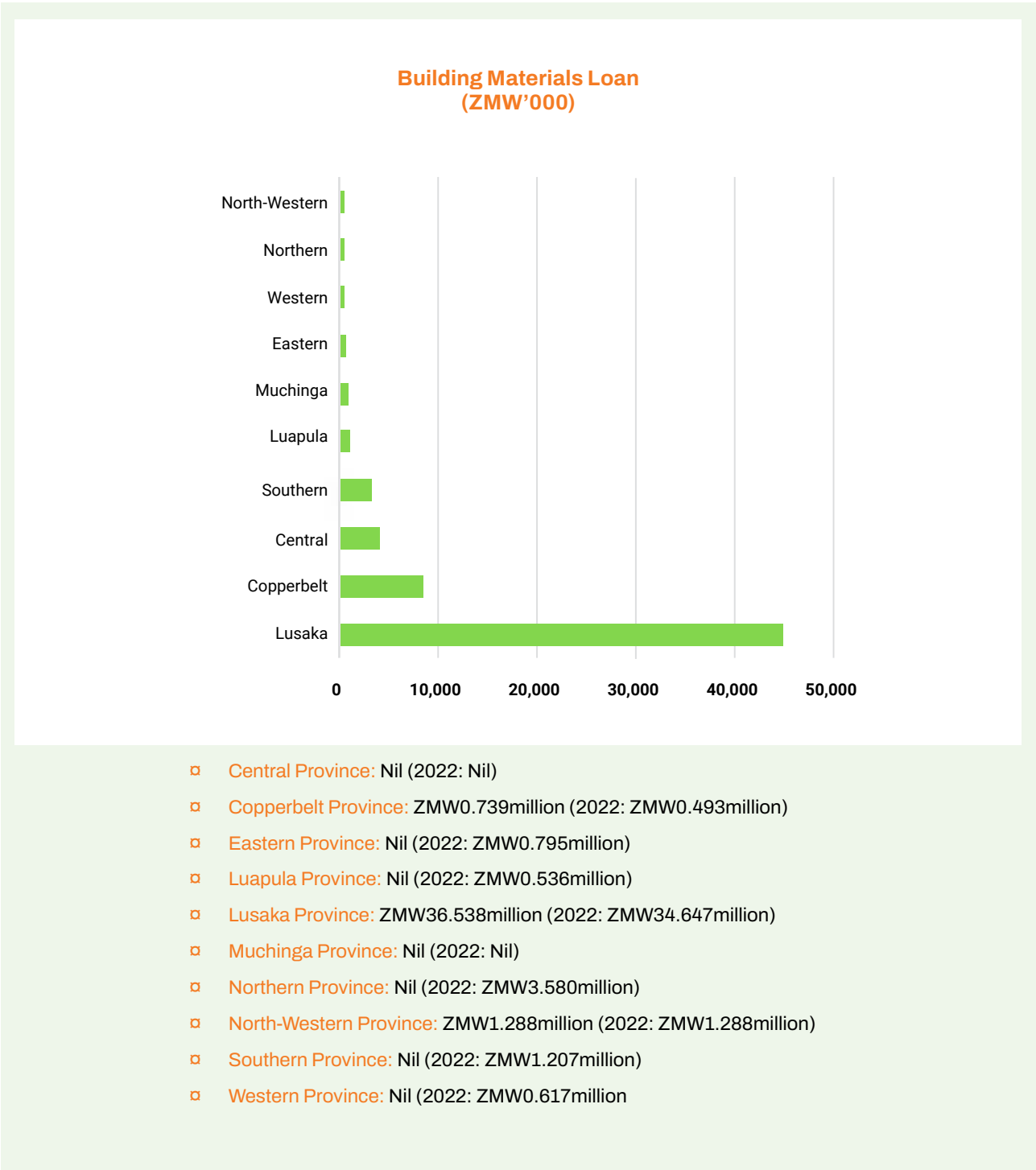


- ❑ Central Province: ZMW1.450million (2022: ZMW0.536million)
- ❑ Copperbelt Province: ZMW1.959million (2022: ZMW0.827million)
- ❑ Eastern Province: ZMW0.735million (2022: ZMW0.377million)
- ❑ Luapula Province: ZMW0.523million (2022: ZMW0.392million)
- ❑ Lusaka Province: ZMW7.280million (2022: ZMW2.222million)
- ❑ Muchinga Province: ZMW0.745million (2022: ZMW0.435million)
- ❑ Northern Province: ZMW0.508million (2022: ZMW0.399million)
- ❑ North-Western Province: ZMW0.423million (2022: ZMW0.354million)
- ❑ Southern Province: ZMW1.719million (2022: ZMW0.647million)
- ❑ Western Province: ZMW0.538million (2022: ZMW0.396million)

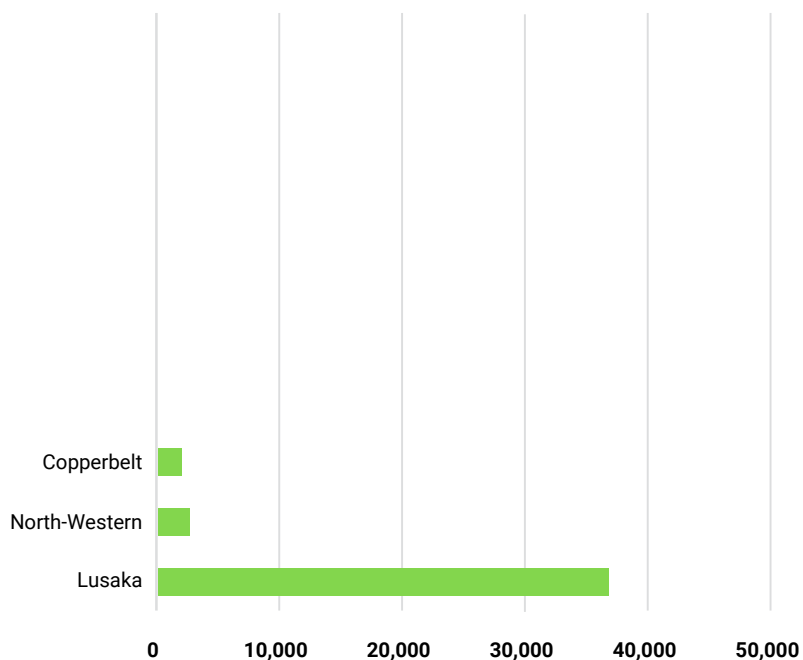
Household Furniture Loan (ZMW'000)



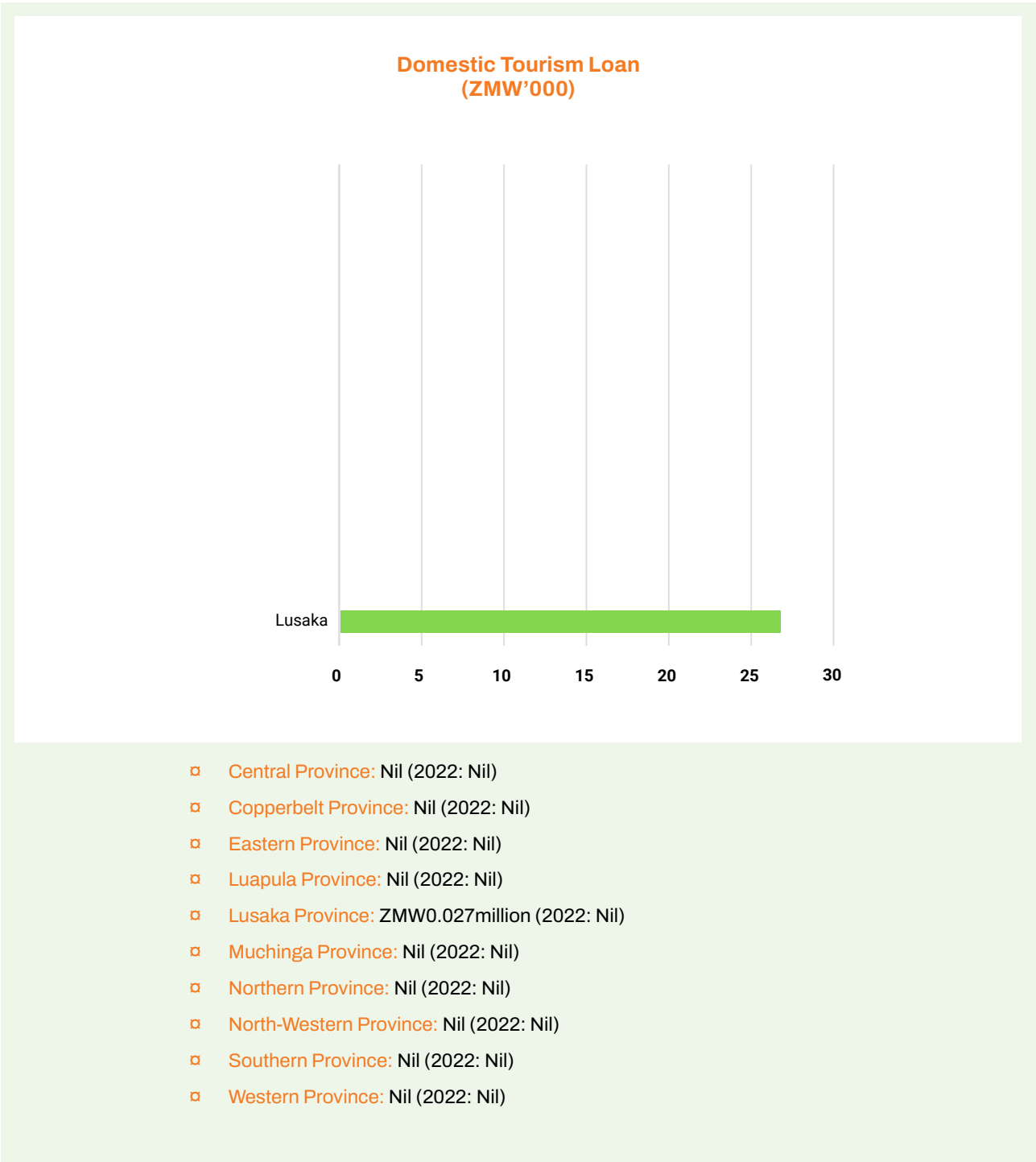
- ▣ Central Province: ZMW0.770million (2022: ZMW0.088million)
- ▣ Copperbelt Province: ZMW2.432million (2022: ZMW0.268million)
- ▣ Eastern Province: ZMW0.143million (2022: ZMW0.074million)
- ▣ Luapula Province: ZMW0.191million (2022: ZMW0.266million)
- ▣ Lusaka Province: ZMW6.720million (2022: ZMW1.864million)
- ▣ Muchinga Province: Nil (2022: ZMW0.010million)
- ▣ Northern Province: ZMW0.086million (2022: ZMW0.018million)
- ▣ North-Western Province: ZMW0.161million (2022: ZMW0.082million)
- ▣ Southern Province: ZMW1.612million (2022: ZMW0.181million)
- ▣ Western Province: ZMW0.162million (2022: ZMW0.029million)



