CONSERVATION LOWER ZAMBEZI

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2018

P.PONYA & ASSOCIATES
(CHARTERED ACCOUNTANTS OF ZAMBIA)
GROUND FLOOR , PERMANENT HOUSE
P. O. Box 32028, LUSAKA.
Mobile: 0977 780384
Email: hlmconsult@yahoo.co.uk

CONSERVATION LOWER ZAMBEZI

Financial Statements

CONTENTS **PAGE**

BOARD MEMBERS REPORT	1
STATEMENT OF BOARD MEMBERS` RESPONSIBILITIES	2
STATEMENT OF ACCOUNTING POLICIES	3 & 4
REPORT OF THE AUDITORS	5
SUMMARISED INCOME AND EXPENDITURE STATEMENT	6
STATEMENT OF FINANCIAL POSITION	7
STATEMENT OF CASHFLOW	8
NOTES TO THE FINANCIAL STATEMENTS	9 TO 12
STATEMENT OF DETAILED INCOME AND EXPENDITURE'	13
ACCOUNTING POLICIES	14 TO 24

CONSERVATION LOWER ZAMBEZI

Board members report

The board members submit their report for the year ended 31st December 2018.

1. Review of activities

The body corporate came into being to conserve wild life in the Lower Zambezi.

Financial results:-

	2018	2017
	Zmw	Zmw
Revenue	10,125,446	6,820,761
Profit (loss) for the year	2,022,085	(513,989)

2. Post Balance Sheet events

The board members are not aware of any matter or circumstance arising since the end of the financial year.

3. Contributions / Donations

Contributions paid by members and donations and grants received during the year were Zmw 10,125,446.00 sufficient to meet expenditure of Zmw 8,198,191.00 resulting in a net surplus of Zmw 2,022,085.00 (Two Million Twenty Two Thousand And Eighty Five Kwacha only) as compared to a 2017 deficit of Zmw 513,989.00

4. Board members

The members of the body corporate during the year and to the date of this report are as follows:-

Name

CHAIRPERSON:	Anita Balletto
VICE CHAIRMAN:	Mark Pearson
TREASURER:	Alan R. Harkness
SECRETARY:	Sarah Davies
C.E.O	Ian Stevenson

Members:

Grant Cumings
Riccardo Garbaccio
Jealous Nyandowo
Carrol Fleming
Keira Langfold Johnson
Juri Van zyl
Chileya Kasuba
Brett Brannigan

5. Auditors

P. Ponya and Associates were appointed for the year ended 31st December 2018.

Statement of the Board Members` Responsibility for Annual Financial Statements

The board members are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in the report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the body corporate as at 31st December 2018 and the results of its operations and cash flows for the period then ended , are in conformity with the International Accounting Standards.
The external auditors are engaged to express an independent opinion on the annual financial statements.

The board members acknowledge that they are ultimately responsible for the system of internal financial control environment. To enable the members meet these responsibilities , the board members set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework , effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the body corporate and endeavours to minimize it by ensuring that appropriate infrastructure control systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The board members are of the opinion , based on the information and explanations given by management , that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. These statements have been examined by external auditors and their report is presented on page 5.

The annual financial statements set out on pages 6 to 12 which have been prepared on the going concern basis were approved by the board members and were signed on their behalf
by :

.....
Anita Balletto
Chairperson

.....
Alan R. Harkness
Treasurer

Statement of Accounting Policies

1.0 Presentation of Annual Statement

The annual financial statements have been prepared in accordance with the International Accounting standards. The financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below.

1.1 Income and expenditure

The body corporate is a non -profit making concern.
Income is derived from members and donations from well-wishers.

1.2 Property , Plant and Equipment

Property , Plant and Equipment are stated at cost or valuation. Buildings are depreciated on straight line basis at 2%.

1.3 Deferred Taxation

Deferred taxation arising from temporary timing differences between income reflected in the financial statement and taxable income is provided for using the liability method except where it can reasonably be demonstrated that no income tax will arise in the foreseeable future.

