Zambia Copper Investments Limited

Annual Report 2007

Chairman's report

I am pleased to present the Company's audited annual financial statements for the year ended 31 March 2007. These results show a significant improvement on those of the preceding financial year, with a consolidated net profit figure of USD 85.4 million (2006: USD 38.5 million) amounting to a profit per share figure in US cents of 67.67 (2006: US cents 30.47).

Although production levels at Konkola Copper Mines ("KCM") remain below their targeted levels, KCM returned excellent results for the year, with a net profit figure of USD 301 million (2006: USD 114 million). The effect of the sustained strong international copper price continues to have an extremely positive influence on KCM's performance. I am also delighted to announce that KCM declared an inaugural interim dividend during the 2006/2007 financial year of USD 5.74 million, of which ZCI received USD 1.6 million in November 2006. Indications are that KCM will shortly confirm the declaration of a final dividend in the same amount and we hope that this is a positive indication of what KCM's shareholders may continue to expect in the new financial year.

Your Board remains highly involved with continuing negotiations with Vedanta Resources Plc ("Vedanta") resulting from the exercise by Vedanta of its call option in terms of the Vedanta Call Option Deed ("the Deed") over the remaining 28.4% of KCM shares held by ZCI through its wholly owned subsidiary, ZCI Holdings S.A. In September 2006, as a result of a material difference of opinion in the interpretation of certain provisions relating to the Deed, ZCI served notice of arbitration on Vedanta in accordance with the dispute resolution provisions in the Deed, in order that these differences be resolved prior to the commencement of the valuation process by the independent bank. Confidentiality provisions in the Deed unfortunately prevent the dissemination of detailed information relating to the arbitration proceedings, but shareholders are informed that the arbitration was heard between 12 and 14 June 2007, and further announcements on the process will be released by ZCI. Steps will be taken to finalise the terms of appointment of the independent investment bank in order that they may commence with valuation of ZCI's 28.4% shareholding in KCM. It should be noted that the outcome of the arbitration may have a material impact on the Company's share price, either positively or negatively. The Directors will closely monitor developments in order to avoid potential prejudice to shareholders and investors arising from undue volatility in the share price.

.

Shareholders are reminded that in the event that Vedanta is unwilling to pay the option exercise price as determined by the Bank, it shall not be required to proceed with the associated purchase of ZCI's KCM shares. In terms of the provisions of the Deed, ZCI shall be bound to accept the valuation made by the Bank. As before, shareholders are advised to exercise caution when dealing in ZCI's securities until detailed announcements are made.

Thomas Kamwendo
Chairman,
Bermuda

.

Report of the directors

Nature of business

ZCI is Bermudian registered with its primary listing on the JSE Securities Exchange SA (the "JSE"). It has a secondary listing on the Paris Bourse. The Company's major asset is its holding of 28.4% of the share capital of KCM, a Zambian registered mining company.

Going concern

The directors have reviewed the audited consolidated financial statements prepared by KCM for the year ended 31 March 2007 and are of the view that these indicate that sufficient funding, ownership and management arrangements have been secured to enable KCM and the Company to continue in operation as going concerns for the foreseeable future. The directors, therefore, consider that the preparation of the financial statements on a going concern basis is appropriate.

Dividends

No dividends were paid or proposed by ZCI in respect of the year ended 31 March 2007.

Directors and officers

During the year there were no changes to the composition of the Board.

Directorate
The directors of the Company as at 31 March 2007 were:

Non-Executive
T. Kamwendo (Chairman)
D. Rodier
S. Georgala
M. Clerc

Directors meetings and remuneration

Between 1 April 2006 and 31 March 2007, the ZCI Board met on three occasions, in addition to the Annual General Meeting, to consider issues of an operational nature, strategy, as well as those having a material effect on ZCI and the Group.

.

The total remuneration paid to Directors during the year was USD 182,106 (2006: USD 195,036), which was allocated as follows:

T. Kamwendo	USD 44,445
D. Rodier	USD 65,127
S. Georgala	USD 38,223
M. Clerc	USD 34,311

All of the current directors retire at the forthcoming annual general meeting in accordance with Bermudian Law and, being eligible, offer themselves for re-election. Subject to such re-election the Board proposes to re-elect T. Kamwendo as Chairman. A brief profile of the Directors is included hereunder:

<u>Thomas Kamwendo</u>

Thomas Kamwendo was born on 14 May 1958 in Mpika Zambia. He has a Bachelor of Science degree in Mechanical Engineering obtained from Brighton Polytechnic in the United Kingdom in 1983.