Leaders Plus Loan (ZMW'000)



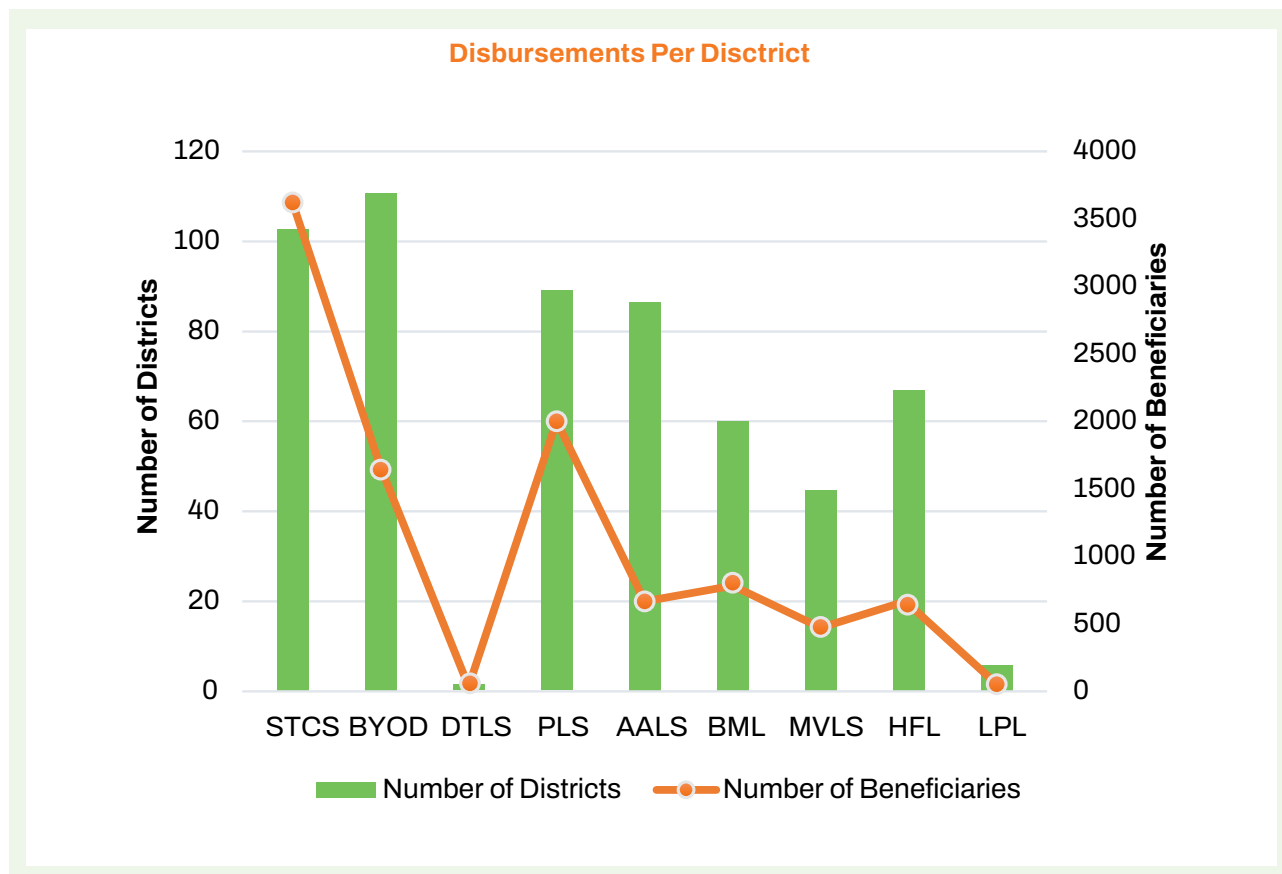
- ▣ Central Province: Nil (2022: Nil)
- ▣ Copperbelt Province: ZMW0.739million (2022: ZMW0.493million)
- ▣ Eastern Province: Nil (2022: ZMW0.795million)
- ▣ Luapula Province: Nil (2022: ZMW0.536million)
- ▣ Lusaka Province: ZMW36.538million (2022: ZMW34.647million)
- ▣ Muchinga Province: Nil (2022: Nil)
- ▣ Northern Province: Nil (2022: ZMW3.580million)
- ▣ North-Western Province: ZMW1.288million (2022: ZMW1.288million)
- ▣ Southern Province: Nil (2022: ZMW1.207million)
- ▣ Western Province: Nil (2022: ZMW0.617million)



Loan Disbursements by District

The majority of the country's districts have increased their number of loan applications as a direct result of our awareness campaigns that we ran in the districts that are located outside of the line of rail. The total

number of Districts from which applications were received and approved increased to 116 from 115 in 2023, making the total number of Districts involved in this process 116 which is a full coverage of all districts in Zambia.

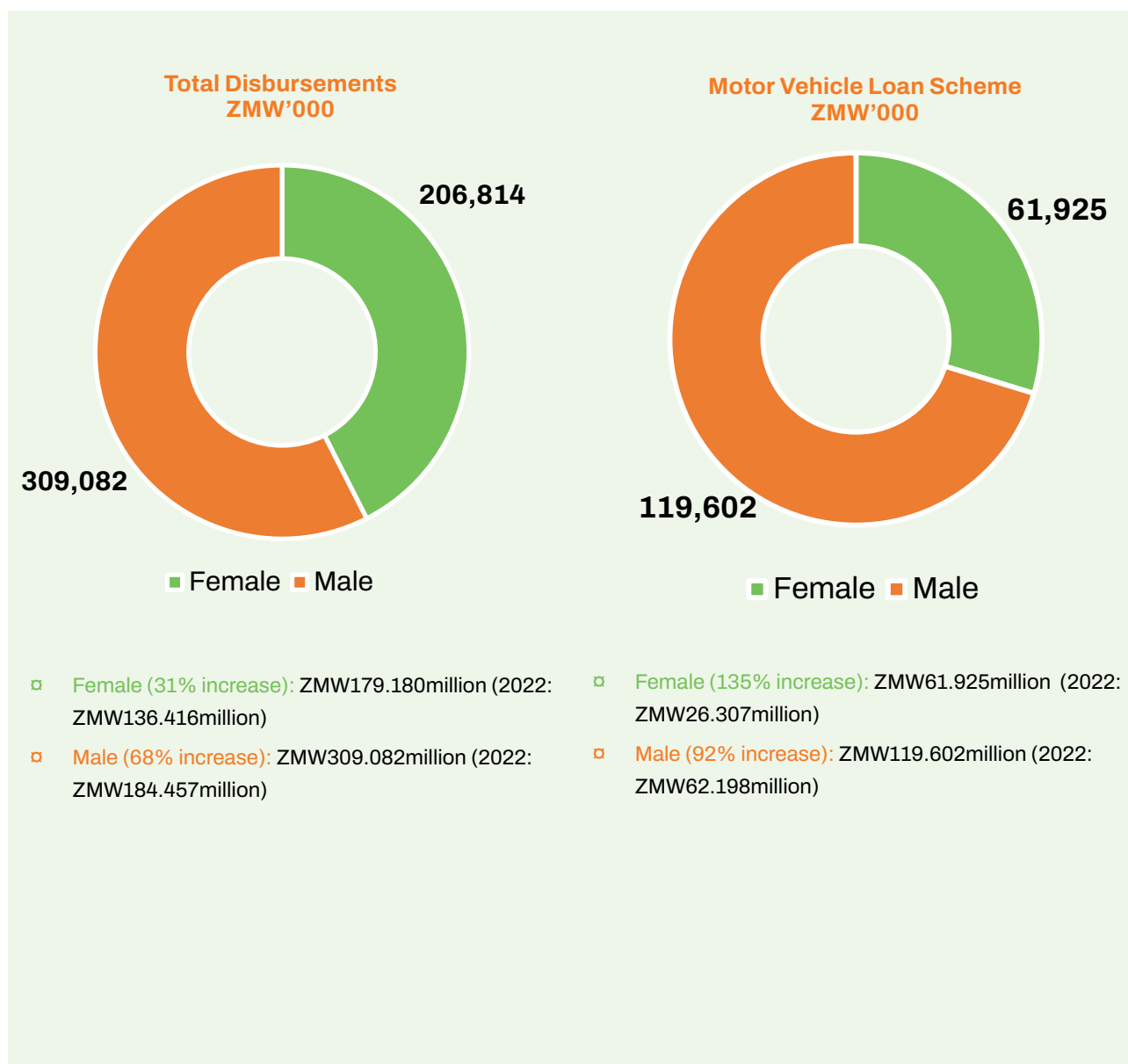


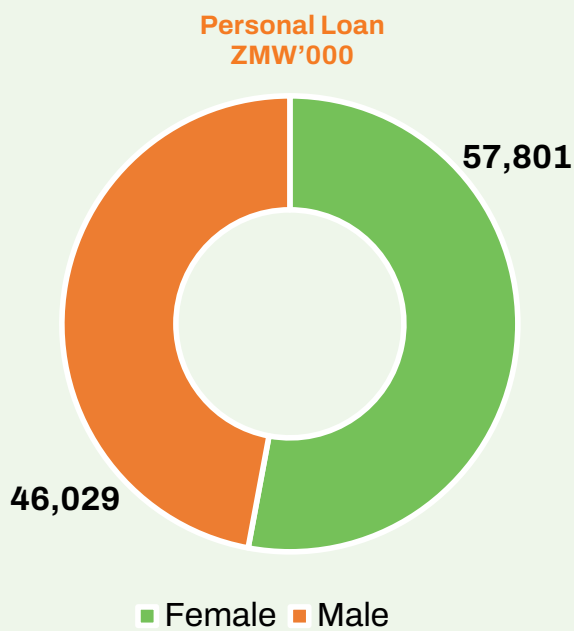
Product	Number of Districts	Number of Beneficiaries
Short Term Cash Solution (STCS)	108	3,405
Bring Your Own Device (BYOD)	111	1,561
Domestic Tourism Loan (DTLS)	1	2
Personal Loans (PLS)	89	1,949
Agricultural Asset Plus Loan Scheme (AALS)	87	653
Bring Your Own Device (BML)	60	804
Motor Vehicle Loan Scheme (MVLS)	47	425
Household Furniture Loan (HFL)	66	619
Leaders Plus Loan (LPL)	4	38

Disbursements by Gender

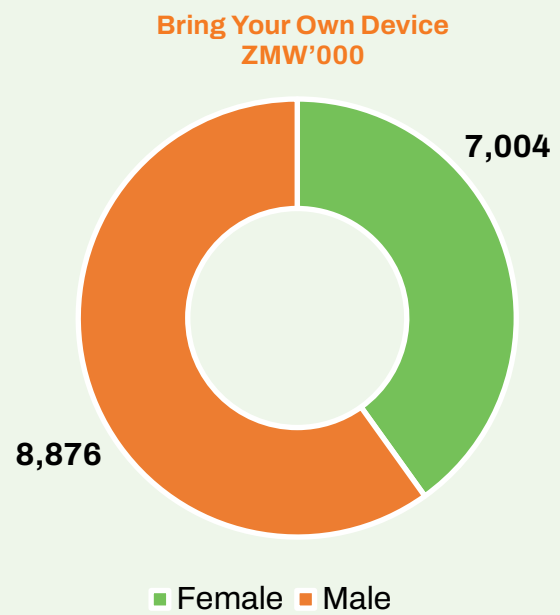
Our Company is dedicated to offering loans to everyone in the Public Service, ensuring that both men and women have equal access to financial support. We put special emphasis on making female applicants aware of the loan opportunities available to them and track their progress to maintain a balanced distribution of disbursements. This year, we saw a noticeable rise in asset-based loans, particularly in the Motor Vehicle Loan and Bring Your Own Device Loan Schemes.