1.4 Assets and Liabilities Denominated in Foreign Currency

Assets and Liabilities expressed in foreign Currency are translated at the rate of exchange arising in the normal course of business and credited or charged to the income and expenditure account in the year in which they are realized.

1.5 Revenue Recognition

Revenue is recognized when it is possible that the economic benefits associated with the transaction will flow to the company and the revenue can be measured reliably; interest income is recognized as it accrues.

Statement of Accounting Policies (continued)

1.6 Financial Instruments

Initial recognition

The Association classifies financial instruments or their component parts , on initial recognition as a financial asset , a financial liability or an equity instrument in accordance with substance of the contractual arrangement.

Financial assets and financial liabilities are recognized on the corporate balance sheet when the body corporate becomes party to the contractual provision of the instrument.

Trade receivables

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of any outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events , where it is possible that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Trade payables

Trade payables are carried at anticipated realizable value.

Cash and Cash equivalents

For the purpose of the cash flow statement , cash and cash equivalents comprise of cash in hand and deposits held on call at banks, cash and cash equivalent is stated at cost which is equivalent to fair value

P. PONYA AND ASSOCIATES

Chartered Accountants of Zambia
Mobile: 260 97 7780384
Permanent House Cairo Road
P. O. Box 32620 LUSAKA
email: hlmconsult@yahoo.co.uk

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CONSERVATION LOWER ZAMBEZI

Report on the financial statements

We have audited the financial statements of Conservation Lower Zambezi which comprise of the statement of financial position as at 31st December 2018 and the income statement and statement of cash flow for the year then ended, and the notes to the financial statements, which includes a summary of significant accounting policies and other explanatory notes as set on pages 9 to24.

Board Members' responsibility for the financial statements

The board members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, presentation of financial statements that are free from material misstatement, whether due to error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances

Auditors' Responsibility

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

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

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Conservation Lower Zambezi as at 31st December 2018 and its financial performance and cash flow for the year then ended in accordance with the International Financial Reporting Standards.

Report on the legal and regulatory requirements

In accordance with the Company's Act 1994, we report that, in our opinion, the required accounting records, other records and registers have been properly kept in accordance with the Act.

P. Ponya & Associates
Chartered Accountants

22nd March 2019

SUMMARISED INCOME AND EXPENDITURE STATEMENT

	NOTE	2018 ZMW	2017 ZMW
INCOME	1	**10,125,446**	6,820,761
OTHER INCOMES	2a	116,137	-
EXCHANGE GAINS/(LOSSES)	2c	838,477	(3,833)
TOTAL INCOME		**11,080,060**	6,816,928
LESS COST OF SALES	2b	(21,308)	(565,819)
GROSS PROFIT		**11,058,753**	6,251,109
LESS OPERATIONAL EXPENSES		(9,036,668)	(6,765,098)
PROFIT (LOSS) FROM OPERATIONS		**2,022,085**	(513,989)
SURPLUS / (DEFICIT) BROUGHT FORWARD		1,898,289	2,412,278
SURPLUS / (DEFICIT) CARRIED FORWARD		**3,920,374**	1,898,289

CONSERVATION LOWER ZAMBEZI

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018

	Notes	2018 Zmw	2017 Zmw
ASSETS			
Non current assets			
Property , plant and equipment	10	6,014,505	6,162,403
Current assets			
Bank and Cash	6	5,354,514	3,275,293
Total Assets		11,369,019	9,437,696
EQUITY & LIABILITIES			
Reserves - RDE - DeMerger	7	7,345,584	7,345,584
Retained earnings	8	3,920,374	1,898,289
Total Equity		11,265,958	9,243,873
Current Liabilities			
Trade payables	9	7,500	113,053
Accruals	9	95,561	80,770
Total Liabilities		103,061	193,823
Total equity and liabilities		11,369,019	9,437,696

The responsibilities of the board members` with regard to the preparation of the financial statements are set out on page 2.The financial statements on pages 6 through to 24 were approved by the board members at a board meeting held on .....and were signed on its behalf by :