He has more than 20 years experience in the Zambian mining industry having started his professional career as an engineer in what is today KCM's Nchanga Division. He has been CEO of three engineering companies and is currently managing Partner of his own multidisciplinary consulting firm. He has served on the boards of directors of several companies and is also current chairman of two development financing institutions, and is chairman of the Copperbelt Development Foundation.

He served on a Presidential Commission of Enquiry into university education in Zambia. He has previously chaired the Environmental Council of Zambia and was, until December 2005, President of the Engineering Institution of Zambia.

<u>David Rodier</u>

David Rodier was born in Montreal, Canada, on 26 June 1943. He obtained a Bachelor's degree in Metallurgical Engineering from McGill University, Montreal, in 1966.

He gained his extensive working experience in the non-ferrous industry, starting with Cominco in British Columbia, (now Teck-Cominco) and later for Noranda Inc., where he was employed for 35 years and where he was involved with zinc and copper recycling. His experience includes a wide group of technical and managerial positions in zinc and copper

.

businesses. His most recent positions were: Senior Vice President, Environment Safety and Health at Noranda between 1998 and 2002; Senior Vice President, Copper & Recycling at Noranda between 1995 and 1997; and President of Canadian Electrolytic Zinc between 1992 and 1995.

Mr. Rodier was Noranda's delegate to the World Business Council for Sustainable Development, the International Council for Mining and Metals, the International Zinc Association, the International Copper Association, the Mining Association of Canada and the Canadian Chemical Producers Association. He currently works as Senior Consultant, Sustainability for Hatch Associates, a global engineering company located in Ontario, Canada, which is devoted to the support of the Mining and Metallurgical industries.

Steven Georgala

Steven Georgala was born in Nelspruit, South Africa on 26 April 1957. He obtained a Bachelor of Commerce degree from the University of Stellenbosch in 1979 and a LL.B. degree from the same University in 1981. He completed his Articles with Webber Wentzel Bowens and was admitted as an Attorney and Notary in June 1984. In 1984 he obtained a Higher Diploma in Company Law from the University of the Witwatersrand. In December 1984, he was posted to the Luxembourg office of Webber Wentzel Bowens where he became a partner of the firm in 1987. The European offices of Webber Wentzel Bowens became Maitland & Co in 1993 and Mr. Georgala, now resident in Paris, France continues as a principal of Maitland & Co where he specialises in international tax planning.

Michel Clerc

Michel Clerc was born in Vernon, France on 27 June 1921. He obtained degrees in Law and Political Science in France and in English literature at Cambridge. Mr. Clerc is a journalist by profession, specializing in financial issues and has had several books published. He is also the former editor of Paris-Match magazine and was manager of Radio Luxembourg. Mr. Clerc was a founder of AMZCI in 1999, an association of ZCI shareholders in France and is currently the president of this association.

Directors' interests

At 31 March 2007 the directors held no shares in ZCI, either beneficially or non-beneficially, and did not have any direct or indirect beneficial interests. There are no service contracts granted by ZCI, nor any of its subsidiaries, to any director of ZCI for services as directors,

.

nor were there any contracts or arrangements existing during the financial year which require to be declared in terms of the requirements of the JSE.

Shareholders at 31 March 2007

Pursuant to the listing requirements of the JSE, to the best knowledge of the directors, and after reasonable enquiry, the spread of shareholders at 31 March 2007 was:

	Number of shares	**Percentage holding**
Non-public shareholders		
Copperbelt Development Foundation	55,932,533	44.3%
Trustees of the KCM Employee Share Ownership Trust	637,152	0.5%
Public shareholders	69,627,677	55.2%
Total	126,197,362	100.0%

At 31 March 2007, the number of public shareholders of the Company was 12,609

According to the information available to the directors, the following are the only registered shareholders holding, directly or indirectly, more than 5% of ZCI's issued ordinary shares:

	Number of shares	**Percentage holding**
Copperbelt Development Foundation	55,932,533	44.3%
Sicovam S.A.	41,621,790	33.0%
Strate Ltd	24,932,260	19,7%

Auditors

KPMG was re-appointed as auditor of ZCI at the annual general meeting held on 16 August 2006. They have indicated their willingness to continue in office and, accordingly, a resolution for their appointment and the determination of their remuneration will be submitted to the forthcoming annual general meeting.