Notably, the highest female uptake in terms of value was in the Motor Vehicle Loan Scheme (MVLS) with ZMW 61,925,058.22 disbursed, followed by the Personal Loan (PLS) with ZMW57. million, and the Building Materials Loan (BML) with ZMW35.238million. In terms of the number of successfully acquired loans, the Short-Term Cash Solution (STCS) led with 1,795 accounts, followed by the Personal Loans (PLS) with 1,076 accounts, and the Bring Your Own Device (BYOD) scheme with 680 accounts.

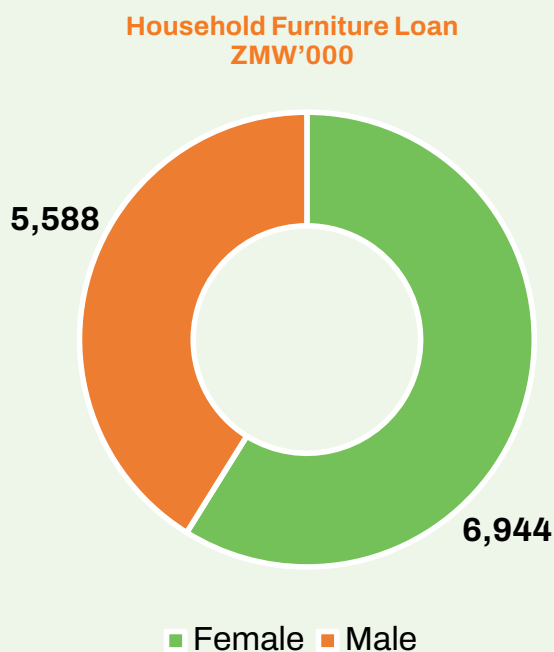




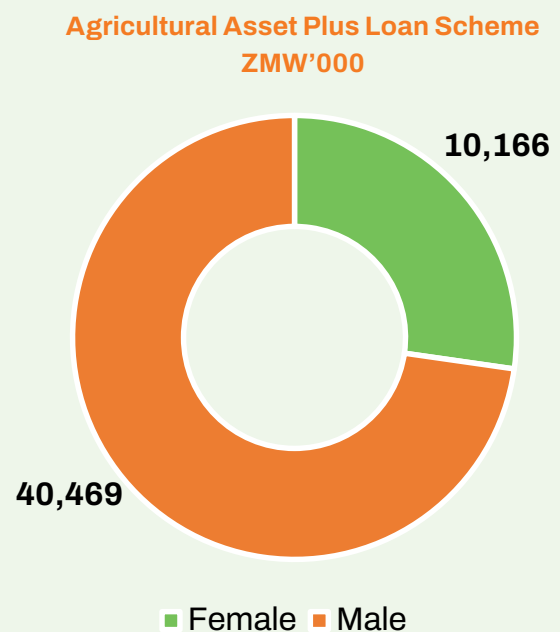
- Female (14% increase): ZMW57.801million (2022: ZMW50.883million)
- Male (2% increase): ZMW46.029million (2022: ZMW45.244million)



- Female (165% increase): ZMW7.004million (2022: ZMW2.643million)
- Male (125% increase): ZMW8.876million (2022: ZMW3.947million)

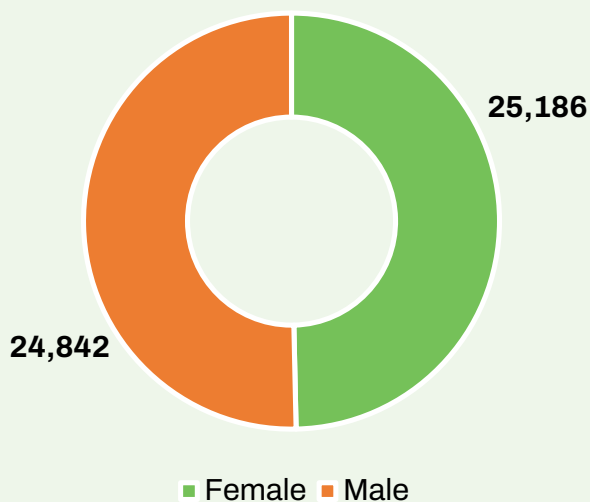


- Female (350% increase): ZMW6.944million (2022: ZMW1.542million)
- Male (419% increase): ZMW5.588million (2022: ZMW1.077million)



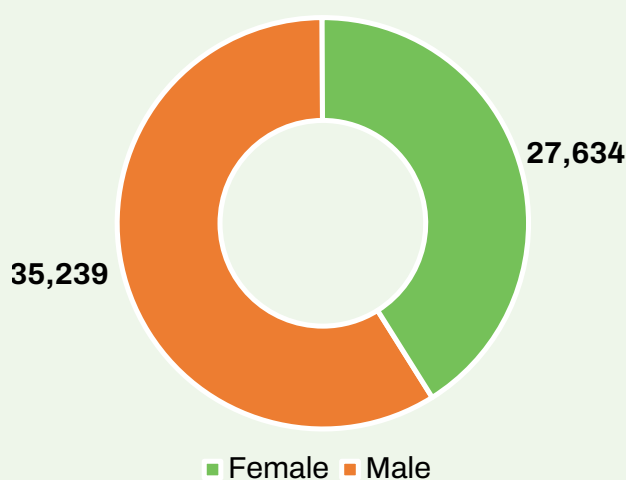
- Female (284% increase): ZMW10.166million (2022: ZMW2.649million)
- Male (473% increase): ZMW40.469million (2022: ZMW7.066million)

**Short Term Cash Solution Loan
ZMW'000**



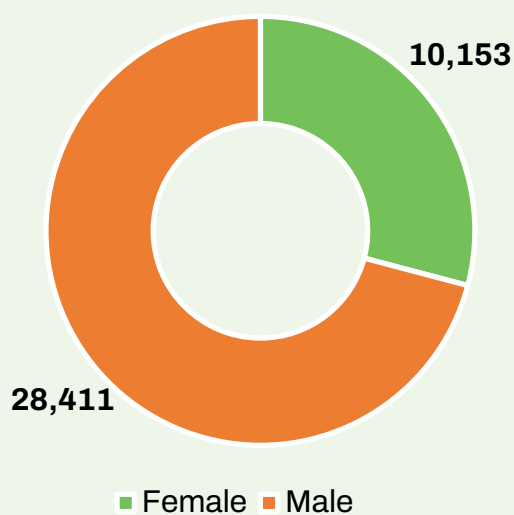
- Female (9% increase): ZMW25.186million (2022: ZMW23.103million)
- Male (6% increase): ZMW24.842million (2022: ZMW23.431million)

**Building Materials Loan
ZMW'000**



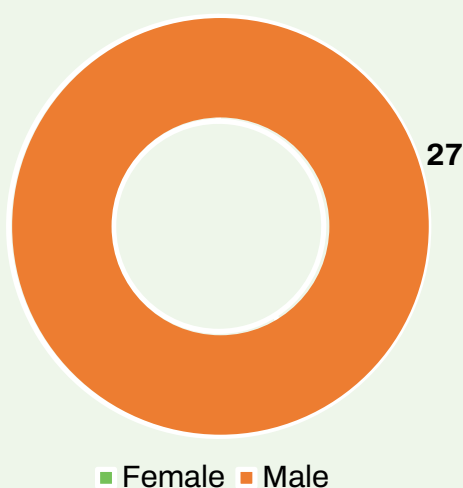
- Female (268% increase): ZMW27.634million (2022: ZMW16.727million)
- Male (225% increase): ZMW35.239million (2022: ZMW10.890million)

**Leaders Plus Loan
ZMW'000**



- Female (19% decrease): ZMW10.153million (2022: ZMW12.564million)
- Male (7% increase): ZMW28.411million (2022: ZMW30.603million)

**Domestic Tourism Loan
ZMW'000**



- Female: Nil (2022: Nil)
- Male (100% increase): ZMW0.027million (2022: Nil)

Audited Annual Financial statements



Contents



Report of the Directors

Amounts in Zambian Kwacha

The Board of Directors of Public Service Micro Finance Company Limited present their report together with the audited financial statements for the year ended 31st December 2023.

1. Principal Activities

Public Service Micro Finance Company was established in March 2013 with the exclusive focus to provide short, medium- and long-term loans to the public service employees within the Republic of Zambia. It is wholly owned by the Government of the Republic of Zambia and is under the direct oversight of the Ministry of Finance. As a result of its ownership and focus, it is exempt from requiring registration and licensing by the Bank of Zambia (“BoZ”).

The principal place of business is:

**Plot No.441A/57,
Zambezi Road, Roma Township
P.O Box 50857
Lusaka, Zambia**

2. Accounting Framework

Because the Company is government owned and controlled (a publicly accountable entity), and is a financial institution, it is ineligible to apply the Zambian Financial Reporting Standard for Micro and Small Entities (“Zambian FRS for MSEs”) nor the IFRS for SMEs. The Company’s management has therefore continued to apply the full IFRSs.

