Zambia Institute of Chartered Accountants

Competence, Integrity and Virtue

2018

ANNUAL REPORT

ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS

ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS

The Institute is a self-regulated membership body established to regulate and promote the accountancy profession in Zambia.

CONTENTS

WHO WE ARE

OUR VISION & MISSION

VISION

A globally respected professional accountancy organisation.

MISSION

To protect public interest by upholding the highest professional standards in accountancy education and practice.

OUR CORE VALUES

As ZICA, we take pride in our core values and incorporate them in all our daily operations and programmes.

- INTEGRITY
- PROFESSIONALISM
- CUSTOMER CENTRIC
- ACCOUNTABILITY
- EXCELLENCE
- INNOVATION

OUR MANDATE

The Institute is a self-regulated membership body established to regulate the accountancy profession in Zambia.

1. **REGULATION**

   Regulation of the accountancy profession in Zambia

2. **EDUCATE & TRAIN**

   Regulation of the education and training of accountants, registration of students.

3. **SETTING STANDARDS**

   Setting of Ethical, auditing and accounting standards

4. **PROTECT PUBLIC INTEREST**

   Investigation of disclosure made in the public interest

EVENTS IN PICTURES

Left to Right ZICA Vice President Mrs. Cecilia Zimba and the ZICA President Mr. Jason Kazilimani following proceedings of the 2018 AGM.

Delegates following proceedings of the 2018 AGM.

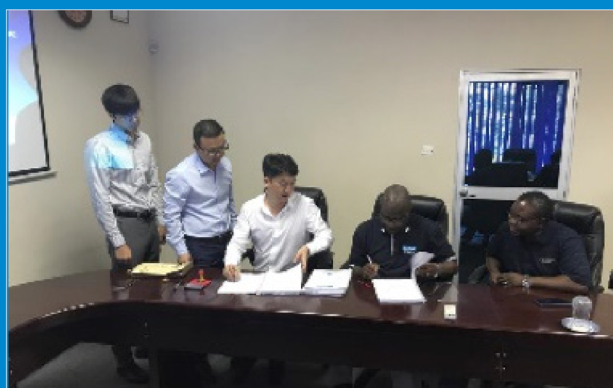
Minister of Finance Honourable Margaret Mwanakatwe arriving at the ZICA organised 2019 National Budget Analysis Dinner.

Official launch of the 2017 ROSC- AA Report.

Local Government PS Mr. Amos Malupenga speaking at the Local Authorities Conference.

Members following proceedings of the Accountants Forum.

Delegates following proceedings of the Tax Update Workshop.



Signing of Construction contract for SNICC between ZICA & China State Engineering Corporation Limited.

YEAR IN REVIEW

KEY HIGHLIGHTS

6.4% MEMBERSHIP GROWTH

(2017: 1.48%)

STUDENT GROWTH 8.6%

CA Zambia Qualifications

(2017: N/A)

34.5% STUDENT GROWTH

Diploma in Accountancy Qualifications

(2017: N/A)

STUDENT GROWTH 44.7%

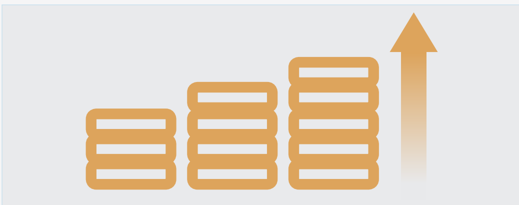
Taxation Qualifications

(2017: 123%)

STUDENT GROWTH 60.9%

Diploma in Public Sector Financial Management Qualifications

(2017: N/A)



MEMBERSHIP FUND GROWTH 9%

(2017: 29%)

10% REVENUE GROWTH

(2017: 29%)

15% SURPLUS GROWTH

(2017: 210%)

SERVICES WE OFFER

REGULATORY SERVICES

The Zambia Institute of Chartered Accountants' (ZICA) primary mandate is to promote the accountancy profession, through the regulation of accountancy education and practice in Zambia. In the regulation of the profession, the Institute provides a range of services.

Figure 1 - Regulation of the Accountancy Profession

COMPLIANCE MONITORING AND ENFORCEMENT

The Institute ensures members comply with relevant professional standards. This is done partly through audit monitoring reviews for all audit firms. In addition, the Institute also carry out reviews of members' compliance with Continuous Professional Development (CPD) requirements and Enforce sanctions on members failing to comply with CPD requirements.

DISCIPLINING ERRING MEMBERS

The Institute undertakes investigations on complaints regarding professional misconduct by its members. The powers to discipline members of ZICA are vested in the Disciplinary Committee established under the Accountants Act of 2008. To enhance the independence of the Disciplinary Committee, the Accountants Act requires that the Chairperson and Vice Chairpersons be senior legal practitioner with more than 15 years of experience.

SETTING AUDITING, ACCOUNTING AND ETHICAL STANDARDS

ZICA participates in the standard setting process by submitting comments, letters on exposure drafts and discussion papers to various international standard setting bodies. The Institute also develops application guidelines to make specific standards comply with local business conditions and statutory requirements. Further, the Institute has the following windows for providing professional standards implementation support to members:

i. Technical workshops
ii. Technical updates in the Accountancy Journal
iii. Technical helpdesk
iv. Issuance of pronouncements

REGISTERING AND MONITORING ALL ACCOUNTANTS WORKING IN ZAMBIA

The Accountants Act requires all professional accountants working in Zambia to register with the Institute. The Institute conducts registration of members and monitors their compliance with the professional code of conduct. Further, the Institute carries out employer awareness and inspections to ensure they employ only duly registered accountants.

MEMBERSHIP SERVICES

CONTINUOUS PROFESSIONAL DEVELOPMENT

Continuous Professional Development (CPD) is the continuous maintenance, development and enhancement of the professional and personal knowledge and skills, which members require throughout their working lives. It is important that members remain competent and develop new skills to remain effective in their roles and careers. It is in this regard that the Institute offers various CPD activities to members, among them Technical Update Workshops, Accountants Fora, Annual Business Conference and Pre-AGM Workshop.