.

Annual General Meeting

The annual general meeting will be held at 11h00 on Wednesday 12 September 2007. The notice convening the meeting is set out on page 28/29 of this report.

By Order of the Board

John Mills
Company Secretary
Luxembourg
29 June 2007

.

Code of corporate practices and conduct

ZCI is committed to the principles of openness, integrity and accountability as advocated in the South African King II Report on Corporate Governance. The directors endorse the Code of Corporate Practices and Conduct (the “Code”), as set out in the King II Report. KCM, both while it remained an operating subsidiary of ZCI as well as thereafter, is also committed to upholding these principles.

Application

Having regard to the fact that the Company has no employees or administrative infrastructure of its own, many of the requirements of the Code are not applicable to it. Given that the Company is a minority shareholder of KCM, the Directors of ZCI are of the view that Vedanta, as KCM’s controlling shareholder, will ensure that suitable procedures will be implemented and maintained to ensure that KCM complies insofar as is practical and appropriate, with the UK Combined Code on Corporate Governance, which is largely equivalent to the Code in respect of companies listed on the London Stock Exchange.

Annual financial statements

The directors are responsible for the preparation, integrity and fair presentation of the financial statements and it is the responsibility of the independent auditors to report thereon. In preparing the annual financial statements the Company has used appropriate accounting policies consistently, supported by reasonable and prudent judgement and estimates and has complied with all statutory requirements and all applicable accounting standards, including International Financial Reporting Standards.

Board of directors

As at 31 March 2007, the Company’s board of directors consisted of four non-executive directors. The board retains full and effective control over the Company. To fulfil their responsibilities, the Company’s board of directors has access to accurate, relevant and timely information and to the advice and services of the company secretary who is responsible to the board for ensuring the board procedures are followed. In addition, the directors are entitled to obtain independent professional advice at the Company’s expense, should they deem this necessary.

The KCM board of directors met on various occasions during the year to consider issues of operational strategy, capital expenditure, major projects and other matters having a material effect on KCM. Regular presentations on key issues have been made by the Group

.

Management to the Board and, where applicable, to the Shareholders. Post the Vedanta transaction, the Board of KCM was reconstituted to comprise one executive director and up to nine non-executive directors, of which two are appointed by ZCI. The chairman of the KCM board is a non-executive director and the executive director is KCM's chief executive officer. The KCM board reserves to itself a range of key issues and decisions, to ensure that it retains proper direction and control of KCM. Non-executive directors are individuals of high calibre with diverse backgrounds and expertise, which ensures that their views carry significant weight in deliberations and decisions.

KCM Directors and officers

During the year the following changes to the composition of the KCM Board occurred:

On 20 October 2006 Mr. K.K. Kaura who until then had been Vice Chairman of the KCM Board, was also appointed Chief Executive Officer.

Further changes to the composition of the Company's Board of Directors involved the appointment of Mr. J.M. Chikolwa by ZCCM-IH in place of Mr. G.K. Chibuye on 31 October 2006.

Directorate

The directors of KCM as at 31 March 2007 were:

N Agarwal (Chairman)
K K Kaura (Vice Chairman and CEO)
D Bandyopadhyay (Resident Director)
C P Baid
J M Chikolwa
T D Kamwendo
C V Krishnan
S Georgala
L Nkhata
J M D Patterson

SHEQ Committee

The KCM Safety, Health, Environment and Quality ("SHEQ") Committee is responsible for developing framework policies and guidelines for safety, health, environment, social management and quality assurance and ensuring the progressive implementation of the same throughout KCM in working towards internationally accepted standards and best practices. The Committee is also responsible for addressing SHEQ risks and impacts in a systematic, comprehensive and businesslike manner and for promoting good relationships with the communities in which KCM operates.

Audit Committee

The KCM Audit Committee comprising solely of Non-Executive Directors and Alternate Directors is responsible, inter alia, for the review of the procedures and policies of internal control, the review of the measures taken by Management in mitigating risk, the regular review of the adjudication of tenders and award of contracts in ensuring that they comply with the intent of the Shareholders Agreement, the review of any statement on ethical standards for KCM, the review of the accounting principles, policies and practices adopted in the preparation of the statutory financial statements and the consideration of the appointment of external Auditors.