3. Capital and Resources

	2023	2022
	ZMW	ZMW
Issued Share Capital	1,500,000,000	1,500,000,000
Retained Earnings	48,647,498	45,260,351
Government Grant Balances	-	-

4. Key Results and Disclosures

	2023	2022
	ZMW	ZMW
Operating Results		
Operating Income	70,973,476	4,100,743
Profit (Loss) Before Tax	5,326,867	35,147,197
Staff Costs	41,718,209	NIL
Charitable Donations	NIL	
Fixed Assets		
Acquisitions at Cost		
Land & Buildings	882,285	1,406,591
Motor Vehicles	-	5,068,902
Office & Computer Equipment	159,665	239,547
Furniture & Fittings	-	54,166
Capital Work in Progress (Additions)	44,822	1,386,437
Capital Work in Progress (Transfers)	-	(1,406,591)
Disposals (carrying amount)	NIL	NIL

5. Business Review

a. Activities

The company is mandated to provide loans only to the public service employees (individuals). The customer base is exclusively public service employees.

b. Products

Principally, the Company offers the following individual loan products:

- i. **Personal Loan product:** Short to medium term loan facility. The applicable interest is 5% per annum amortised over the term of the loan, ranging from 6 to 60 months for loans from ZMW5,000 to ZMW80,000.
- ii. **Public Service Housing Loan Scheme:** Long term secured loan facility. The product was taken over from the Zambia National Building Society ("ZNBS"), which had been acting on behalf of the GRZ. The property acquired under the scheme is mortgaged until full settlement of the sum advanced. The applicable interest rate is simple interest of 15% over the term of the loan. The term of the loan ranges from 5 to 20 years.

- iii. **Short Term Cash Solution:** The product is designed to enable public service workers meet immediate short term financial needs. The loan facility ranges from K1,000 to ZMW150,000 with interest rates at 10% for 6 months.
- iv. **Motor Vehicle Loan:** Designed to enable workers access duty-free brand-new motor vehicles of their choice, from renowned motor vehicle dealers. The interest rate per annum is at a competitive 15%.
- v. **Agricultural Asset Plus Loan Scheme:** Designed to enable public service workers access Agricultural assets. Interest rates are at 9% per annum.
- vi. **Bring Your Own Device Loan Scheme:** The product provides Public Service workers access to brand new devices of their choice from all renowned dealers. Interest rates are at 15% per annum.
- vii. **Building Materials Loan Scheme:** The loan scheme is targeted on the provision of finance facilities for Public Service workers looking to acquire building materials from reputable suppliers. Interest rates are at 15% per annum and can be repaid up to five (5) years.
- viii. **Domestic Tourism Loan Scheme:** The loan scheme enables Public Service workers access to loans to undertake tourism in various parts of the country. The Interest rates are at 12% per annum.

c. Capital Management

PSMFC is not required to comply with regulatory capital requirements of the Bank of Zambia (“BoZ”) and maintains its capital in the ordinary manner prescribed for non-BoZ regulated entities.

d. Liquidity

The liquidity pool held by the Company reduced to ZMW78.935million as at 31st December 2023 from K204.101million at the end of 2022.

e. Risk Factors

The Company’s future performance and results could be materially different from expected results depending on the outcome of certain potential risks and uncertainties. The reported results of the Company are also sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. Details of the Company’s critical accounting policies and key sources of accounting judgments are included in the Accounting Policies on Pages 20 to 36.

The Company’s approach to risk management, including its financial risk management objectives and policies and information on the Company’s exposure to price, credit, liquidity, and cash flow risk, is discussed in the Risk Management section in Statement 8 below.

6. Going Concern

The Company's business activities and financial position, the factors likely to affect its future development and performance and its objectives and policies in managing the financial risks to which it is exposed, and its capital are discussed in the Business Review above. The risk factors which could materially affect the Company's future results are set out in Business Review and in Statement 7 below. The Company's risks are detailed in Accounting Policy 9 and in Note 16. The funding and liquidity risk analysis in Note 18 describes the Company's funding and liquidity profile. Having reviewed the Company's profiles and other relevant evidence, the Directors are of the view that, based on results, asset qualities and support from GRZ, they have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. Accordingly, the financial statements of the Company have been prepared on a going concern basis.

7. Principal Risk Factors

a. Loan Management System

The loan application process is maintained with the Bankers Realm Core Banking System. This is a web-based banking system with an MSL SQL database backend that manages the loan management. It is fully integrated with the general ledger modules thereby ensuring single point of data update all the way to the general ledger. The system was deployed in February 2022 at which point all product data was migrated from the legacy systems Sage Evolution for the General Ledger and a custom-made Ubuntu loan Management System.

The risks that exist are the possible omission, overstatement, or understatement of loans due to the migration from the legacy systems as well as errors or omission in the administering of loans during the year.

b. Retail Credit, Liquidity and Operations Risk

Details of credit risk, liquidity risk and operations risk are detailed in Note 18 to the financial statements.

c. Regulation and Supervision

The Banking and Financial Services Act ("BFSA") 2017 and Micro Finance Regulations ("MFR") 2006 provide a permanent regime to allow the Bank of Zambia to supervise banking and micro-financial institutions in Zambia. The Company is however exempt from supervision by the BoZ due to its specific market focus and is thus not required to comply with both laws and regulations and various statutory instruments issued for supervision and regulation of the financial sector in Zambia.

8. Risk Management and Control

As explained in Statement 7 above, the Company, through its normal operations, is exposed to a number of risks, the most significant of which are credit, liquidity and operational risks.

The Directors have approved policies to mitigate the above risks by introducing controls that are designed to safeguard the Company's assets. The Company's risk management objectives, policies and strategies are disclosed in Accounting Policy 9 to the financial statements. Exposures are discussed in Note 18 to the financial statements.

9. Compliance

The Company has an Audit, Risk and Compliance Committee whose responsibility is to monitor compliance with the regulatory environment and the various internal control processes and procedures.

10. Operations and Human Resources

a. Structure of Operations

The Company has 6 Departments which are headed by a director who reports directly to the Chief Executive Office:

Departments

- ▣ Finance
- ▣ Human Resource and Administration
- ▣ Operations
- ▣ Legal and Compliance
- ▣ Audit and Risk
- ▣ Information and Communication Technology

b. Management

The Company is headed by the CEO and operations are overseen by heads of directorates and departments who report directly to the CEO.

Name	Position
Mubanga Mwiko	Chief Executive Officer
Idah B Tembo	Chief Financial Officer (Recalled by MoF on 17th February 2023)
Clement Lwandamina	Chief Financial Officer (Seconded by MoF on 27th February 2023)
Musoli W Kanganja	Director - Human Resource and Administration
Kamona Akapelwa	Director - Legal and Compliance
Sydney Siluonde	Director - Operations
Patson Banda	Acting Director - Audit and Risk
Paul C Haambote	Acting Chief Information Officer

The Company was restructured mainly to split the Finance and Credit Departments into two. The directors report directly to the Chief Executive Officer and manage individual officers as described in the company organogram.

c. Staff Costs

Total staff costs during the year were K41.718million (2022 :- K35.147 million) (Note 4).

11. Directors

a. Identities

The Company's Board of Directors during the financial year were as follows:

Name	Institution	Date Appointed
Mwila Chola Daka	Ministry of Finance and National Planning	1st December 2023
Addie Liempe	Banker	19th March 2024
Valerie Kawangu	Legal Practitioner	1st December 2023
Kafunga Imataa	Accountant	19th March 2024
Emma M. Malawo	Ministry of Labour and Social Security	19th March 2024
Mubanga Mwiko	Public Service Micro Finance Company	1st December 2023
Morgan Malambo	Public Service Management Division	1st December 2023

b. Directors' Interests

No interests were held in the capital of the Company during the year to 31st December 2023 (2022: Nil).

c. Directors' Emoluments and Interests

No Board emoluments were paid during the year (2022: Nil).

12. Dividends

The Company declared and paid dividends amounting to ZMW441,320 (2022: Nil) to its shareholder the Government of the Republic of Zambia through the Ministry of Finance and Natural Planning.

13. Related Party Transactions

The Company has a common enterprise relationship with the Ministry of Finance of the Government of the Republic of Zambia. Other related party relationships and material balances that the Company has with its related parties are listed in Note 19 to the financial statements. There were no significant loans to insiders.

14. Post Balance Sheet Events

There has not arisen since the end of the year any transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

15. Auditors

In accordance with the provisions of the Articles of Association of the Company, the auditors, Messrs iABC Associates, will retire as auditors of the Company at the forthcoming Annual General Meeting, and having expressed their willingness to continue in office a resolution for their re-appointment will be proposed at the Annual General Meeting.

16. Acknowledgements

Thanks, and appreciations are extended to all our staff, service providers, public service workers, shareholders, and all stakeholders for their continued support in the realisation of the Company's corporate objectives, mission and vision.

On behalf of the Board:

.....
Date



.....
Chief Executive Officer

.....
Board Chairperson



Statement of Responsibilities for the Financial Statements

The following statement, which should be read in conjunction with the Auditors’ report set out on pages 9 to 14, is made with a view to distinguishing for members the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

Statement of Responsibility for Financial Statements

In conformity with International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2017, the directors are required to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. The accounts are required by law and IFRS to present fairly the financial position of the Company and the performance for that period. The Companies Act provides, in relation to such accounts, that references to accounts giving a true and fair view are references to fair presentation. The Directors consider that, in preparing the accounts on pages 15 to 19, and the additional information contained on pages 20 to 2, the Company has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The Directors have responsibility for ensuring that the Company keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Company, and which enable them to ensure that the accounts comply with these requirements. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards, and the requirements of the Companies Act 2017.

Statement on Going Concern

The Company’s business activities and financial position, the factors likely to affect its future development and performance, and its objectives and policies in managing the financial risks to which it is exposed, and its capital are discussed in Statement 6 in the Report of the Directors. The Directors have assessed, in the light of current and anticipated economic conditions, the Company’s ability to continue as a going concern. The Directors confirm they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the ‘going concern’ basis for preparing the financial statements.

.....
Date

.....
Chief Executive Officer

.....
Board Chairperson



iABC ASSOCIATES
Chartered Accountants & Management Consultants

Independent Audit Report

To The Shareholders Of Public Service Micro Finance Company Limited

Opinion on Financial Statements

We have audited the financial statements of the Public Service Micro Finance Company Limited ('the Company' or 'PSMFC'), which comprise the statement of financial position as at 31st December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is the Companies Act and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

In our opinion, the financial statements present fairly, in all material respects, the financial position of Public Service Micro Finance Company Limited ('the Company') as at 31st December 2023, and its financial performance and their cash flows for the year then ended.