.....
Anita Balletto
Chairperson

.....
Alan R. Harkness
Treasurer

CONSERVATION LOWER ZAMBEZI

STATEMENT OF CASHFLOWS
for the year ended 31st December, 2018

	Year ended 31.12.18 Zmw	Year ended 31.12.17 Zmw
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	**2,022,085**	(513,989)
Adjustments for items not affecting cash flows:		
Depreciation	147,898	147,898
Profit on sale of non-current assets	(116,100)	(366,092)
Interest receivable	(37)	
	2,053,846	**(732,183)**
Working capital adjustment:-		
Increase in accounts payables	(105,553)	(138,080)
Increase in accounts accruals	14,791	-
cash flows from operating activities	**1,963,084**	(504,171)
Interest paid	-	
Net cash inflow from operating activities	**1,963,084**	(504,171)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of non-current assets	116,100	-
Interest receivable	37	
Net cash inflow from investing activities	**116,137**	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proprietors Fund	-	-
Net cash flow from financing activities	-	-
Increase / (decrease) in cash and cash equivalents	2,079,221	(273,379)
Cash and cash equivalents at the beginning of the year	3,275,292	3,548,672
Cash and cash equivalents at the end of the year	**5,354,513**	3,275,293
Represented by:		
FNB Bank Kwacha	**100,531**	80,209
FNB Call Account Dollar	**2,611,282**	2,619,669
FNB Bank Dollar	**2,549,064**	559,669
CASH ON HAND - Kwacha	**20,515**	15,706
- USD	**106**	39
Supplier Control Account	**73,016**	
	5,354,514	3,275,292

CONSERVATION LOWER ZAMBEZI

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31ST DECEMBER 2018

NOTES		2018 ZMW	2017 ZMW
1	INCOME		
	Donations	421,586	1,913,016
	Operator Additional Donations	62,646	45,933
	Membership fees	1,476,850	1,177,784
	Grants	7,763,468	3,164,665
	Camp facilities	185,211	122,559
	Fund raisers	144,327	219,479
	Safari Guide Training & Exams	66,181	163,480
	Administration fee	-	780
	Sales - services	2,500	2,600
	Merchandise sales	2,676	10,466
		10,125,446	6,820,761
2a	OTHER INCOME		
	Interest Received	37	
	Profit on Sale of Non-current Assets	116,100	
		116,137	
2b	COST OF SALES		
	Purchases / C.O.S - Food	-	539,231
	Purchases / C.O.S - beverages	-	1,352
	Purchases / C.O.S - Merchandise	-	8,068
	Purchases / C.O.S - Guide Training	-	16,223
	Purchases / C.O.S - Fund Raisers	**21,308**	945
		21,308	565,819
2c	GAINS AND LOSSES		
	Other gains and losses comprises the following:		
	Profit /loss on foreign exchange	838,477	(3,833)
	Unrealised profit/loss on foreign exchange	-	-
		838,477	**(3,833)**
3	REPAIRS & MAINTENANCE		
	Building	141,990	226,311
	Electrical Appliances	54,768	213,267
	General	18,308	1,465
	Plane	75,264	75,723
	Motor vehicle & boats	356,648	352,526
		646,978	869,292
4	REPLACEMENTS		
	Linen	9,599	2,262
	Other	325,662	20,235
	Uniforms	364,119	21,330
	Kitchen equipment	-	3,285
	Crockery	-	1,460
	Glassware	-	487
	Furniture and fitting	-	55,908
		699,380	104,967

CONSERVATION LOWER ZAMBEZI

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED
31ST DECEMBER 2018 (CONTINUED)