Remuneration Committee

The KCM Remuneration Committee of the Board is responsible, inter alia, for considering, reviewing and making recommendations to the Board on remuneration packages and related matters of Executive Management Team members and periodically for reviewing ongoing appropriateness and relevance of remuneration policy for all employees of KCM.

Executive Committee

The KCM Executive Management Team is empowered and responsible for implementing the strategies and policies determined by the Board, managing the business and affairs of the KCM Group, prioritising the allocation of capital, technical and human resources and establishing best management practices.

Internal control

The Internal Audit Department of KCM is empowered by the Audit Committee, as per a Board approved Internal Audit Charter, to report on and make Management aware of the effectiveness of the internal control systems applicable to both operations and finance. The control systems are designed to safeguard KCM's assets, maintain proper accounting records, ensure mitigation of operating risks and ensure the reliability of management and financial information produced by KCM.

The Headline Risk Areas of KCM are reviewed on a bi-annual basis under the Combined Code and appropriate action plans are implemented to mitigate identified high impact and high likelihood risks.

Code of conduct

The Company and KCM require that all directors and employees conduct themselves with honesty and integrity in all business practices to achieve the highest standard of ethical behaviour. In accordance with this objective, KCM has adopted a code of ethics to provide a clear guide as to the behaviour expected of directors and employees.

Significant Events at KCM

The performance of the Tailings leach Plant (TLP) was adversely affected during the year by the occurrence of two incidents which impacted on the stability of the Plant. First, there was a fire on 5 July 2006. Subsequent to the fire incident, the Plant was only brought back to normal operation by the end of October 2006.

The other incident involved a burst in the pipe that delivers tailings to the Muntimpa Tailings Dam in November 2006 resulting in the shutdown of the TLP for a period of 10 days. It took one and half months for operations to stabilise after the Plant was restarted.

Consolidated Income Statement

for the year ended 31 March 2007
expressed in thousands of US Dollars

	Notes	Year ended 31 March 2007	1 January 2005 to 31 March 2006
Finance income	6	730	2,248
General and administration expenses		(849)	(1,359)
Income from associated company	13	85,577	37,640
Profit before taxation		85,458	38,529
Taxation	7	(60)	(76)
Profit for the year / period		85,398	38,453
Net profit per ordinary share in US cents	5	67.67	30.47

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Balance Sheet
as at 31 March 2007
expressed in thousands of US Dollars

	Notes	31 March 2007	31 March 2006
Non-current assets			
Long term accounts receivable	8	4,890	9,477
Investment in associated company	13	170,313	84,502
		175,203	93,979
Current assets			
Available for sale investment	9	10,593	2,842
Accounts receivable	10	5,250	5,296
Cash and cash equivalents	11	2,856	4,066
		18,699	12,204
Current liabilities			
Accounts payable and accrued liabilities		(188)	(260)
Net current assets		18,511	11,944
Total assets less current liabilities		193,714	105,923
Net assets		193,714	105,923
Capital and reserves			
Capital	12	334,547	334,547
Revaluation reserve	9	573	42
Deficit on hedging reserve	13	(12,558)	(14,420)
Accumulated deficit		(128,848)	(214,246)
Shareholders' equity		193,714	105,923

Approved by the board of directors, dated 29 June 2007: T. Kamwendo, director, S. Georgala, director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2007
expressed in thousands of US Dollars

	Share capital	Contributed surplus	Revaluation reserve	Hedging reserve	Accumulated deficit	Total equity
Balance at 31 December 2004	**30,299**	**304,248**	**-**	**-**	**(252,699)**	**81,848**
Revaluation on available for sale investment (note 9)	-	-	42	-	-	42
Hedging reserve of associated company (note 13)	-	-	-	(14,420)	-	(14,420)
Profit for the period	-	-	-	-	38,453	38,453
Balance at 31 March 2006	**30,299**	**304,248**	**42**	**(14,420)**	**(214,246)**	**105,923**
Revaluation on available for sale investment (note 9)	-	-	531	-	-	531
Hedging reserve of associated company (note 13)	-	-	-	1,862	-	1,862
Profit for the year	-	-	-	-	85,398	85,398
Balance at 31 March 2007	**30,299**	**304,248**	**573**	**(12,558)**	**(128,848)**	**193,714**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2007
expressed in thousands of US Dollars