COMPETENCE PRACTICE EXAMINATIONS

The Institute conducts Competence Practice Examinations (CPE) for members who intend to obtain practicing certificates (Audit or Non–Audit) in compliance with section 19 of the Accountants Act No. 13 of 2008.

DEVELOPING AND PROMOTING PRACTICE STANDARDS

In line with the Accountants Act, the Institute is conferred with the mandate of standard setting. Therefore, it develops, adopts and promotes relevant practice standards. In line with this mandate, the Institute issues accounting and auditing pronouncements to guide members on the practice of the profession.

PROVISION OF TECHNICAL ADVICE TO MEMBERS

The Institute plays an instrumental role in the research and development of accounting and auditing standards in Zambia. The Institute further provides specialist advice on a wide range of topics to members including ethical, technical and taxation. In addition, the Institute also provides Government and other stakeholders with technical assistance in whatever areas that might require the application and review of Accountancy Practice Standards.

PROTECTION OF PUBLIC INTEREST

The Institute maintains appropriate practice standards that are consistent with the principle of self-regulation and protection of public interest among members.

EDUCATION AND TRAINING SERVICES

REGISTRATION OF STUDENTS

The Institute registers all students studying or intending to become Accountants in Zambia as stipulated in the Accountants Act of 2008. As a legal requirement, registration of students ensures that the students are introduced to ethical requirements of the accountancy profession at an early stage.

ACCREDITATION OF TUITION PROVIDERS

In fulfilment of its mandate, the Institute accredits tuition providers intending to offer tuition to students pursuing the Institutes programmes. The objective of accreditation is to ensure that tuition providers meet the minimum training standards as these have an impact on the quality of tuition that is offered to students at the accredited institutions.

PRESIDENT'S REPORT

NATIONAL ECONOMY

GDP growth closed at 3.5% in 2018

INVESTMENT

There has been significant progress recorded in the Shungu Namutitima International Conference Centre (SNICC) in Livingstone and the mixed–use project at the Accountants Park in Lusaka.

INCREASE IN MEMBERSHIP

" I am proud to mention that the year 2018 ended with a total of 6,640 registered members compared to 6,243 members in 2017. The Membership retention stood at 95%.

JASON KAZILIMANI, Jr
ZICA PRESIDENT

It gives me great pleasure to present the Institute's annual report for 2018. The year 2018 was a pivotal year for the Institute in which a strong foundation was laid for the continued success of the accountancy profession. Despite being a challenging year for the Country in general and the Institute in particular in so many ways, as a profession, we managed to pull through to 2019.

PERFORMANCE OF THE NATIONAL ECONOMY

GDP growth continued at an estimated 3.5% in 2018 compared with 3.8% in 2017.
Public debt is estimated to have increased to 72.5% of GDP in 2018 from 63.4% in 2017, reflecting large disbursements of external debt amplified by the depreciation of the Kwacha in 2018.
Inflation increased to an estimated 7.6% in 2018 from 6.6% in 2017.

PERFORMANCE OF THE INSTITUTE

The Institute continued with its positive performance in the period under review. The Institute achieved a total income of ZMW 45.343 million (2017: ZMW 41.269 million). The total expenditure for the year was ZMW 41.031 million (2017: ZMW 37.516 million). The surplus for the year was ZMW 4.311 million (2017: ZMW 3.752 million).

ZICA QUALIFICATIONS

The Institute continued with its marketing, publicity, sensitization and stakeholder engagement programmes, to make sure that the CA Zambia and the Diploma qualifications offered become qualifications of choice on the market. The Institute held promotional activities for the four (4) qualifications in Southern, Lusaka, Central, Copperbelt and North – Western Provinces in the year under review. The Institute also used different communication channels by advertising the qualifications on Social Media, Newspapers, TV and Radio in all the ten (10) Provinces of the country.

MEDIA BRIEFINGS

The Institute continued with the quarterly media briefings which were introduced in 2017, in line with our mandate as provided for by the Accountants Act, to advise Government on economic matters and to remain as a relevant professional body in society. The briefings have enhanced the Institute's brand visibility from a thought leadership perspective .

LONG TERM SUSTAINABILITY

The Institute continued with its diversification strategy during the year under review. There has been significant progress recorded in the Shungu Namutitima International Conference Centre (SNICC) in Livingstone and the mixed –use project at the Accountants Park in Lusaka.

The road to long- term sustainability will not be an easy one. There's need for sacrifice from the members of the Accountancy profession and the Institute for the common good of the future Accountancy profession. The Institute remains committed to achieving these milestones, which will change the face of the profession for the foreseeable future.

TENURE OF COUNCIL

In the year under review, the tenure of office for one (1) Council member Mr. Chikusi Banda came to an end and an election was conducted at the last Annual General Meeting (AGM) in Livingstone. The single election resulted in Mr. Julius Zgambo joining the hard working team of Men and Women on Council which I am proud to lead.

CHANGE IN MANAGEMENT

During the year under review, the Institute changed hands in the C-Suite and bid farewell to Mr. Hapenga Kabeta who served the Institute for ten (10) years. Council wishes Mr. Kabeta success in his future endevours. The Institute welcomed Mr. Bonna Kashinga as the new Secretary and Chief Executive of the Institute effective 1st November 2018. I wish to appeal to all members of the Institute to render their full support to our new Secretary and Chief Executive.

ACKNOWLEDGEMENTS

I wish to sincerely thank the former ZICA Presidents, Council members, senior members, Management and Staff, the general membership, and indeed all other stakeholders for the unwavering commitment and support rendered to the Institute in the period under review.

Best Wishes

....