Separate Opinion in relation to IFRS as issued by the IASB

The Company has prepared Financial Statements that comply with IFRS as issued by the IASB. In our opinion, the Financial Statements comply with IFRS as issued by the IASB.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity within the meaning of relevant ethical requirements and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Registered No.: 320210000562

Web: www.iabcgroup.com

Offices: Lusaka

Key Audit Matters

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

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Loan Portfolio Quality and Credit Risk Management	
The loan portfolio quality and credit risk management are a significant matter in the audit of Public Service Microfinance Company Limited. The company's gross loan book amounts to ZMW690.99million, and there is key interest in the quality of the loan portfolio, recoveries, and effectiveness of the customer on-boarding procedures.	Loan portfolio assessment ▫ We obtained an understanding of the company's loan portfolio and reviewed the credit risk management policies and procedures in place. ▫ We selected a sample of loans and assessed the quality of the loan portfolio by considering the loan terms, interest rates, repayment schedules, and the borrower's ability to repay. ▫ We tested the accuracy and completeness of the loan portfolio by tracing the loan balances to the general ledger and supporting documentation. ▫ We assessed the appropriateness of the loan loss provision by recalculating the expected credit loss (ECL) using our own models and comparing it to the amount recognized in the financial statements.
	Recoveries ▫ We reviewed the company's policies and procedures for handling recoveries and assessed the adequacy of the provisions made for recoveries. ▫ We tested a sample of recoveries to ensure that they were appropriately recorded, and supporting documentation was available. ▫ We assessed the adequacy of the descriptions provided by customers when making transfers and whether they were sufficient to enable the company to identify and allocate the recoveries to the correct accounts.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
	Loans with balances exceeding the amount disbursed. □ We selected a sample of loans with balances exceeding the amount disbursed and investigated the reason for the excess balance. □ We assessed whether the excess balances were due to interest accruals, fees, or any other valid reason. □ We tested the accuracy of the balances by tracing them to the general ledger and supporting documentation. Loans with no recoveries □ We selected a sample of loans with no recoveries and investigated the reason for the lack of recoveries. □ We assessed whether the loans were still viable and whether any additional steps were required to recover the outstanding amounts. □ We tested the accuracy of the balances by tracing them to the general ledger and supporting documentation.
Property Plant and Equipment Measured under the Revaluation Model The valuation of property plant and equipment, including the assumptions and methods used, and the recognition and reasonableness of any impairment losses, is a key audit matter. This is because the carrying amount of the assets is based on their fair value, which is determined through periodic revaluations which requires significant judgement. Evaluation is required to determine the appropriateness of the valuations performed to ensure that the carrying amount of the assets does not differ materially from their fair value at the end of the reporting period. Additionally, evaluations are required to establish the appropriateness of the deferred tax recognized in accordance with IAS 12	□ We obtained an understanding of the accounting policies and procedures for the valuation and impairment of property plant and equipment. □ We assessed the effectiveness of the company's internal controls over the valuation and impairment of property plant and equipment. □ We evaluated the appropriateness of the valuation methods used to value the property plant and equipment, including the market approach and the cost approach. □ We verified the accuracy and completeness of the information used to determine the fair value of the property plant and equipment, including appraisals, market data, and internal records. □ We reviewed the reasonableness of the assumptions and estimates used by management in determining the fair value of the property plant and equipment.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Income Taxes, which is based on the revaluation of the assets recognized in other comprehensive income.	▫ We evaluated the adequacy of the disclosure related to the valuation and impairment of property plant and equipment in the financial statements. ▫ We reviewed the carrying amount of the property plant and equipment for indications of impairment, including changes in market conditions, technological developments, and changes in the company's operations. ▫ We tested the impairment assessment process, including the impairment test models, assumptions, and sensitivity analyses. ▫ We confirmed that the deferred tax assets and liabilities related to the revaluation of property plant and equipment are appropriately recognized in accordance with IAS 12. ▫ We evaluated the accuracy and completeness of the release of deferred taxes and revaluation reserve, ensuring it matches the revaluation portion of depreciation.

Property Plant and Equipment Measured under the Revaluation Model

The valuation and recognition of the gratuity payable to employees on fixed-term contracts and the related retrospective adjustments to employee benefits is a key audit matter. This is because it involves significant management judgments and estimates, and the adjustments have a material impact on the financial statements, including the income statement, deferred taxes, income taxes, employee benefits payable, and retained earnings.	▫ We obtained an understanding of the accounting policies and procedures for the valuation and impairment of property plant and equipment. ▫ We assessed the effectiveness of the company's internal controls over the valuation and impairment of property plant and equipment. ▫ We evaluated the appropriateness of the valuation methods used to value the property plant and equipment, including the market approach and the cost approach. ▫ We verified the accuracy and completeness of the information used to determine the fair value of the property plant and equipment, including appraisals, market data, and internal records. ▫ We reviewed the reasonableness of the assumptions and estimates used by management in determining the fair value of the property plant and equipment.
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Key Audit Matter	How Our Audit Addressed the Key Audit Matter
	▫ We evaluated the adequacy of the disclosure related to the valuation and impairment of property plant and equipment in the financial statements. ▫ We reviewed the carrying amount of the property plant and equipment for indications of impairment, including changes in market conditions, technological developments, and changes in the company's operations. ▫ We tested the impairment assessment process, including the impairment test models, assumptions, and sensitivity analyses. ▫ We confirmed that the deferred tax assets and liabilities related to the revaluation of property plant and equipment are appropriately recognized in accordance with IAS 12. ▫ We evaluated the accuracy and completeness of the release of deferred taxes and revaluation reserve, ensuring it matches the revaluation portion of depreciation.

Going Concern

The financial statements of the entity have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the entity's financial statements is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the entity. Based on our audit of the financial statements of the entity, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the entity's ability to continue as a going concern.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation

of financial statements that are free from material misstatement, whether due to fraud or error. The Board is responsible for overseeing the entity's financial reporting process. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
3. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.

4. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
5. Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the entity to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the entity audit. We remain solely responsible for our audit opinion.
7. We are required to communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
8. We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

The Companies Act 2017 Section 259 requires that we as auditors report the following:

Requirement	Our Report
1. Information as required by the auditing standards as prescribed by a body regulating the practise of auditing in Zambia.	We report that we have reported our audit report in accordance with International Standards on Auditing (“ISAs”).
2. Whether there is a relationship, interest, or debt which the auditors have in the Company.	We report that the firm does not have any relationship interest or debt in the Company.
3. Whether there are serious breaches of corporate governance principles or practices.	We report that the Company had no Board for 2022. This was not in compliance with Section 85(1) of the Company’s Act 2017 which requires a Board of at least two members to be in place throughout.

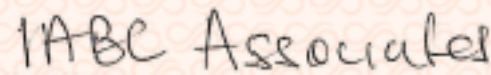
The engagement partner responsible for the audit resulting in this independent auditor’s report is:



Kelvin Kaluba

Date

Certificate Number: AUD/F000293



iABC Associates

Statement of Profit or Loss

Amounts are Stated in Zambian Kwacha

	Note(s)	31 December 2023	31 December 2022
Income			
Net Interest Income	1.	70,973,476	57,716,515
Other Operating Income			
Non-Operating Income	2.	3,611,802	2,358,955
Expenditure			
Operating Expenses	3.	(23,637,553)	(16,606,844)
Employee Costs	4.	(41,718,209)	(35,147,197)
Impairment Losses on Loans and Advances	8.	(3,902,649)	(4,220,686)
Total Expenditure		(69,258,411)	(55,974,727)
Earnings Before Taxation		5,326,867	4,100,743
Taxation	5.	(1,598,060)	(1,894,126)
Earnings for The Period		3,728,807	2,206,617
<i>Total operating result attributable to:</i>			
Controlling interests of the Company		3,728,807	2,206,617
Non-controlling interests		-	-
		3,728,807	2,206,617

Statement of Comprehensive Income

Amounts are Stated in Zambian Kwacha

Note(s)	31 December 2023	31 December 2022
Earnings for the year	3,728,807	2,206,617
Other comprehensive income:		
Items that will not be subsequently reclassified to profit and loss:		
	69,762	529,985
Amortisation of Revaluation	29,898	231,071
Release of Deferred Tax	(441,320)	
Dividends Paid	-	-
Items that may be subsequently reclassified to profit and loss:		
	(341,661)	761,055
Total Comprehensive Income for Year	3,387,146	2,967,672
Total comprehensive income attributable to:		
Controlling interests	3,387,146	2,967,672
Non-controlling interests		
	3,387,146	2,967,672

Statement of Changes in Funds

Amounts are Stated in Zambian Kwacha

	Share Capital	Revaluation Reserves	Revenue Reserves	Total
Balance at 31 December 2021	500,000,000	8,248,427	42,292,679	550,541,106
Earnings for the Period	-	-	2,206,617	2,206,617
Comprehensive Income				
Revaluation Surplus on Land and Buildings				
Amortisation of Revaluation Reserve				-
• Plant and Equipment	-	(528,455)	528,455	-
• Investment Property	-	(1,530)	1,530	-
• Effects of changes in Tax rates		76,314	-	76,314
Release of Deferred Tax				-
• Plant and Equipment	-	-	226,481	226,481
• Investment Property		-	4,590	4,590
Issue of Share Capital	1,000,000,000	-	-	1,000,000,000
Total Comprehensive Income for Year	1,000,000,000	(453,671)	2,967,672	1,002,514,001
				-
Balance at 31 December 2022	1,500,000,000	7,794,756	45,260,351	1,553,055,107
Earnings for the Period	-	-	3,728,807	3,728,807
Comprehensive Income				
Revaluation Surplus on Land and Buildings				
- Land Revaluation Cost Adjustment				-
- Buildings Revaluation Cost Adjustment	-	4,120,001	-	4,120,001
- Buildings Depreciation Write Back		4,189,887		4,189,887
- Deferred Tax		2,199,169		2,199,169
- Prior Year Adjustments	-	(2,122,717)	-	(2,122,717)
Amortisation of Revaluation Reserve	-		-	-
- Buildings				-
Release of Deferred Tax	-	(69,762)	69,762	-
- Buildings			29,898	29,898
Dividends Paid		-	(441,320)	(441,320)
Total Comprehensive Income for Year	-	8,316,578	3,387,146	11,703,724
				-
Balance at 31 December 2023	1,500,000,000	16,111,334	48,647,498	1,564,758,832

Statement of Cash Flows

Amounts are Stated in Zambian Kwacha

	Note(s)	31 December 2023	31 December 2022
Cash Flows from Operating Activities			
Earnings Before Taxation		5,326,867	4,100,743
Depreciation on Plant and Equipment	10.	5,543,409	5,304,841
Impairment Loss		-	-
Interest Received from Placements	2.	(9,103,844)	(10,094,117)
Cash Flow from Operating Activities Before Changes in Operating Assets and Liabilities		1,766,432	(688,533)
Changes in Operating Assets and Liabilities			
Increase in Loans and Advances	8.	(245,554,458)	(114,766,939)
Decrease in Unpaid Shares	9.	114,463,679	(884,527,006)
Decrease/(Increase) in Other Assets	9.	(2,605,071)	5,183,858
Increase/(Decrease) in Other Liabilities	12.	(3,176,883)	2,772,081
Increase in Employee Benefit Provisions	13.	(2,015,688)	1,070,932
		(138,888,421)	(990,267,074)
Interest Received		9,103,844	10,094,117
Net Cash from Operating Activities		(128,018,145)	(980,861,490)
Tax Paid		(198,775)	(17,039)
Cashflow from Investing Activities			
Purchase of Property, Plant and Equipment	10.	(1,086,772)	(6,749,052)
Building - Reversal of Contract Payable		4,578,927	
Placements with Other Financial Institutions	7.	109,473,006	(6,753,373)
Net Cash on Investing Activities		112,965,161	(13,502,425)
Cash Flows from Financing Activities			
Dividend Payment		(441,320)	-
Share Issue		-	1,000,000,000
Net Cash Outflow on Financing		(441,320)	1,000,000,000
(Decrease)/Increase in Cash and Cash Equivalents		(15,693,079)	5,619,046
Cash and Cash Equivalents at start of year		63,000,551	57,381,505
Cash and Cash Equivalents at end of year		47,307,472	63,000,551
Represented By			
Bank Balances	7.	47,307,472	63,000,551
		47,307,472	63,000,551