	Notes	Year ended 31 March 2007	1 January 2005 to 31 March 2006
Cash flow from operating activities			
Cash paid to suppliers and employees		(876)	(1,480)
Cash absorbed by operations		(876)	(1,480)
Interest received		114	96
Income tax paid		(76)	(90)
Net cash absorbed by operating activities		(838)	(1,474)
Cash flow from investing activities			
Purchase of available for sale investments		(7,220)	(2,800)
Dividends received from associated company		1,628	-
Proceeds from partial disposal of investment in subsidiary		5,220	5,220
Cash (absorbed) / generated by investing activities		(372)	2,420
Net (decrease) / increase in cash		(1,210)	946
Net cash at the beginning of the year / period		4,066	3,120
Net cash at the end of the year / period	11	2,856	4,066

The accompanying notes form an integral part of these consolidated financial statements.

1 Incorporation

General
Zambia Copper Investments Limited ("ZCI" or the "Company') is incorporated as an investments holding company in Bermuda. The company is exempt from Bermuda taxation.

The Company's principal activity is the holding of a 28.4% (2006: 28.4%) interest in Konkola Copper Mines plc ('KCM'), a company incorporated in the Republic of Zambia. The Group had no direct employees during the year (2006: none).

Statement of Compliance
The consolidated financial statements of ZCI have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

2 Basis of preparation of consolidated financial statements

The consolidated financial statements incorporate the financial results of KCM according to the equity accounting method for associated companies.

The financial statements were authorised for issue by the directors on 29 June 2007.

3 Significant accounting policies

Basis of accounting
The financial statements are prepared in accordance with International Financial Reporting Standards.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 April 2006.

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:
IFRS 7 *Financial Instruments: Disclosure* and the *Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures*
IFRS 8 *Operating Segments*
IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reportng in hyperinflationary Economies*
IFRIC 8 *Scope of IFRS 2 Share-based Payment*
IFRIC 9 *Reassessment of Embedded Derivatives*
IFRIC 10 *Interim Financial Reporting and Impairment*

IFRIC 11 *IFRS 2 – Group and Trasury Share Transactions*
IFRIC 12 *Service Concession Arrangements*

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

These financial statements are presented in United States Dollars since that is the currency in which the majority of the Group's business is denominated.

The financial statements have been prepared on the historical cost basis, except for available-for-sale investments which are recorded at fair value. The principal accounting policies adopted are set out below.

Principles of consolidation
The consolidated financial statements include the financial statements of ZCI and all companies more than 50% owned by ZCI.

The interest of minority shareholders is stated at the minority's proportion of the assets and liabilities recognised. All significant intercompany transactions and balances between group companies are eliminated on consolidation.

Associated companies
The results of associated companies are recorded on an equity accounting basis. Under the equity method, associated companies are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associated company, less any impairment to the value of the individual associated company. Losses of an associated company in excess of the Group's interest in that associated company are not recognised.

Where a Group entity transacts with an associated company, profits and losses are eliminated to the extent of the Group's interest in the relevant associated company.

Available for sale investments
Available for sale investments are recognised on a trade-date basis and are initially measured at cost, including transaction costs. Available for sale investments are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in the fair value are recognised directly in equity until the security is disposed of or is determined to be impaired at which time the cumulative gain or loss previously recognised in equity is included in the net profit and loss for the period.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Receivables are stated at their nominal value as reduced by appropriate allowances for estimate irrecoverable amounts.

Long term accounts receivable

Long-term receivables are recognised initially at their fair value. Subsequent to initial recognition, long-term receivables are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the receivable on an effective interest basis.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Accounts payable

Accounts payable are stated at their nominal value.

Taxation

Income tax expense represents the tax currently payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Translation of foreign currencies

Transactions denominated in currencies other than United States Dollars are accounted for at the rate of exchange ruling on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than United States Dollars are accounted for at the rates of exchange ruling at the balance sheet date, or at the forward rate determined in forward exchange contracts. Gains and losses arising on translation are included in the profit and loss account for the period.

expressed in thousands of US Dollars

4 Principal activity and segmental information

The Company's principal activity is the holding of an equity interest in KCM. The Company has only one reportable segment, it's principal activity.

5 Profit per share

	2007	2006
Net profit attributable to shareholders (USD '000)	85,398	38,453
Weighted average number of shares in issue (thousands)	126,197	126,197
Basic net profit per share (US cents per share)	67.67	30.47

Basic profit per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of shares in issue during the year.