NOTE		2018 Zmw	2017 Zmw
5	**FUEL , OIL AND LUBRICANTS**		
	Diesel	641,429	31,342
	Petrol	-	345,565
	Motor oils	6,604	1,087
		648,033	377,994
6	**BANK / CASH**		
	FNB Bank Kwacha	100,531	80,209
	FNB Call Account Dollar	2,611,282	2,619,669
	FNB Bank Dollar	2,549,064	559,669
	Supplier Control Account	73,016	-
		5,333,893	3,259,548
	CASH ON HAND - Kwacha	20,515	15,706
	- USD	106	39
		20,621	15,745
	BANK AND CASH	**5,354,514**	3,275,293
7	**SHARE CAPITAL**		
	RDE - DeMerger Reserve	7,345,584	7,345,584
		7,345,584	7,345,584
8	**RETAINED EARNINGS**		
	Retained Earnings as at 01.01.2018	1,898,289	2,409,579
	Adjustments	-	2,700
	Surplus / (Deficit) for the year	2,022,085	-
	Retained Earnings as at 31.12.2018	**3,932,874**	2,412,279
9	**PAYABLES / ACCRUALS**		
	Supplier Control Account	7,500	113,053
		7,500	113,053
	ACCRUALS - NAPSA	23,779	12,139
	- PAYE	16,421	5,770
	- Other Accruals -Net Pay Control	42,861	55,361
	- Audit fees	12,500	7,500
		95,561	80,770

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31ST DECEMBER 2018 (CONTINUED)

NOTES

10 FIXED ASSET SCHEDULE

Cost/Valuation	Land and Buildings ZMW	Total ZMW
As at 01/01/18	7,394,884	7,394,884
Additions		-
Disposals	-	-
As at 31/12/18	7,394,884	7,394,884
Depreciation		
As at 01/01/18	1,232,481	1,232,481
Charge for the year	147,898	147,898
As at 31/12/18	1,380,379	1,380,379
Net Book Value		
As at 31/12/18	6,014,505	6,014,505
As at 31/12/17	6,162,403	6,162,403

CONSERVATION LOWER ZAMBEZI

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2018

	Share Capital	Retained Earnings	Total
	Zmw	Zmw	Zmw
Balance as at 01.01.2018	7,345,584	1,898,289	9,243,873
Profit (Loss) for the year		2,022,085	2,022,085
Balance as at 31.12.2018	7,345,584	3,920,374	11,265,958

CONSERVATION LOWER ZAMBEZI

STATEMENT OF DETAILED INCOME AND EXPENDITURE

	NOTES	2018 Zmw	2017 Zmw
INCOME	1	**10,125,446**	6,820,761
COST OF SALES	2b	(21,308)	(565,819)
GROSS PROFIT		10,104,139	6,254,942
OTHER INCOME	2a	**116,137**	-
EXCHANGE GAINS/(LOSSES)	2c	838,477	(3,833)
TOTAL INCOME		**11,058,753**	6,251,109
LESS OPERATING EXPENSES			
Advertising & promotions		-	7,133
Accountancy / Audit fees		21,000	10,000
Bank charges		38,644	37,337
Cleaning		67,668	46,120
Computer expenses		49,131	39,540
CRB Contribution		29,506	12,116
Courier & Postage		8,047	-
Customs Duty		52,689	
Depreciation		147,898	147,898
Dog Unit - Payroll		-	188,769
Dog Unit - Expenses USAID		-	149,368
Dog Unit - Expenses CLZ		-	35,402
Gas		-	22,298
General expenses		30,000	-
Hire of equipment		6,008	
Entertainment expenses		29,758	11,406
Insurance		178,990	45,684
Incentives		110,083	14,824
Internet costs		18,653	11,982
Interest paid		(74)	
Licences		52,542	7,624
Professional fees		-	20,989
Purchases-Food		607,666	
Park fees		100	-
Printing & Stationery		75,252	64,922
Motor vehicle / Boat purchases		1,034,288	1,583,732
Marketing Costs		47,125	417
Repairs & Maintenance	3	646,978	869,292
Replacements	4	699,380	104,967
Rent paid		-	9,600
Rubatano		-	40,770
Salaries & Wages		2,114,166	1,243,583
Staff Training		691,463	3,890
Staff welfare		8,741	9,310
Staff Recruitment		15,008	
Schoolarships		55,232	-
Security services		34,620	840
Subscriptions		304	
Medical Fees		231,267	98,350
Telephone & fax		21,882	36,642
Travel - Local		378,671	217,594
Travel - Overseas		-	20,077
AV Gas		183,572	112,000
Customs Duties		-	2,138
Donations		-	28,138
Village Scout Payroll		-	466,518
Village Scout Expenses		-	32,879
Fuel , Oil and Lubricants	5	648,033	377,994
Funeral Grants		6,135	5,839
ZAWA Assistance		-	27,178
Ammunition		(35,024)	55,443
AMSCO Management Fee		711,856	523,875
Workers Compensation		19,412	20,622
TOTAL OPERATIONAL EXPENSES		**9,036,668**	6,765,098
SURPLUS (DEFICIT) FROM OPERATIONS		2,022,085	(513,989)
SURPLUS (DEFICIT) BEFORE TAXATION		**2,022,085**	(513,989)