Statement of Financial Position

Amounts are Stated in Zambian Kwacha

	Note(s)	31 December 2023	31 December 2022
Assets			
Cash and Cash Equivalents	6.	47,307,472	63,000,551
Placements with Other Financial Institutions	7.	31,627,332	141,100,338
Loans and Advances	8.	672,872,336	427,317,878
Other Receivables and Prepayments	9.	781,650,184	893,436,792
Property Plant and Equipment	10.	62,366,919	60,857,126
Investment Property	11.	2,916,100	2,952,400
Deferred Tax Assets	15.	5,436,544	4,265,749
Total Assets		1,604,104,887	1,592,930,834
Liabilities And Equity			
Current Liabilities			
Other Liabilities	12.	17,207,351	20,384,234
Employee Benefits	13.	15,547,897	17,563,585
Income Tax Payable	14.	3,612,429	861,793
Total Current Liabilities		36,367,677	38,809,612
Non-Current Liabilities			
Deferred Tax Liability	15.	2,978,378	1,066,115
Total Non-Current Liabilities		2,978,378	1,066,115
Equity			
Retained Earnings		48,647,498	45,260,351
Revaluation Reserves		16,111,334	7,794,756
Share Capital		1,500,000,000	1,500,000,000
Total Equity		1,564,758,832	1,553,055,107
Total Equity and Liabilities		1,604,104,887	1,592,930,834

The financial statements were approved by the Board of Directors on and signed on its behalf by:



Chief Executive Officer

Board Chairperson

Summary of Material Accounting Policies

The basis of preparation and accounting policies used in preparing the financial statements are set out below:

1. Basis of Preparation

The financial statements for the year ended 31st December 2023 are prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB. The financial statements have also been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements comprise a statement of profit or loss, a statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement of profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expense s (including reclassification adjustments) that are not recognised in the statement of profit or loss, as required, or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Company in their capacity as owners are recognised in the statement of changes in equity.

The Company presents the statement of profit or loss using the classification by function of expenses. The Company believes this method provides more useful information to the users of its financial statements as it better reflects the way operations are run from a business point of view. The statement of financial position format is based on a current / non-current distinction.

2. Measurement Basis

The financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g., certain financial instruments that are measured at fair value). Historical cost is generally based on the fair value of the consideration given in exchange for assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g., by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer’s specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

3. Statement of Compliance

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

4. Adoption of New and Revised International Financial Reporting Standards (“IFRSs”)

The following provides high level summary of the new and revised IFRS that are effective for 2022 and beyond. Specifically, this section covers the following:

- i. An overview of the amendments to IFRS that are mandatorily effective for the year ending 31st December 2023; and
- ii. An overview of new and revised IFRS that are not yet mandatorily effective (but allow early application) for the year ending 31st December 2023.

a. Amendments to IFRS that are mandatorily effective for annual periods beginning on or after 1 January 2023

Standard	Details	Effective Date	Applicable
IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)	IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders’ options and guarantees.	1st January 2023	No

Standard	Details	Effective Date	Applicable
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies	The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.	1st January 2023	No
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.	1st January 2023	Yes

Standard	Details	Effective Date	Applicable
Amendments to IAS 12 Income Taxes—International Tax Reform—Pillar Two Model Rules	The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.	1st January 2023	No
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.	1st January 2023	Yes

b. New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2023.

Below is the list of new and revised IFRSs that are not yet mandatorily effective (but allow application) for the year ending 31st December 2023.

Standard	Details	Effective Date	Early Adoption
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	Not Set	No
Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current	The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	1st January 2024	No

Standard	Details	Effective Date	Early Adoption
Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants	The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date). The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.	Not Set	No

Standard	Details	Effective Date	Early Adoption
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements	The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information. To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements: ▫ The terms and conditions of the arrangements ▫ The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements ▫ The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers ▫ Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement ▫ Liquidity risk information	1st January 2024	No

Standard	Details	Effective Date	Early Adoption
Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback	The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine ‘lease payments’ or ‘revised lease payments’ such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate. As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.	1st January 2024	No

5. Foreign Currencies

In preparing its financial statements, the Company's foreign currency transactions are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss.

6. Property, Plant and Equipment

a. Cost and Valuation

Items of plant and equipment are stated at cost, as deemed cost, less accumulated depreciation (see 5(c) below) and impairment losses (see accounting policy 5(d)). The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use.

Property is stated in the statement of financial position at its net book value.

b. Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method:

i. Land	-	0%
ii. Land and Buildings	-	2%
iii. Intangibles, Fixtures, Fittings and Equipment	-	20%
iv. Motor vehicles	-	25%
v. Work in Progress	-	0%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

c. De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

d. Impairment

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. 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, if no impairment loss had been recognised.

7. Investment Property

Investment property comprises properties leased to individuals or organisations. Each of the leases contains an initial non-cancellable period of one year. Subsequent renewals are negotiated with the lessee. Property interests held under operating leases are classified as investment properties. No contingent rents are charged.

Investment property held to earn rentals and/or for capital appreciation or both and not occupied by the Company is measured under the Cost Model. The carrying amount of investment property is the cost less accumulated depreciation and any accumulated impairment losses.

8. Intangible Assets

The costs of purchasing major software licences are capitalised as intangible fixed assets, although ongoing software maintenance costs are written off in the period in which they are incurred. As permitted by IAS 38, intangible assets are carried at depreciated historic cost, which is a proxy for fair value as they are considered to have short useful lives or low value (three to five years).

9. Financial Instruments

a. Financial Assets and Financial Liabilities

- i. Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.
- ii. Financial assets and financial liabilities are initially measured at fair value.
- iii. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.
- iv. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

b. Financial Assets

The Company's financial assets are classified into the following specified categories: 'Available for sale', 'cash and equivalents' and 'receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

i. Classification

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets:

- Instruments that meet the following conditions are measured subsequently at amortised cost: The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI): The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset: The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch

ii. Financial Placements

Placements with Financial Institutions - Financial instruments with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as cash equivalents and are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

iii. Cash and Cash Equivalents

Cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. The Company maintains its bank accounts with major banks in Zambia of high credit standing.

iv. Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost, less any impairment. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

v. Impairment

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

The Company recognises a loss allowance for expected credit losses on receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

vi. De-recognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the

transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

c. Financial Liabilities

i. Measurement

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Other payables and amounts due to related parties are stated at their nominal value. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

ii. Payables

Trade payables and accruals are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are not interest-bearing and are stated at amortised cost.

iii. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

iv. Interest Bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

v. Employee Benefits

- **Retirement Benefit Obligations** - The Organisation and employees contribute to the National Pension Scheme Authority (“NAPSA”) and the Public Service Pension Fund (“PSPF”), which is a defined contribution social security scheme. Contributions to NAPSA are recognised as an expense when employees have rendered service entitling them to the contributions.
- **Other Entitlements** - The estimated monetary liability for employees’ accrued gratuity pay entitlement at the reporting date is recognised as an expense accrual.

vi. De-recognition

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

d. Contingent Liabilities

Contingent liabilities are initially measured at fair value. At the end of subsequent reporting periods, such contingent liabilities are measured at the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

e. Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

f. Financial Risk Management

The Company’s activities expose it to a variety of financial risks. The most important types of risk are currency risk, credit risk, liquidity risk, market risk and other operational risk.

i. Credit Risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Company by failing to pay amounts in full when due. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is vested in the Finance and Audit Committee, which reports regularly to the Board of Directors.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Exposure to credit risk is also managed in part by obtaining collateral on housing loans, which are secured by collateral in the form of charges over physical assets.

ii. Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The accounts and finance department monitors liquidity ratios on a daily basis. Note 24(d) presents the undiscounted cash flows payable by the Company under financial assets by expected maturity dates at the balance sheet date and from financial liabilities by remaining contractual maturities dates.

iii. Market Risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. Management is responsible for the development of detailed risk management policies and for the day to day implementation of risk management policies.

iv. Currency Risk

Note 18(c) summarises the Company's exposure to US Dollar exchange rate risk at 31st December 2023.

v. Interest Rate Risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Note 18(d) summarises the Company's exposure to interest rate risks. Included in the analysis are the Company's assets and liabilities at carrying amounts, categorised by maturity dates. The Company does not bear any interest rate risk on off balance sheet items.

g. Fair Values of Financial Assets and Liabilities

The carrying amounts of financial assets and liabilities are representative of the Company's position at 31st December 2023 and are in the opinion of the Directors not significantly different from their respective fair values due to generally short periods to maturity dates as set out above.

10. Grants

- a. Grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.
- b. Grants whose primary condition is that the Company should purchase or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to income on a systematic basis over the useful lives of the related assets. Other grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.
- c. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in income in the period in which they become receivable.
- d. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

11. Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

12. Interest Income and Expense

Interest income and expense for all other interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in the profit and loss account on the effective interest basis. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

13. Fees and Commission Income

- a. Fees and commissions are generally recognised on an accrual basis when the service has been provided.
- b. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

14. Income Tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

- a. **Current tax:** The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.
- b. **Deferred tax:** Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.
- c. **Current tax and deferred tax for the year:** Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

15. Dividends

Dividends are shown as a deduction from retained earnings in the statement of changes in equity.

16. Capital Management

The Company's objectives when managing capital are:

- i. To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- ii. To maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are not monitored as the Company is exempted from regulation by the Bank of Zambia.

17. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. Information about such judgements and estimation is contained in the accounting policies above and/or the notes to the financial statements on Pages 35 to 51. However, the key areas are summarised below.

a. Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are:

- i. Estimation of asset lives
- ii. Capitalisation of software costs
- iii. Impairment losses on loans and advances.
- iv. Provisions.
- v. Current period accounting of deferred revenue grants.

b. Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- i. Review of asset carrying values and impairment charges and reversals
- ii. Estimation of liabilities for employee benefits
- iii. Contingencies

18. Comparatives

Corresponding figures have been reclassified to conform to changes in the presentation of the current period.