Jason Kazilimani, Jr

PRESIDENT

CHIEF EXECUTIVE OFFICER'S REPORT

BONNA KASHINGA
SECRETARY AND CHIEF EXECUTIVE

ZMW45.343m TOTAL INCOME
(2017: ZMW41.269m)

ZMW41.031m TOTAL EXPENDITURE
(2017: ZMW37.516m)

ZMW4.311m TOTAL SURPLUS
(2017: ZMW3.752m)

FINANCIAL HIGHLIGHTS

The Institute recorded a total income of ZMW45.343 million (2017: ZMW41.269 million). The total expenditure for the year was ZMW41.031 million (2017: ZMW37.516 million). The surplus for the year was ZMW4.311 million (2017: ZMW3.752 million)

STRATEGIC FOCUS

During the period under review, the Institute achieved its Key Performance Indicators (KPIs) in the implementation of the Strategic Plan. The following are the key highlights of performance against each of the four areas of strategic focus.

UPHOLD ADHERENCE TO THE LAW AND PROFESSIONAL STANDARDS IN ORDER TO DEVELOP A CADRE OF TRUSTED AND RESPECTED PROFESSIONALS.

The need for regulation of the accountancy profession cannot be overemphasised. During 2018, compliance visits continued and from this process, many more members were registered in compliance with the Accountants Act of 2008. However, we still have a long way to go and we need the help of all members to report people who are working as accountants without ZICA registration. During the compliance visits, it was observed that accountants holding out were shielded by our own members. I urge all of you to be more patriotic and report such wrong doing to ZICA. We expect members to facilitate ZICA members of staff to do their work. The year ended with 6,640 compared to 6,243 in 2017. Membership retention stood at 95%.

CPD requirements are still mandatory as prescribed by IFAC. Therefore, the Institute has continued to facilitate continuous training by holding workshops/seminars on various topical issues to help members keep themselves abreast with latest developments in the profession. The Institute aims to have a cadre of members that can provide and produce high quality work according to prescribed standards.

Audit quality monitoring has been cardinal to the operations of the Institute by offering confidence on reliability of work done by practitioners. This is important for enhancing the profile of this exercise. We wish to urge our practitioners to adhere to appointments for visitation and provide all relevant documentation to avoid unnecessary delays. I must indicate that as a professional body of accountants, all documents submitted are held in the strictest confidence.

Review of the Accountants Act

The Institute is hopeful that the Accountants Bill of 2018 and the revised Statutory Instrument on Accountants (Client Services) Fees will be enacted in 2019.

ENHANCE THE QUALITY OF EDUCATION AND TRAINING SYSTEMS IN ORDER TO PRODUCE COMPETITIVE ACCOUNTING PROFESSIONALS.

During the period under review, the three (3) programmes - Diploma in Accountancy, Diploma in Taxation, and Diploma in Public Sector Financial Management offered by the Institute were accredited by the Zambia Qualifications Authority (ZAQA) at Level 6 – Diploma Level. This is a major milestone as these qualifications now sit on the National Qualifications Framework. The accreditation of the CA Zambia qualification was still under review at the close of the year.

Following the launch of the CA Zambia and Diploma in Accountancy qualifications in August 2017, the Institute concluded the development of the practical training framework and signed a number of Memoranda of Understanding (MoUs) with key organisations including some of the major auditing firms to provide practical training to CA Zambia students. In October 2018, the Institute awarded certificates to the first seven (7) graduates of the CA Zambia qualification. CA Zambia is a premier professional qualification that aims at developing Chartered Accountants and business leaders, qualified to hold senior and advisory accountancy, finance or business positions in both the private and public sectors.

The Institute continued with strategic partnerships in the provision of tuition for its programmes, examination setting and recognition of qualifications. A number of university graduates in Bachelor of Accountancy degrees were granted exemptions from CA Zambia Knowledge and Application levels. Graduates from these Universities were admitted at the Advisory level of CA Zambia.

The performance of ZICA students in examinations under the ZICA Accountancy programme was generally poor. In an effort to address this poor performance, the Institute, as part of its strategy to support students under the new programmes – CA Zambia and Diploma in Accountancy, held the first series of Examination Answering Techniques sessions in Lusaka and the Copperbelt. The objective of the meetings was to orient ZICA students on the Examination Answering Techniques in order to make them well equipped to answer future examinations, especially for the new programmes. The pass rates for the CA Zambia qualification for the first three sittings held so far have continued with an upward trajectory.

The development of the last set of learning materials (i.e. revision kits) for the Diploma in Public Sector Financial Management (PSFM), was concluded. This is the programme that is dedicated to the development and enhancement of the technical skills of accountants with a career in the public sector.

STRENGTHEN THE ZICA BRAND IN ORDER TO ENHANCE THE IMAGE OF THE INSTITUTE LOCALLY, REGIONALLY AND INTERNATIONALLY.

The Institute embarked on a robust marketing campaign through the various marketing tools. Lead generation campaigns included face-to-face visitations to secondary schools in Lusaka, Central and Southern Provinces, which resulted in pre-registration of 1, 359 grade twelve (12) pupils and five (5) teachers during the period under review.

The Institute provided sponsorship to graduates of various universities and presented prizes in form of an award to study the CA Zambia programme at discounted rates aimed at attracting accounting degree students to study CA Zambia.

The Institute secured ZICA's participation in the One Young World Summit held in Hague from 17th to 20th October 2018 and sponsored Mr. Osman Banda to represent the Institute and Zambia at the Summit. He was one of the two first CA Zambia graduates.

The Institute promoted the CA Zambia brand under the tagline, "Developing Business Leaders", through the various media houses across all provinces in Zambia. The Institute further promoted CAW, IFAC and PAFA through the Newsletter, Accountant Journal, Student Accountant Magazine, ZiCA website and Social media platforms.