6 Finance income

	2007	2006
Interest income on short term bank deposits	97	133
Unwinding of discount on deferred purchase consideration	633	2,115
	730	2,248

7 Taxation

	2007	2006
Current income tax	60	76
Payable in respect of the year / period	60	76
Paid during the year / period	(76)	(90)
Included in accounts receivable and prepaid expenses	(16)	(14)

expressed in thousands of US Dollars

8 Long term accounts receivable

	2007	2006
Receivable from Vedanta (after discounting to net present value)	4,890	9,477

Resulting from the Vedanta transaction (see note 14), the Company will receive consideration of USD 23,200,000 for waiver of their pre-emptive subscription rights to KCM shares. This amount is receivable over a period from 4 November 2004 to 31 December 2008. The deferred consideration is recorded at its discounted net present value.

9 Available for sale investment

	2007	2006
Balance at the beginning of the year / period	2,842	-
Additions during the year / period	7,220	2,800
Movement in fair value for year / period	531	42
Balance at the end of the year / period	10,593	2,842

The investment above represents investments in an equity mutual fund. The fair value for available for sale investments is based on dealer price quotations. The Group has not designated any financial assets that are classified as held for trading as financial assets at fair value through profit and loss.

10 Accounts receivable

	2007	2006
Other debtors and prepayments	30	76
Receivable from Vedanta	5,220	5,220
	5,250	5,296

The Group has credit risk attributable to its trade receivables and other debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group’s management based on prior experience and their assessment of the current economic environment.

expressed in thousands of US Dollars

The Group has no significant risk attributable to the amount receivable from Vedanta, as they are a highly capitalised company with substantial assets and earnings worldwide. Vedanta is listed on the London Stock Exchange.

11 Cash and cash equivalents

	2007	2006
Call deposits and cash at bank	2,856	4,066

Cash and cash equivalents include cash in current accounts and cash deposits which mature within three months. The credit risk on cash and liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

All deposits have a floating interest rate and mature within three months.

12 Capital

	2007	2006
Share capital		
Authorised		
130,000,000 ordinary shares of BD$0.24 each (USD 0.24 each)	31,200	31,200
50,000 deferred shares of BD$0.24 each (USD 0.24 each)	12	12
	31,212	31,212

	2007	2006
Issued		
126,197,362 ordinary shares of BD$0.24 each (USD 0.24 each)	30,287	30,287
50,000 deferred shares of BD$0.24 each (USD 0.24 each)	12	12
	30,299	30,299
Contributed surplus	304,248	304,248
Total Capital	334,547	334,547

expressed in thousands of US Dollars

Ordinary shares
The ordinary shares have full voting rights and rights to dividends, and will be entitled on a winding up to a distribution equal to their par value and share premium created on their issue.

Deferred shares
The deferred shares do not have any voting rights or right to participate in the profits or assets of the Company, other than the right to receive on the winding up of the Company the amount paid up, up to the amount of 24 Bermudian cents only, after all ordinary shares have received a distribution equal to their par value and any share premium which remains distributable to them.

13 Subsidiaries and associated company

Details of the Company and it's subsidiaries and associated company at 31 March 2007 are as follows:

	Place of incorporation and operation	Proportion of ownership interest (%)	Principal activity
Name of parent company			
Zambia Copper Investments Limited	Bermuda	-	Holding company
Name of subsidiary			
ZCI Holdings S.A.	Luxembourg	100 %	Holding company
ZCI Holdings Limited	Liberia	100%	Holding company
Zambia Copper Investments (Luxembourg) Limited	Luxembourg	100%	Holding company
Name of associated company			
Konkola Copper Mines Plc	Republic of Zambia	28.4 %	Mining and ore processing

Summarised financial information in respect of the Group's associated company is set out below:

	2007	2006
Total assets	1,031,028	772,462
Total liabilities	(280,899)	(324,485)
Net assets	750,129	447,977

expressed in thousands of US Dollars

Group's share of associated company's net assets	213,037	127,225
Turnover for the year/ period	1,011,813	842,753
Profit for the year / period	301,329	132,537
Group's share of associated companies' profit for the year / period	85,577	37,640

	2007	2006
Value at beginning of year / period	84,502	61,282
Share of associated company's profit	85,577	37,640
Dividends received	(1,628)	-
Share of equity movements	1,862	(14,420)
Value at end of year / period	170,313	84,502

The Group has accounted for its share of the associated company's deficit on hedging reserves directly in equity.