Notes to the Financial Statements

Amounts are Stated in Zambian Kwacha

	31 December 2023	31 December 2022
1. Interest Income		
An analysis of the Company's revenue for the year from continuing activities is as follows:		
Interest on Loans and Advances	61,869,632	43,200,854
Interest on Fixed Deposits	9,103,844	10,094,117
Interest on Government Securities	-	4,421,544
Total interest Income	70,973,476	57,716,515
2. Non-Operating Income		
Sundry Income	3,533,802	2,202,955
Rental Income	78,000	156,000
	3,611,802	2,358,955
3. Operating Expenses		
The following items are included within operating expenses:		
Assessment and OAG Expenses	461,876	452,103
Audit Fees	255,759	213,132
Depreciation	5,543,409	5,304,841
Other Operating Expenses	17,376,509	10,636,768
	23,637,553	16,606,844
4. Employee Expenses		
Gratuity	18,509,031	14,831,656
Salaries and other Staff Costs	21,840,398	20,091,604
Leave Expenses	162,130	-
Funeral Scheme	48,257	-
Staff Wellness	184,501	-
Group Life Cover	248,177	-
Staff Training Costs	600,163	103,203
	41,718,209	35,147,197

Notes to the Financial Statements (Continued)

Amounts are Stated in Zambian Kwacha

	31 December 2023	31 December 2022
5. Taxation		
Tax expense/(income) comprises:		
Current tax expense	2,949,411	1,991,356
Deferred taxation	(1,351,351)	(695,497)
Deferred taxation - Tax Rate Change	-	598,267
Total tax expense/(income)	1,598,060	1,894,126
The total charge for the year can be reconciled to accounting profit as follows:		
Earnings from continuing operations	5,326,867	4,100,743
Income tax expense/(income) calculated at 30% (2022: 35%)	1,598,060	1,230,223
Effect of Change in Tax Rates	-	598,267
Effect of expenses not deductible in determining taxable profit	-	65,636
Income tax expense recognised in profit or loss	1,598,060	1,894,126
6. Cash and Cash Equivalents		
Petty Cash	-	-
Zanaco - Salaries	1,761,319	6,564,281
Zanaco - Operations	2,818,810	35,198,244
Zanaco - Revolving	752,866	1,044,968
Natsave - Revolving	164,731	164,731
Natsave - Recovery	(333)	(333)
Zanaco- Mortgage	4,195,836	1,061,970
Zanaco- Motor Vehicle	4,122,087	3,278,452
Zanaco- Short Term	3,986,707	6,037,708
Zanaco-Personal	7,166,473	2,199,374
Zanaco-Agro	4,414,364	623,689
Zanaco - Furniture	1,257,317	1,875,253
Zanaco - Leaders	5,219	224,019
Zanaco - Domestic	88,794	-
Insurance Account	6,777	66,777
Gratuity Account	1,632,114	1,151,490
Project Account	14,934,391	3,509,928
	47,307,472	63,000,551
7. Placements With Other Financial Institutions		
Fixed Deposits		
ZANACO	31,627,332	141,100,338
	31,627,332	141,100,338

Notes to the Financial Statements (Continued)

Amounts are Stated in Zambian Kwacha

Investments with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as cash equivalents and are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

	31 December 2023	31 December 2022
8. Loans and Advances		
(a) Net Loans and Advances to Customers		
Gross Loans and Advances to Customers (c)	690,994,148	441,537,041
Impairment Loss	(18,121,812)	(14,219,163)
(b) Net Loans and Advances to Customers	672,872,336	427,317,878
 (c) Gross Loans and Advances to Customers		
Personal Loans	236,711,671	214,605,326
Motor Vehicle Loans	199,412,469	102,720,620
Agricultural Loans	57,392,033	18,120,498
Mortgage Loans	8,315,670	7,533,864
Short Term Loans	19,165,209	15,674,337
Building Materials Loans	73,557,754	31,850,771
Bring Your Own Device Loans	17,050,987	7,397,909
Furniture Loans	13,460,323	2,716,191
Leaders Personal Loan	65,912,691	40,917,525
Domestic Tourism Loan	15,341	-
Gross Loans and Advances to Customers	690,994,148	441,537,041
Impairment Losses	(18,121,812)	(14,219,163)
Closing Principal Balance	672,872,336	427,317,878
 (b.) Loan Loss Provision Movement		
At the beginning of the Year	14,219,163	9,998,477
Charge for the Year: -		
□ General	3,902,649	4,220,686
□ Life Time ECL	-	-
Loan Loss at the End of the Year	18,121,812	14,219,163

Notes to the Financial Statements (Continued)

Amounts are Stated in Zambian Kwacha

8. Loans and Advances (Continued)

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the entity:

The average credit period on sales of goods is 60 days. No interest is charged on outstanding trade receivables. The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of 100% against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

2023	Amount	ECL	2022
Ageing			
Not Past Due	629,160,705	2%	12,797,822
Substandard - 31 - 90 Days	13,820,901	5%	691,045
Doubtful - 91-180 Days	5,610,296	7%	392,721
Loss Over 180 Days	42,402,245	10%	4,240,225
ECL	690,994,148		18,121,812

2023	Amount	ECL	2022
Ageing			
Not Past Due	344,986,388	2%	6,899,728
Substandard - 31 - 90 Days	37,214,003	5%	1,860,700
Doubtful - 91-180 Days	15,831,003	7%	1,108,170
Loss Over 180 Days	43,505,646	10%	4,350,565
ECL	441,537,041		14,219,163

Notes to the Financial Statements (Continued)

Amounts are Stated in **Zambian Kwacha**

	31 December 2023	31 December 2022
9. Other Assets		
Staff Loans and Advances	11,906,391	10,559,947
Benevolence Fund	12,300	8,150
Collecting Agent Receivables (Recoveries Receivable)	2,292,120	3,183,499
Prepayments	730,576	713,385
Receivables from Unpaid Shares	760,267,468	874,731,147
Rental Receivables	(1,300)	11,700
▫ Sundry	1,114,847	988,482
▫ Other Loans	13,469	13,469
Interbranch Receivables	5,242,313	3,227,013
	781,578,184	893,436,792

10. Property, Plant and Equipment

	Land Buildings	Motor Vehicles	Office & Computer Equipment	Furniture & Fittings	Capital Work in Progress	Total
Cost or Valuation						
Balance as at 1 January 2022	46,952,994	8,221,649	7,640,540	2,644,748	335,058	65,794,989
Additions	-	5,068,902	239,547	54,166	1,386,437	6,749,052
Reclassification	1,406,591	-	-	-	(1,406,591)	-
Revaluation Gain	-	-	-	-	-	-
Balance as at 1 January 2023	48,359,585	13,290,551	7,880,087	2,698,914	314,904	72,544,041
Additions	882,285	-	159,665	-	44,822	1,086,772
Reclassification/ Adjustments	(458,923)	-	38,470	(38,470)	-	(458,923)
Revaluation Gain	4,189,887	-	-	-	-	4,189,887
Balance as at 31 December 2023	52,972,833	13,290,551	8,078,222	2,660,444	359,726	77,361,776
Accumulated Depreciation and Impairment						
Balance as at 1 January 2022	842,803	2,524,644	2,388,112	662,816	-	6,418,375
Depreciation Charge for the Year	705,755	2,967,599	1,068,323	526,863	-	5,268,540
Balance as at 1 January 2023	1,548,558	5,492,243	3,456,435	1,189,679	-	11,686,915
Depreciation Charge for the Year	675,311	2,897,971	1,408,855	524,974	-	5,507,111
Depreciation Write-Back on Revaluation	(2,199,169)	-	-	-	-	(2,199,169)
Balance as at 31 December 2023	24,700	8,390,214	4,865,290	1,714,653	-	14,994,857
Carrying amount as at 31						
December 2023	52,948,133	4,900,337	3,212,932	945,791	359,726	62,366,919
Carrying amount as at 31 December 2022	46,811,027	7,798,308	4,423,652	1,509,235	314,904	60,857,126

Notes to the Financial Statements (Continued)

Amounts are Stated in Zambian Kwacha

	31 December 2023	31 December 2022
11. Investment Property		
At Depreciated Cost	2,916,100	2,952,400
Cost		
At Start of Period	3,025,000	3,025,000
Cost At End of Period	3,025,000	3,025,000
Accumulated Depreciation		
At Start of Period	72,600	36,300
Charge for the Period	36,300	36,300
Accumulated Depreciation at End of Period	108,900	72,600
Carrying Amounts	2,916,100	2,952,400
12. Other Liabilities		
GRZ Payables	(16,783)	11,124
Motor Vehicle Insurance Liability	100,000	849,109
NAPSA	-	67,051
Insurance Payable on Loans		
- Insurance Payable	2,567,060	2,889,438
- Credit Life	410,619	(151,494)
Interbranch Payables	4,592,903	2,592,716
Public Service Fund	867	6,549
ZRA - PAYE	566,929	554,436
Audit Fees Payable	85,253	85,253
Third Party Payroll Liabilities	17,333	395,248
Motor Vehicle Refunds Payable	7,521,138	7,752,705
Trade payables	1,340,989	5,273,804
Sundry Payables	18,080	58,295
	17,207,351	20,384,234
13. Employee Benefits and Provisions		
(a) Balances in Employee Benefits Provision		
Gratuity Provision	15,547,897	17,563,585
	15,547,897	17,563,585

Notes to the Financial Statements (Continued)

Amounts are Stated in Zambian Kwacha

	31 December 2023	31 December 2022
(b) Analysis of Movements in Provisions		
Opening Balance	17,563,585	16,492,653
Charge for Period	18,509,031	14,831,656
Payments	(20,524,719)	(13,760,724)
	15,547,897	17,563,585
14. Income Tax Payable (Receivable)		
At start of year	861,793	(1,112,524)
Tax Charge	2,949,411	1,991,356
Tax Paid	(198,775)	(17,039)
Income Tax At end of year	3,612,429	861,793
15. Deferred Tax		
a. Net Deferred Asset (Liability)		
Deferred Tax Assets		
Provisions	5,436,544	4,265,749
Total Deferred Tax Assets	5,436,544	4,265,749
Deferred Tax Liabilities		
Property Plant and Equipment	340,987	521,543
Revaluation Surplus on PPE	2,177,892	291,073
Revaluation Surplus on Land	459,499	253,499
Total Deferred Tax Liabilities	2,978,378	1,066,115
Net Deferred Tax Asset (Liability)	2,458,166	3,199,634.0

Notes to the Financial Statements (Continued)

Amounts are Stated in Zambian Kwacha

	Tax Losses	Provisions	Property Plant and Equipment	Reval- uation Surplus on PPE	Reval- uation Surplus on Land	Total
At 1 January 2022	684,451	3,500,032	(537,506)	(598,457)	(253,499)	2,795,021
Charge to profit or loss	(684,451)	765,717	15,963	-	-	97,229
Charge to other comprehensive income	-	-	-	307,384	-	307,384
Deferred Tax Asset (Liability) At 1 January 2023		4,265,749	(521,543)	(291,073)	(253,499)	3,199,634
Charge/(credit) to profit or loss	-	1,170,795	180,556	-	-	1,351,351
Charge to other comprehensive income	-	-	-	(1,886,819)	(206,000)	(2,092,819)
Deferred Tax Asset (Liability) At 31 December 2023		5,436,544	(340,987)	(2,177,892)	(459,499)	2,458,166

16. Properties Revaluation Reserve

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the properties' revaluation reserve will not be reclassified subsequently to profit or loss.