The Institute held four (4) press briefings during the period under review and in addition issued a press statement in response to the Twelve (12) accountants that were dismissed by the Civil Service Commission. The said accountants were not in good standing with the Institute.

The Institute participated at various meetings and workshops locally, regionally and internationally aimed at influencing policies which impact on its operations. The Institute provided corporate memorabilia to participants of workshops it organised during the year.

ENHANCE THE ORGANISATIONAL INFRASTRUCTURE TO STRENGTHEN ENGAGEMENTS WITH STAKEHOLDERS.

Development of the Ultra-Modern Office Complex on Plot 2374/a Thabo Mbeki Road

The Institute continued engaging various institutions in order to raise financing for the construction of the ultra-modern office complex at its head office along Thabo Mbeki Road.

The Institute prepared a concept note summarising the key terms and conditions of the proposed development. The concept note was shared and discussed with prospective financiers and developers. The transaction will involve the development, management and joint ownership of the asset to be developed over an agreed time frame. The Institute has contributed land equity and capitalised costs arising from existing approvals with an option for further equity investment. It is hoped that the securing of a development partner will be concluded during the first quarter of 2019 and it is anticipated that construction will commence during the year 2020.

Development of lot No. 19921/m Livingstone

The proposed development of Shungu Namutitima International Convention (SNICC) reached an advanced stage. Having conducted a feasibility study and developed the Master plan, the Institute through a competitive bidding process engaged China State Construction Engineering Corporation Limited as the Contractor for SNICC on a design, finance brokerage, construct and transfer basis. The process of undertaking the Environmental Impact Assessment (EIA) commenced and it is anticipated that the approval from the Zambia Environment Management Agency for SNICC will be secured during 2019.

ZICA Property Fund

The ZICA Property Fund which is managed by Equity Capital Resources recorded significant growth during the period under review. Six hundred and sixty six (666) members contributed to the fund during the period under review. The Fund Manager will produce statements for all the members who contributed to the fund.

CONCLUSION AND WAY FORWARD

The Institute is on a transformational journey aimed at accelerating the way we do business which will include interfacing more on digital platforms with members and the public. The need to increase the Institute's partnerships with government and practice, industry and commerce is cardinal and going forward our aim is to be relevant to all of these stakeholders. We will foster partnerships with other knowledge-based organisations, and global accountancy organisations through enhancing our standing within the framework of Pan African Federation of Accountants, the International Federation of Accountants and the Chartered Accountant Worldwide, among others.

We need to be able to diversify from our traditional lines of revenue earning into other areas with a very ambitious property investment programme that we will roll out and ensure that we pass on the benefits to the membership. We will invest more in technology and programmes that are relevant to our members. In addition, we will ensure that we invest more into staff, attract and retain top talent, invest more into applied research that is able to answer the questions that the public sector and industry are looking for.

I thank you

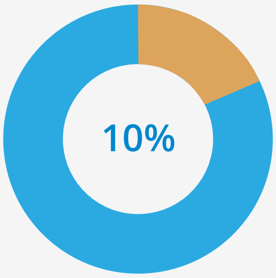
Bonna Kashinga

SECRETARY AND CHIEF EXECUTIVE

FINANCIAL AND OPERATIONAL REVIEW

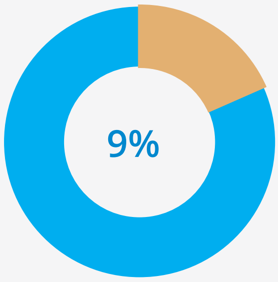
The operational review gives highlights of the performance of the Institute during the year 2018. The operational highlights provide both the financial and non-financial metrics of the performance of the Institute.

Financial Highlights



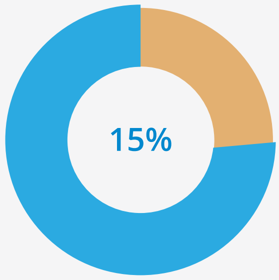
Increase in **income**

The total income for the year was ZMW 45.343 million against a budget of ZMW 41.847 million representing an increase of 10% compared to 2017 actual income. The increase in income was mainly attributed to the number of members renewing their subscriptions in all categories of membership.



Increase in **expenditure**

The total expenditure incurred during the year was ZMW 41.031 million against a budget of ZMW 40.633 million representing an increase of 9% compared to 2017 actual expenditure. The increase was mainly attributed to increases in staff costs and high cost of hosting workshops. There was also a significant increase in the amortisation of development costs related to the Chartered Accountant (CA) Programme.



Increase in **surplus**

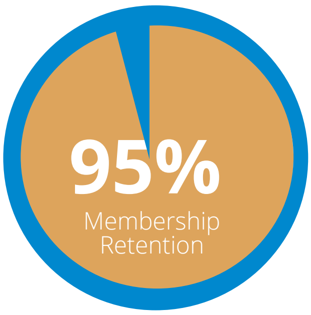
The Institute achieved a surplus of ZMW 4.311million during the year against a budget of ZMW 1.213 million, representing an increase of 15% compared to 2017 actual surplus. The increase was largely attributed to the increased number of members and students renewing their subscriptions and the revaluation of the investment property under development.

Membership Statistics

The number of registered members as at 31st December 2018 were as follows:

	2018	2017	Variance
Fellow	1,308	1,227	81
Associate	851	779	72
Graduate	557	496	61
Licentiate	1,802	1,608	194
Technician	2,122	2,133	-11
Total	**6,640**	**6,243**	**397**

Table 1 - Membership Statistics for 2018 and 2017



The membership statistics for 2018 showed a slight improvement of 397 in the number of members on the register in 2018 as compared to 2017 as indicated in the table above.

Membership retention statistics

The number of retained members as at 31st December 2018 was 5,911 representing a retention rate of 95% on the 6,243 members who had subscribed as at 31st December 2017.