Accounting Policies

General Information

CONSERVATION LOWER ZAMBEZI is a trust registered and domiciled in Zambia. The address of its registered office and principal place of business are disclosed on the information page of the financial statements.

1. Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and section 164 of the Zambia companies Act, 1994. The financial statements have been prepared in Zambian Kwacha under the historical cost basis, and incorporate the principle accounting policies set out below.

1.1 Significant Judgment

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgment includes:

Trade receivables

The company assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the income statement, the company makes judgment as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Taxation

Judgment is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is deferent from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

The company recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income

1.1 **Significant Judgment - Continued**

Estimate of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realize the net deferred tax assets recorded at the balance sheet date could be impacted.

1.2 **Property, plant and equipment**

The cost of an item of property, plant and equipment is recognized as an asset when:

- It is probable that future economic benefits associated with the item will flow to the company; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

The initial estimate of the costs of the dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obliged to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of
Major spare parts and stand by equipment which are expected to be used for more than one period are included in property. Plant and equipment. In addition, spare parts and stand by which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognized.

Property, plant equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

1.2 **Property, plant and equipment - Continued**

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on their expected useful lives or their estimated residential value. The company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year the directors determined that the useful lives of the property, plant and equipment have not changed significantly.

The rates applied during the year were as follows:

Plant, Plant and Equipment	2%

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized in profit or loss unless it is included in the carrying amount of another asset.

1.2 **Property, plant and equipment - Continued**

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 **Financial instruments**

The company classifies financial assets and financial liabilities into the following categories:

Classifications depend on the purpose for which the financial instruments were obtained / incurred and take place at initial recognition. For financial instruments which are not at fair value through profit or loss, classification is reassessed on an annul basis.

Initial recognition and measurement

Financial instruments are recognized initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments or their component parts, on initial recognition as financial assets, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for the equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through profit or loss transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

1.3 **Financial instruments - Continued**

Fair Value determination

The fair value of quoted investments is based on current bid prices. If the market for a financial assets is not active (and for unlisted securities) the company establishes fair value by using valuation techniques. These include the use of recent arm's length transaction, reference to other instruments that are substantially the same, discounted cash flows analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankrupt or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognized is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asst is reduced through the use of an allowance account, and amount of the loss irrecognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written of f are credited against operating expenses in the income statement.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method

Cash and other cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short- term highly liquid investments that are readily convertible to known amount of cash and are subject

Accounting Policies - Continued

1.3 **Financial instruments - Continued**

to an insignificant risk of changes in value . These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdraft and borrowings are initially measured at fair subsequently measured at amortized cost, using the affective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized
Over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

1.4 Tax

Current tax assets and liabilities

Current tax for current and prior periods is to the extent unpaid recognized as liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods the excess is recognized as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to 9 recovered from) the tax authorities using the tax rates (and tax law) that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax assets and liabilities

A deferred tax liability is recognized for all taxable temporary differences, extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither accounting profit nor taxable profit (tax loss)

1.4 Tax

Deferred tax assets and liabilities

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. A deferred tax asst is not recognized when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction effects neither accounting profit nor taxable profit (tax loss)

A deferred tax asset is recognized for the carry forward of unused tax losses and unused to the extent that it is probable that the future taxable profit will be available against which the unused tax losses and unused credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

Tax expenses

Current and deferred taxes are recognized as income or an expense and included in profit or loss for the period except to the extent that the tax arises from:

a transaction or event which is recognized in the same or different period directly in equity or

a business combination.