Distributions from the properties' revaluation reserve can be made where they are in accordance with the requirements of the Company's constitution and company law. Generally, there is no restriction on the payment of 'bonus shares' out of the properties revaluation reserve. However, the payment of cash distributions out of the reserve is restricted by the terms of the Company's constitution. These restrictions do not apply to any amounts transferred to retained profits. The directors do not currently intend to make any distribution from the properties' revaluation reserve.

17. Banking Facilities

The list of bank accounts held by the Company is shown in Note 6.
The Company had no overdraft or other bank-advanced facilities.

18. Financial Instruments

(a) Total Financial Instruments

The Company faces exposure to the following financial risks:

Notes to the Financial Statements (Continued)

Amounts are Stated in Zambian Kwacha

31 December 2023

	Loans and Receivables	Assets at Fair Value through P & L	Assets at Amortised Cost	Total
Assets as per statement of financial position				
Loans and Receivables:				
• Trade and Other receivables	1,454,522,520	-	-	1,454,522,520
• Placements with Financial Institutions	-	-	31,627,332	31,627,332
• Cash and Equivalents	47,307,472	-	-	47,307,472
Total	1,501,829,992		31,627,332	1,533,385,324
		Liabilities at Fair Value through P & L	Other Financial Liabilities at Amortised Cost	Total
Liabilities as per statement of financial position				
	-	-		
Other Financial Liabilities	-	-	19,160,326	19,160,326
Trade and Other Payables	-	-	20,384,234	20,384,234
Total	-		39,544,560	39,544,560

31 December 2022

	Loans and Receivables	Assets at Fair Value through P & L	Assets at Amortised Cost	Total
Assets as per statement of financial position				
Loans and Receivables:				
• Trade and Other receivables	1,454,522,520	-	-	1,454,522,520
• Placements with Financial Institutions	-	-	31,627,332	31,627,332
• Cash and Equivalents	47,307,472	-	-	47,307,472
Total	1,501,829,992		31,627,332	1,533,385,324
		Liabilities at Fair Value through P & L	Other Financial Liabilities at Amortised Cost	Total
Liabilities as per statement of financial position				
	-	-		
Other Financial Liabilities	-	-	19,160,326	19,160,326
Trade and Other Payables	-	-	20,384,234	20,384,234
Total	-		39,544,560	39,544,560

Notes to the Financial Statements (Continued)

Amounts are Stated in Zambian Kwacha

18. Financial Instruments

(a) Total Financial Instruments (Continued)

31 December 2022				
	Loans and Receivables	Assets at Fair Value through P & L	Assets at Amortised Cost	Total
Assets as per statement of financial position				
Loans and Receivables:				
• Trade and Other receivables	1,320,754,670	-	-	1,320,754,670
• Placements with Financial Institutions	-	-	141,100,338	141,100,338
• Cash and Equivalents	63,000,551	-	-	63,000,551
Total	1,383,755,221		141,100,338	1,524,855,559
		Liabilities at Fair Value through P & L	Other Financial Liabilities at Amortised Cost	Total
Liabilities as per statement of financial position				
	-	-		
Other Financial Liabilities	-	-	18,425,378	18,425,378
Trade and Other Payables	-	-	20,384,234	20,384,234
Total	-		38,809,612	38,809,612

(b) Credit Risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Category	Rating	ECL	Gross Carrying Amount	Loss Allowance	Net Carrying Amount
2023					
Bank and Cash Balances	Performing	12-Month ECL	47,307,472	-	47,307,472
Fixed Deposits	Performing	12-Month ECL	31,627,332	-	31,734,027
Trade Receivables	Performing	Simplified Approach	690,994,148	(18,121,812)	672,872,336
Other Receivables	Performing	Not credit impaired	781,578,184	-	781,578,184
			1,551,507,136	(18,121,812)	1,533,385,324

Notes to the Financial Statements (Continued)

Amounts are Stated in Zambian Kwacha

18. Financial Instruments

(b) Credit Risk (Continued)

Category	Rating	ECL	Gross Carrying Amount	Loss Allowance	Net Carrying Amount
2022					
Bank and Cash Balances	Performing	12-Month ECL	63,000,551	-	63,000,551
Fixed Deposits	Performing	12-Month ECL	141,100,338	-	141,100,338
Trade Receivables	Performing	Simplified Approach	441,537,041	(14,219,163)	427,317,878
Other Receivables	Performing	Not credit impaired	893,436,792	-	893,436,792
			1,539,074,722	(14,219,163)	1,524,855,559

For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

(c) Currency Risk

The Company takes low exposure to the effects of fluctuations in foreign currency exchange rates as its transactions and balances are all held in Kwacha.

(d) Liquidity Risk and Interest Rate Risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by maturity dates. The Company does not bear any interest rate risk on off statement of financial position items.

	Weighted Average Effective Interest rate	Up to 1 Month	1-3 Months	4-12 Months	1-5 Years	Total
At 31 December 2023						
Non-Interest Bearing	0%	3,030,640	9,091,919	24,245,118	-	36,367,677
At 31 December 2022						
Non-Interest Bearing	0%	3,234,134	9,702,403	25,873,074	-	38,809,612

Notes to the Financial Statements (Continued)

Amounts are Stated in Zambian Kwacha

18. Financial Instruments (Continued)

(e) Fair Value Estimation

The different levels of determining fair value, by valuation method, have been defined as follows:

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

The Company had no financial instruments carried at fair value, by valuation method.

The fair values of the Company's financial assets and liabilities for both the current and comparative year do not differ materially from their carrying values.

19 Related Parties

(a) Identity of Related Parties

The Company has a common enterprise relationship with Government of the Republic of Zambia. Other related parties include the Board of Directors and Key Executive Management.

(b) Control of the Company

The Company is incorporated in Zambia under the PACRA. It has a common enterprise relationship with Ministry of Finance which owns 99% of its share capital. Supervision of its management and control of the affairs of the Company is vested in the Board of Directors. In the absence of the Board, supervision of Management was vested in Secretary to the Treasury and control of the affairs of the Company was vested in the CEO.

(c) Management of the Company

The key officers of the Company are shown on Page 5:

(d) Transactions with Related Parties

None of the Board Members, key management staff or parties related to them has undertaken any material transactions with the Company.

The list of related party transactions is given below.

Notes to the Financial Statements (Continued)

Amounts are Stated in **Zambian Kwacha**

19 Related Parties (Continued)

	31 December 2023	31 December 2022
(a). Transactions and Balances with Shareholders		
i. Revenue and Capital Grants From Shareholder Ministry of Finance and National Planning	-	-
ii. Deferred Revenue Grants From Shareholders Ministry of Finance and National Planning	-	-
iii. Contributions to Capital		
Ministry of Finance and National Planning	114,463,679	(884,527,006)
(b). Directors Remuneration and Compensation		
i. Board Remuneration / Expenses	-	-
ii. Key Management Remuneration	5,131,604	5,281,798
(c). Balances due from or Owed to Key Management		
i. Due to Key Management		
Gratuity	7,859,286	11,540,197
ii. Due from Key Management		
Loans	4,007,807	6,019,390

20. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to controlling interests and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The gearing ratios at 31 December 2023 and 2022 were as follows:

Notes to the Financial Statements (Continued)

Amounts are Stated in Zambian Kwacha

	2023	2022
Debt	-	-
Other Financial Liabilities	-	-
Cash	(78,934,804)	(204,100,889)
Net Debt	(78,934,804)	(204,100,889)
Equity	1,564,758,832	1,553,055,107
Net debt to equity ratio	-5.04%	-13.14%

21. Capital Commitments

The Company had no capital commitments as at the year-end.

22. Contingent Liabilities

No major contingent liabilities were identified at end of the year (2022: Nil).

23. Events Subsequent to Balance Sheet Date

There has not arisen since the end of the year any transaction or event of a material and unusual nature likely, in the opinion of management, to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Appendix I - Detailed Statement of Income and Expenditure

Amounts are Stated in Zambian Kwacha

	31 December 2023	31 December 2022
Interest Income		
Interest Received		
Loans and Advances	61,869,632	43,200,854
Fixed Term Deposits	9,103,844	10,094,117
Interest on Government Securities	-	4,421,544
Total Interest Received	70,973,476	57,716,515
Interest Expense	-	-
Net Interest Income	70,973,476	57,716,515
Non-Operating Income		
Interest on staff loans	2,189,552	1,076,649
Sundry Income	1,344,250	1,126,306
Rental Income	78,000	156,000
	74,585,278	60,075,470
Costs		
Assessment and OAG Expenses	461,876	452,103
External Audit Fees	255,759	213,132
Advertising and Publicity	7,479,909	1,468,079
Bank Charges and Commission	1,181,034	948,428
Bad Debts Written Off	147	-
Communication Expenses	254,750	229,229
Computer Expenses	292,701	515,169
Conveyance Costs	440	-
Covid Prevention and Mitigation Support	162,864	245,920
Depreciation	5,543,409	5,304,841
Disaster Recovery Expenses	302,233	216,899
Insurance	180,356	209,197
Legal Costs	250	-
Maintenance and Repairs	1,013,631	610,139
Motor Vehicle Expenses	279,846	218,797
General Office Expenses	2,323,835	2,405,828
ICT Equipment	-	5,000
Prepaid Expenses	693,196	433,243
Prior Year Loan Adjustments	911,938	1,292,501
Professional Expenses	37,891	55,078
Rent & Rates	14,262	7,319
SACCO Costs	390,852	-
Security	366,560	421,552
Staff Welfare	-	218,788
Subscriptions	1,074,767	810,796

Appendix I - Detailed Statement of Income and Expenditure (Continued)

Amounts are Stated in Zambian Kwacha

	31 December 2023	31 December 2022
Trade fair Stand	36,000	-
Workshops, Internal Meetings and Seminars	379,047	324,806
	23,637,553	16,606,844
Salaries and Related Costs		
Gratuity	18,509,031	14,831,656
National Health Insurance	125,552	120,734
Salaries and other Staff Costs	21,840,398	20,091,604
Leave Expenses	162,130	-
Funeral Scheme	48,257	-
Staff Wellness	184,501	-
Group Life Cover	248,177	-
Staff Training Costs	600,163	103,203
	41,718,209	35,147,197
Total Operating Expenditure	65,355,762	51,754,041
Operating Result Before Impairment Losses	9,229,516	8,321,429
Impairment Loss	3,902,649	4,220,686
Operating Result for the Year	5,326,867	4,100,743
Taxation	(1,598,060)	(1,894,126)
Earnings After Tax	3,728,807	2,206,617



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