	2018 Memberships	2018 Enrolments	2017 Memberships	2018 Retention
Fellow	1,308	(122)	1,227	1,186
Associate	851	(40)	779	811
Graduate	557	(118)	496	439
Licentiate	1,802	(268)	1,608	1,534
Technician	2,122	(181)	2,133	1,941
Total	**6,640**	**(729)**	**6,243**	**5,911**

Table 2 - Membership retention for 2018 and 2017

The number of audit practicing certificates and non-audit practicing certificates held during the year were as indicated in the table below.

	2018	2017	Variance
Audit	139	136	3
Non-Audit	29	33	-4
Total	**168**	**169**	**-1**

Table 3 - Number of Audit and Non-Audit practitioners for 2018 and 2017

Continuous Professional Development Activities

Annual Business Conference

The Annual Business Conference held in Livingstone at AVANI Victoria Falls Resort from 14th to 17th 2018 was a success. The theme of the conference was "Future-proofing Business Leaders beyond the 21st Century." ZICA, CIMA and ACCA hosted the conference as an annual tripartite arrangement at which 568 participants attended the conference.

Competence Practice Examinations

Seventeen (17) members passed the Competence Practice Examinations (CPE) conducted in June and December 2018. During the year, ten (10) new practicing certificates were issued

Employer Sensitisation

A total of 37 employer visitations and inspections were conducted in the year under review. The general trend was that most employers were compliant due to various awareness campaigns. Concerted efforts are underway to ensure that accountants in Government establish their membership with the Institute. The Institute urges all members to report people holding out as accountants to the Institute for further action.

Accountants Forum

A total of Eight (8) Accountants fora were held on various topical issues during the year. Four (4) of these events were held in Lusaka while the others were held on the Copperbelt. The free of charge fora are aimed at helping members meet their CPD requirements.The themes of the Accountants Fora discussions held in both Kitwe and Lusaka were as follows:

- Meet the Members – promoting the ZICA Property Fund and Updates on the operations of the Institute – Presented by Mr. Hapenga M Kabeta, ZICA CEO and Mr. Jason Kazilimani Jr. – ZICA President,
- The first 90 days after losing your job – presented by Mr. James Kapesa, FZICA,
- Accountability and Transparency – presented by Mr. Andrew Kamanga, FAZ President,
- SI34 Review; The Accountants (Clients Fees) Regulations, 2018-Application and Implications on the cost of Professional Services – presented by Ms. Alice Tembo FZICA,
- The special discussion forum on Benign Prostatic Hypertrophy and Prostate Cancer – presented by Dr. Ashish from India,
- From a bean keeper to a strategic business partner: The strategic relevance of Accountants – Presented by Dr Mweemba Muungo, AZICA
- The Development master plan for Copperbelt Province – improving the standard of living – Presented by Copperbelt Permanent Secretary on behalf of Hon. Japhen Mwakalombe, Copperbelt Province Minister.

Members attending the Accountants Forum in Lusaka

Annual General Meeting (AGM) and Pre- AGM Workshop

A total of one thousand and two (1,002) participants attended the Pre-AGM workshop and AGM in 2018 under the theme: "Emerging Technologies and the Accountancy Profession" at the AVANI Victoria Falls Resort in Livingstone compared to 1,185 participants who attended the event in the year 2017.

Members registering for the 2018 AGM in Livingstone

TECHNICAL WORKSHOPS

Tax Update Workshops

During the year under review, three tax update workshops were held as scheduled in Lusaka, Ndola and Livingstone. The workshops were aimed at updating members on the upcoming tax legislation and upskill their taxation knowledge to enable them apply 2018 tax legislation correctly. A total of 413 participants attended the workshops.

IPSAS Workshop

The 2018 International Public Sector Accounting Standards (IPSAS) workshop was held from 5th to 9th February 2018 and 27th to 29th March 2018 at Fresh View Homes in Siavonga. The workshop was attended by a total of 227 participants. The event was intended to promote the implementation of accrual based IPSAS in Zambia and update members in the public sector on the latest developments on IPSAS.

Parliamentary Submissions

In our quest to discharge the role of advising Government on matters of national and economic development, the Institute submitted a memoranda to Parliament on the ramifications of various bills presented for enactment. In addition, the Institute also submitted comments on the proposed 2019 National Budget and made an appearance before the Expanded Committee on Estimates. The Institute also appeared before various Committees of Parliament to make oral submissions on the Bills. During the year under review, submissions were made on the following Bills:

1. Customs and Excise Amendment Bill,
2. Insurance Premium Levy Amendment Bill,
3. Mines and Minerals Development Amendment Bill,
4. Value Added Tax Amendment Bill,
5. Income Tax Amendment Bill

Developing and Promoting Practice Standards

As part of our mandate to develop, promote and enforce internationally comparable practice accounting standards in Zambia, the Institute issued Advisory Notes to give clarity on the application of International Financial Reporting Standard (IFRS) 9: Financial Instruments. The advisory note clarified that notwithstanding the Bank of Zambia guidance issued for prudential purposes, preparers and auditors of financial statements are advised to follow the provisions of IFRS 9 in its entirety for accounting purposes. In addition, the Institute developed the public advisory note SI 34 - the accountants client fees for professional services. The advisory note was issued to provide context to the SI.

2018 IFRS Update Workshops

The Institute held two scheduled 2018 IFRS Updates workshops in Lusaka and Ndola on the 8th to 9th November, 2018 and 15th and 16th November, 2018 respectively with a combined attendance of 173 participants. Three in-house workshops were conducted at Kalumbila and Kansanshi Mines. This event was designed to provide a platform for updating members on the latest developments in International Financial Reporting Reporting Standards (IFRS).

2019 National Budget Analysis

The Institute held the 2019 National Budget Analysis Dinner on 28th September 2018 at Intercontinental Hotel in Lusaka with an attendance of 462 participants. The Minister of Finance Honorable Margaret Mwanakatwe was the guest of honor.