Current and deferred taxes are charged or credited directly to equity if the tax release to items that are credited or charged in the same or a different period directly to equity.

1.5 Inventories

Inventories are measured at the lower cost and net realizable value.

Inventories are measured at the lower of cost and net realizable value on the first – in – first – out basis.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.6 Share Capital and equity

An equity instrument is any contract that evidences a residential interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity. Mandatorily redeemed preference shares are classified as liabilities.

1.6 **Share capital and equity – continued**

If the company reacquires its own equity instruments the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognized in profit on the purchase, sale issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognized directly in equity.

Incremental costs directly attributed to the issue of new shares or options are shown in equity as a deduction net of tax from the proceeds.

1.7 **Employee benefits**

Defined contributed plans

The Company contributes to National Pensions Scheme Authority (NAPSA) for its eligible employees as provided for by law. Membership with the inclusion of expatriate employees is compulsory and monthly contributions by both employer and employees are made.

1.8 **Revenue**

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- The company has transferred to the buyer the significant risks and rewards of ownership of the goods:
- The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the company ; and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be measured reliably.

1.8 **Revenue –Continued**

- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the company;
- The stage of completion of the transaction at the costs to complete the transaction at the balance sheet date can be
- measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the expenses recognized that are recoverable.

Service revenue is recognized by reference to the stage of completion of the transaction at statement of financial position date. Stage of completion is determined by.

Contract revenue comprises:

- The initial amount of revenue agreed in the contract; and
- Variation in contract work, claims and incentive payments:
  - To the extent that it is probable that they will result in revenue; and
  - They are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods and service provide in the normal course of business. Net of trade discounts and volume rebates, and value added tax.

Interest is recognized, in profit or loss using the effective interest rate method.

1.9 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Zambian Kwacha, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each statement of financial position dates:

1.9 Translation of foreign currencies - continued

- Foreign currency monetary items are translated using the closing rate;
- None – monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction ; and
- None – monetary that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise.

When a gain or loss on a non – monetary item is recognized directly in equity, any exchange component of that gain or loss is recognized directly in equity. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in ZMK by applying to the foreign currency amount the exchange rate between the ZMK and the foreign currency at the date of the cash flow.

2. New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31st December, 2017, and have not been applied in preparing these financial statements. The following standards and interpretations will have an impact on the financial statements of the company:

2.1 **IFRS 9 – Financial instruments**

IFRS 9 Financial instruments deals with classification and measurement of financial assets and is effective 1 January 2015. The standards will be applied retrospectively, subject to transaction provisions. IFRS 9 (2010) Addresses the measurements and classification of financial assets and will replace the relevant sections of IAS 39. The standard contains two primary measurement categories for financial: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held for within a business model whose objective is to hold assets in order to collect contractual cash flows, and the assets contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS

2.1 **IFRS 9 – Financial instruments - continued**

39 categories of held to maturity, available for sale and loans and receivables. The company is yet to qualify the impact the adoption of the standard will have o the financial statements. The statements. The standard is effective for annual periods beginning on or after 1 January 2015 with earlier application permitted.

2.2 Standard and interpretation not yet adopted
IFRS 13 fair value measurement, effective 1 January 2013. The standard will be applied prospectively and comparatives will be restated. IFRS 13 Introduces a single source of guidance of fair value measurement for both financial and non- financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosure requirements for fair value measurements. The key principles in IFRS 13 are as follows: Fair value is an exit price. Measurements considers characteristics measurement assumes a transaction in the entity's principle 9 or most advantageous) market between market participants. Price is not adjusted for transaction costs. Measurements maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three – level fair value hierarchy is extended to all fair value measurement. The company is yet to qualify the impact on the financial statements.

2.3 IAS 1 – Presentation of financial statements

Amendments to IAS 1 presentation of financial statement, effective 1, July, 2013. The company will present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub- categories will be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. This amendment will be applied retrospectively and the comparative information will be restated.