14 Restructuring

With effect from 5 November 2004, the Company entered into an agreement with Vedanta Resources Plc (Vedanta), which resulted in dilution of the Company's interest in KCM.

The key terms of the Vedanta investment that the Parties agreed to were as follows:

- the subscription by Vedanta for sufficient new KCM ordinary shares for an amount of US$25 million such that Vedanta obtained a 51% interest in KCM. Accordingly, ZCI reduced its interest in KCM from 58% to 28.4% and ZCCM-IH reduced its interest in KCM from 42% to 20.6%;
- Vedanta subscribed for KCM shares, ZCI and ZCCM-IH waived their pre-emptive subscription rights. As consideration for this waiver, ZCI received a deferred consideration of US$23.2 million from Vedanta, payable over a period commencing on the completion date of the Vedanta investment and ending on 31 December 2008. The schedule of deferred payments is as follows:
- two million, three hundred and twenty thousand US dollars (US$2,320,000) on the Completion Date;
- five million, two hundred and twenty thousand US dollars (US$5,220,000) on 31 December 2005;

- five million, two hundred and twenty thousand US dollars (US$5,220,000) on 31 December 2006;
- five million, two hundred and twenty thousand US dollars (US$5,220,000) on 31 December 2007; and
- five million, two hundred and twenty thousand US dollars (US$5,220,000) on 31 December 2008;

In the event that the free cash flow (after sustaining and project capital expenditures) of KCM is negative at any time during a period of nine years after the completion date of the Vedanta investment, then Vedanta will guarantee and be responsible for providing or securing the necessary additional funding required by KCM to immediately fund to the extent of the negative cash flow up to but not exceeding a cumulative amount of US$220 million ("standby funding commitment"). Should this standby funding commitment be provided by Vedanta in the form of equity, it will be non-dilutive to existing shareholders.

Vedanta has contractually undertaken not to exit KCM prior to 1 January 2008. Thereafter if it wishes to exit, Vedanta is required to provide a twelve month notice period during which time it will provide management to KCM and it will pay an exit fee equivalent to the following years budgeted capital expenditure (as adjusted for any over or under spending of capital expenditure in prior financial periods), with its standby funding commitment terminating on the exit date.

Vedanta has agreed that KCM will set aside a portion of its future annual free cash flow to create a cash reserve so that the shareholders and GRZ have assurance that as cash is accumulated in the reserve, KCM has dedicated funds available to fund its environmental and terminal benefit obligations.

15 Contingencies

Vedanta call option deed
Vedanta has a call option over ZCI's shares in KCM, exercisable on either a positive development decision on the Konkola Ore Body Extension Project or the achievement by Konkola mine, a division of KCM, of 3 million tone per annum (tpa) of ore production for four consecutive quarters. The exercise price will be determined by an independent investment bank.

ZCI / ZCCM-IH call option deed
If the KCM board determines not to proceed with the further development of the Konkola ore body, then ZCI and ZCCM-IH will have a call option over Vedanta's shares in KCM, exercisable on or after 31 December 2009 at the prevailing fair market value of such shares. However, if Vedanta can demonstrate, at any time before the exercise date of the call option, that an additional five years production for the period from 2013 to 2017, at 175 000 tpa of produced finished copper utilising the existing KCM mining licences and adjacent areas is achievable, then in those circumstances the exercise date of the call option will be deferred for a period of five years, such that it may not be exercised prior to 31 December 2014.

During 2006, Vedanta gave notice that it was exercising its option under the Vedanta call option deed. An exercise price was not agreed, and ZCI and Vedanta remain engaged with finalising the terms of reference to be submitted to the independent investment bank for the purposes of settling the letter of engagement and enabling the independent investment bank to progress with the valuation.

The Board of Directors has determined that a reliable value can not be assigned to these call options at 31 March 2007.

16 Related party transactions

The Company has no employees and in consequence utilises the administrative services of Maitland Luxembourg S.A., which is part of the Maitland Group. Steven Georgala is a director of the Maitland Group. The Maitland Group received from ZCI fees of USD 593,165 (2006: USD 499,274).