Promoting the interests of the Accountancy Profession

Technical Advice and Guidance

The Institute continued to provide technical advice to members on various technical accounting matters affecting them. During the year under review, the Institute received and provided guidance to nine (9) technical queries from members.

Local Government Public Financial Management Workshop

The Institute held the Local Government Public Financial Management workshop on 25th and 26th October 2018 at Intercontinental Hotel in Lusaka, with 238 participants in attendance. The forum whose theme was ***"Building Strong Public Financial management in Local Authorities for improved service delivery"*** was attended by Mayors, Council Chairpersons, Controlling Officers, Heads of Finance and Internal Audit functions in local authorities. The workshop was aimed at enhancing financial management in Local Authorities.

Chief Finance Officers Forum

The Chief Finance Officers' Conference was held on 15th June 2018 at Intercontinental Hotel in Lusaka with an attendance of 57 participants. The workshop was designed to provide a platform for senior finance executives to share new developments and emerging issues in the profession, obtain global perspectives, share knowledge and expand their network.

Internal Auditors Conference

The Internal Auditors Conference was held from 28th to 29th June 2018 in Livingstone with an attendance of 100 participants.

Technical Workshop organised by ZICA

MARKETING CAMPAIGNS AND QUALITY ASSURANCE

MARKETING CAMPAIGNS

The Institute undertook a number of activities in the year under review aimed at promoting the CA Zambia, Diploma in Accountancy, Diploma in Public Sector and Finance Management the Taxation programme and the ZICA brand. The following were some of the activities that were undertaken.

ZICA Programmes marketing in Companies, Universities, Colleges and Secondary Schools

The Institute visited Six (6) Universities Twenty Two (22) Secondary Schools in Lusaka, Copperbelt, Southern and Central Provinces in the year under review. The Institute awarded the CA Zambia Scholarship to the best accounting graduates at Six (6) Universities and One (1) college.

Careers Exhibitions

The Institute took part in Six (6) career exhibitions in Lusaka, Copperbelt and North Western Province in the year under review.

Adverts in Media

The Institute continued to advertise in the print and electronic media, provincial radio stations in all Ten (10) Provinces of Zambia, social media, universities and colleges graduation booklets and on billboards in Livingstone, Lusaka and Kitwe. The Institute sponsored the live broadcast on ZNBC TV of the presentation of the national budget to parliament. The Institute also sponsored the live broadcast of the budget night dinner on ZNBC TV.

QUALITY ASSURANCE

Graduation Ceremony

The Institute held the first Graduation Ceremony for CA Zambia, Diploma in Accountancy, Diploma in Public Sector Financial Management and the Diploma in Taxation. The ceremony was held on 11th October 2018 at the New Government Complex, where 390 students graduated at various levels of the ZICA Programmes as indicated below:

Programme	Graduates
CA Zambia	7
Diploma in Accountancy	349
Diploma in Public Sector Financial	4
Management PSFM	4
Taxation	20
Total	**390**

Table 4 - Number of Graduates in 2018

Quality Assurance of Education Programmes

The Institute continued with its quality assurance programmes in the administration of examinations, accreditation of tuition providers and examiners, and updating of study materials to bring them in line with best practice. The quality assurance activities during the period under review included the following:

Institutional and Programme Accreditation

The Institute continued to collaborate with various tuition providers offering accountancy studies as a means of enhancing the quality of the accountancy graduates. Six (6) tuition providers were accredited to offer tuition in ZiCA programmes.

The Institute continued to strengthen its partnership with various Universities offering degree programmes in Accountancy. Five (5) accountancy degree programmes were accredited in order to allow graduates from these programmes to pursue CA Zambia starting at the Advisory level and give them an opportunity to be Chartered Accountants.

Accreditation of Examiners

The Institute accredited a total of eighteen (18) Examiners in the various ZICA courses.

Administration of Examinations

The Institute held two examination sessions in June and December 2018. The comparative average pass rates per level for the two sittings were as shown by the table below:

Programme	June 2018	December 2018
CA Zambia		
CA -Knowledge	73%	66%
CA-Application	34%	39%
CA-Advisory	38%	48%
Diploma in Accountancy		
Diploma in Accountancy - 1	52%	37%
Diploma in Accountancy 2-	35%	28%
Dip in PSFM	76%	75%
Taxation		
Certificate	54%	68%
Diploma	47%	83%

Table 5 - Average pass rates for June and December Examinations

Examination answering techniques

In an effort to create a more connected and supportive student experience, examination-answering techniques sessions in selective subjects were held in the Copperbelt and Lusaka Provinces respectively. In these sessions students interacted with examiners who shared helpful tips and challenges faced. Topics covered included time management and study techniques. The Institute will continue having interactive meetings with students in all the provinces.

Revision of Study Materials

The Institute continued with the annual update of study materials. During the year, the Taxation Manuals and Revision Kits were updated using local technical experts and BPP Learning Media as the editor and typesetter.

The Institute also updated Financial Accounting/Reporting Manuals and Revision Kits in line with 2019 examinable standards using BPP Learning Media as the updater, editor and typesetter and local technical experts as reviewers.

NEW EMPLOYEES

During the year under review, the long serving Chief Executive Officer Mr. Hapenga M Kabeta retired and in his place the Institute engaged Mr. Bonna Kashinga.

The other new employees in the Institute included the Business Development and Communication Manager, Mr. Moses Chitoshi, Ms. Chomba Patricia Luo, Assistant Education Officer, Ms. Florence Mbozi, the Assistant Librarian, the Practice Review Officer Mr. Eric Ndawa and Technical Officer Mr. Felix Chilingwe.

The Director of Standards and Regulation Mr. Chansa Chiteba separated from the Institute effective 31st December 2018.

New employees

Mr. Bonna Kashinga,
Secretary & Chief Executive

Mr. Moses Chitoshi,
Business Development &
Communication Manager

Mr. Felix Chilingwe,
Technical Officer

Mr. Eric Ndawa,
Practice Review Officer

Ms. Florence Mbozi,
Assistant Librarian

Ms. Chomba Patricia Luo,
Assistant Education Officer

INFORMATION COMMUNICATION TECHNOLOGY

ZICA Website

In the quest for continuous improvement, the Institute embarked on redesigning its website. The redesign was meant to make the website more user friendly and to streamline communication with members and the public. The website was developed and rolled out in April 2018.

ZICA Mobile App

The Institute in a bid to enhance its service delivery to members and other stakeholders commissioned the development of a ZICA mobile application in June 2018. The application is meant to extend functionalities of the core iMIS system such as online member registrations, exam and workshop bookings and payments as well as other functions such as surveys and online voting. The app will be rolled out to members in 2019.

Online Customer Self Registration

In a bid to improve member experience, the Institute resolved to continue automating business processes. While the core membership engagement system (iMIS) has quite a number of automated processes, the member on boarding has remained manual. The project was embarked on in July 2018 with the help of the consulting firm iFinity. The roll out is expected in 2019.

iMIS System Usage

We are pleased to report that the uptake in iMIS system usage has continued to improve. In 2019 we plan to introduce more payment options to enable members have a betterexperience when engaging with the Institute.

COLLABORATION WITH STAKEHOLDERS

Promoting the interests of the Accountancy Profession

- The Institute attended the consultative meeting on the reporting framework for Capital Markets organised by the Securities and Exchange Commission. ZICA and SEC have been collaborating on harmonisation of the financial reporting framework for Capital Markets.

- ZICA also participated in an International Public Sector Financial Accountability index facilitated by IFAC. The survey covered the financial reporting framework in place and the status on implementation of IPSAS in Zambia.

Developing and Promoting Practice Standards

- **2018 Chief Finance Officers Conference**
  The Institute held a conference for Chief Finance Officers attended by 57 members (CFO). Participants raised a number of issues on the inefficiencies in the tax administration system and implored the Institute to continue to engage the Zambia Revenue Authority.
- **IPSAS Training**
  The Institute in conjunction with GIZ held a One IPSAS Training programme for the Ministry of Local Government and a number of select Local Authorities in Lusaka. A total number of twenty- five (25) participants attended the workshop.
- **Kansanshi in-house Training**
  An in-house training workshop was held for Kansanshi Mine staff from the finance department and selected management personnel. The training was held in Solwezi with twenty-five (25) participants.
- **2018 Internal Auditors Conference**
  The 2018 Internal Auditors' conference was held in Livingstone. The workshop attracted one hundred (100) participants from both public and private sector.

STAKEHOLDERS ENGAGEMENTS

- **Institute of Chartered Accountants of Malawi (ICAM) – 2018 ZICA AGM**
  The guests from ICAM who were undertaking a benchmarking visit with the Institute attended the 2018 AGM. In return, ICAM extended an invitation to ZICA Management to attend their AGM and Annual Conference in September 2018. The CEO with two Directors attended the ICAM AGM. The ZICA CEO moderated the plenary session under the theme "Towards achieving sustainable economic gains - the Malawi way."

- **Excellence and Public Value Management Conference in Kenya**
  The Institute attended the conference in Kenya under the theme "Excellence and Public Value Management". The Director Education and Training presented on the CA Zambia qualification and the Pan African Federation of Accountants (PAFA) encouraged the participants to adopt the CA Zambia framework for the development of the accountancy qualification in Africa. On the sidelines of the conference, the Institute conducted a meeting of Southern African Communities Institute of Accountants (SACIA) to consider the mapping of qualifications.

- **The World Bank Mission**
  The Report On Standards and Codes (ROSC) on Auditing and Accounting report was presented in April 2018 to key Stakeholders in Zambia, which was approved by the Steering Committee chaired by the Secretary to the Treasury. The preparations were underway to implement the recommendations. ZICA being Secretary was coordinating the identification of opportunities in the areas of financial support by the World Bank through the Ministry of Finance. Meetings were held during the period under review with World Bank. These meetings are on-going and by the end of the year 2019 there will be a roadmap on the implementation of the ROSC report.

- **Budget Analysis Dinner**
  Following the presentation of the National Budget to Parliament on 28th September 2018 by the Honourable Minister Mrs Margaret Mwanakatwe, MP, a Budget Analysis dinner was held to give stakeholders an appreciation of the implications of the 2018 budget. The Budget Analysis discussion was jointly held with the Economics Association of Zambia (EAZ|) and was attended by 500 delegates.

PARTNERSHIP WITH INDUSTRY ON PRACTICAL TRAINING

Following the launch of CA Zambia, which has a three year compulsory practical training component, management held a number of practical training solicitation meetings with prospective employers in all the ten (10) provinces. Nineteen (19) MoUs were signed during the period under review.

CHARTERED ACCOUNTANT WORLDWIDE

The Institute has continued to be a member of Chartered Accountant Worldwide (CAW). In 2018, CAW grew to 12 chartered accountancy bodies connecting and representing the interests of over 1.8 million members and students globally. ZICA is planning for a review in 2019 to assess suitability for its full membership of CAW. ZICA is also collaborating with other membership bodies to finalise the practice & employment pathways for senior members who already hold professional qualifications.

Chartered Accountants Worldwide

Stakeholder consultative meeting held at InterContinental Hotel

SUSTAINABILITY REPORT

The Institute strives to be a good corporate citizen in all areas where it operates. In maintaining a successful reputation as a good corporate citizen, the Institute takes into consideration the environment it operates in before any decision is made. The Institute is aware of its social, economic and environmental responsibilities to the people of Zambia as an integral part of its existence. The responsibilities above are demonstrated through the policies and activities implemented by the Institute.