The directors of the Company received fees of USD 144,549 (2006: USD 163,890) for their services and USD 37,557 for additional expenses (2006: USD 31,146). The Company and KCM shared certain common directors; in 2007, T Kamwendo and S Georgala received fees and expenses of USD 12,000 from KCM (2006: USD 45,072). All directors fees payable to S Georgala are payable to the Maitland Group.

17 Subsequent events

ZCI and Vedanta remain engaged with finalising the terms of reference to be submitted to the independent investment bank for the purposes of settling the letter of engagement and enabling the independent investment bank to progress with the valuation of ZCI’s holding of 28.4% of KCM in accordance with the terms of the Vedanta call option deed (see note 15).

18 Holding company

There is no ultimate holding company.

Report of the auditor

To the Shareholders of
Zambia Copper Investments Limited
Clarendon House
2 Church Street
Hamilton
Bermuda

REPORT OF THE REVISEUR D'ENTREPRISES

We have audited the accompanying consolidated financial statements of Zambia Copper Investments Limited, which comprise the consolidated balance sheet as at March 31, 2007 and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 12 to 25.

Board of directors' responsibility for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statemments 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.

Responsibility of the Réviseur d'Entreprises

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Zambia Copper Investments Limited as at March 31, 2007, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial reporting Standards.

Luxembourg, 29 June 2007

KPMG Audit S.à r.l.
Réviseurs d'Entreprises

Ph. Meyer

Notice of Annual General Meeting

Notice is hereby given that the thirty-seventh annual general meeting of the shareholders of Zambia Copper Investments Limited will be held at Hotel Le Royal, 12 Boulevard Royal, Luxembourg, on Wednesday 12 September 2007 at 11h00 for the following business:

1. To consider the financial statements and the reports of the directors and auditors for the year ended 31 March 2007.

3. To propose the re-election of T Kamwendo, who retires in terms of the Bye-Laws of the company, and being eligible, recommended and available has offered himself for re-election.

4. To propose the re-election of D.D. Rodier, who retires in terms of the Bye-Laws of the company, and being eligible, recommended and available has offered himself for re-election.

5. To propose the re-election of S. Georgala, who retires in terms of the Bye-Laws of the company, and being eligible, recommended and available has offered himself for re-election.

6. To propose the re-election of M Clerc, who retires in terms of the Bye-Laws of the company, and being eligible, recommended and available has offered himself for re-election.

7. To ratify and approve all actions taken by the directors of ZCI to the date of this Annual General Meeting.

8. To approve the remuneration of the directors for the period ended 31 March 2007.

9. To reappoint the auditors and to fix their remuneration.

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a member. Proxy forms should be forwarded to reach the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 or posted to the transfer secretaries at P O Box 61051, Marshalltown, 2107, South Africa, so as to be received by not more than 48 hours before the time fixed for the holding of the meeting at 11h00 on Wednesday 12 September 2007. Proxy forms should only be completed by members who have not dematerialised their shares or who have dematerialised their shares with “own name” registration.

On a show of hands, every member of the company present in person or represented by proxy shall have on vote only. On a poll, every member of the company shall have one vote for every share held in the company by such member.

Members who have dematerialised their shares, other than those members who have dematerialised their shares with “own name” registration should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

A form of proxy is enclosed with this annual report.

By order of the board of directors

John B. Mills
Secretary

Dated: 29 June 2007

Company details

Directors
T Kamwendo *(Chairman)*
D D Rodier
S Georgala
M Clerc

Secretary
J B Mills

Registered Office
Clarendon House
2 Church Street
Hamilton
Bermuda

Website
www.zci.lu

Transfer Secretaries

In South Africa
Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street, Johannesburg 2001
South Africa
(P O Box 61051
Marshalltown 2107)

In the United Kingdom
Computershare Investor Services PLC
P O Box 82, The Pavilions
Bridgwater Road
Bristol BS99 7NH
United Kingdom

French Listing agent
Caceis Corporate Trust
(Formerly Euro Emetteurs Finance)
14, rue Rouget de Lisle
F-92130 Issy-Les-Moulineaux
Paris, France

Auditors
KPMG Audit S.à r.l.
31 Allée Scheffer
L-2520 Luxembourg

South African Sponsor
Rand Merchant Bank, A division of
FirstRand Bank Limited
Corporate Finance, 1 Merchant Place,
Cnr Fredman Drive & Rivonia Road
Sandton, 2146, South Africa