Competitive Services and Glo-Local Qualifications

The Institute continues to offer the most competitive services and affordable accountancy qualifications in Zambia, which are fully compliant with the International Education Standards. The fees chargeable are affordable to enable many citizens benefit from the services and qualifications being offered. This would in the long run develop a critical mass of a cadre of professionals contributing to the economic development of the country.

Supporting the Vulnerable in Society

The Institute donated K10, 000 to St. Marks Old Boys Association (SMOBA) for the construction of an ablution block at St. Marks Secondary School in Mapanza area of Choma District.

ZiCA donating to St. Marks Old Boys Association

CORPORATE GOVERNANCE REPORT

Governance Structure

The Institute is a creation of the Accountants Act of 1982 and as amended under the Accountants Act of 2008. The Act in conjunction with the Constitution of ZiCA provides guidelines on how the Institute should be governed.

The Council

The Council is the highest body in the hierarchy of the Governance Structure and makes policy decisions over the affairs of the Institute. It sets the strategic direction of the Institute and provides oversight to the Management of the Institute. It carries out its mandate through seven (7) Council Committees. The Council and its Committees meet quarterly. The Institute also has three (3) independent committees to discharge statutory functions.

Council is headed by the President, who is elected at the Annual General Meeting for a three (3) year term of office and can be re-elected for the second term only. The President is assisted by the Vice President, who is also the Chairperson for the Finance and Administration Committee. All Committees of Council are headed by a Council member who reports the business of the Committee during Council meetings. Each Committee has representation of members who are not members of Council. The 2018 membership and attendance of the Council are as shown below:

S/N	Names	Meetings Held	Meetings Eligible to Attend	Meetings Attended
1	Jason Kazilimani, Jr	8	8	8
2	Cecilia Zimba	8	8	8
3	Muyaka E. Ngulube	8	8	6
4	Lucy Z. Mubanga	8	8	6
5	Yanga K. Kalaluka	8	8	7
6	Chilala M. Banda	8	8	7
7	Patson Banda	8	8	8
8	Patrick M. Hamukale	8	8	6
9	Bbenkele Haachitwe	8	8	7
10	Julius Zgambo	8	4	4
11	Dr. Dick C. Sichembe	8	8	1

Table 6 - 2018 Membership and Attendance of Council

COMMITTEES OF COUNCIL

The mandate, membership and attendance of meetings by the Committees of Council are as shown below:

Finance and Administration Committee

The Finance and Administration Committee primary purpose is to ensure financial stability and enhance the long-term financial sustainability of the Institute. In this regard, the Committee oversees financial planning and initiates and recommends to the Council policies, which promote, on a continuous basis, the general welfare of all the members of staff of ZICA in areas relating to but not limited to; salaries and conditions of service, resources, disciplinary and staff grievances.

S/N	Name	Meetings Held	Meetings Eligible to Attend	Meetings Attended
1	Cecilia Zimba	6	6	5
2	Lucy Z. Mubanga	6	6	5
3	Mirriam Chiyaba	6	6	4
4	Kennedy Mwila	6	6	5
5	Kumoyo Wambulawae	6	1	1

Table 7 - 2018 Membership and Attendance of Finance and Administration Committee

Public Sector Committee

The Public Sector Committee ensures that International Public Sector Accounting Standards are adopted and applied in the public sector entities, i.e. Zambian Government, local Authorities and related government entities (e.g. agencies, boards, commissions and enterprises).

S/N	Name	Meetings Held	Meetings Eligible to Attend	Meetings Attended
1	Lucy Z. Mubanga	3	3	3
2	Shadrick Phiri	3	3	3
3	Julius Mwanza	3	3	2
4	Caroline B. Banda	3	3	2
5	Humphrey Himwaaba	3	3	2
6	Esther Haamaundu	3	3	1
7	Elijah Manunga	3	3	1

Table 8 - 2018 Membership and Attendance of Public Sector Committee

Membership Committee

The primary purpose of the Committee is to oversee the registration of Accountants in practice, commerce and industry; and deal with matters incidental to their membership in line with the requirements of the Accountants Act 2008. Membership and attendance of meetings in 2018 were as follows:

S/N	Name	Meetings Held	Meetings Eligible to Attend	Meetings Attended
1	Patrick M. Hamukale	3	3	3
2	Yanga K. Kalaluka	3	3	3
3	Collina Halwampa	3	3	3
4	Gabriel Banda	3	3	1
5	George W. Bester	3	3	1
6	Silvia Madawaki	3	3	1
7	Lydon Lane-poole	3	3	2

Table 9 - 2018 Membership and Attendance of Membership Committee

Education and Training Committee

The overall purpose of the Education and Training Committee is to assist the Council in discharging its duties of ensuring that individuals who qualify for registration as chartered accountants in Zambia have the knowledge, skills and attitude to competently perform the duties expected of them.

S/N	Name	Meetings Held	Meetings Eligible to Attend	Meetings Attended
1	Muyaka E. Ngulube	3	3	2
2	Chilala Banda	3	3	3
3	Mwiche M. Banda	3	3	3
4	Mwale Tembo	3	1	1
5	Munsaka C. Mabbolobbolo	3	3	3
6	Tinashe Jerahuni	3	3	2
7	Fidelis Cheelo	3	3	2

Table 10 - 2018 Membership and Attendance of Education and Training Committee

Technical Committee

The purpose of the Technical Committee is to provide technical guidance to Council and members on accounting pronouncements in the accountancy profession in Zambia.

S/N	Name	Meetings Held	Meetings Eligible to Attend	Meetings Attended
1	Chilala Banda	3	3	3
2	Patrick M. Hamukale	3	3	1
3	Gilbert Muyalwa	3	3	2
4	Brian C. Musonda	3	3	2
5	Kampamba Mulenga	3	3	3
6	Kelvin Chungu	3	3	3
7	Alice Tembo	3	3	1

Table 11 - 2018 Membership and Attendance of Technical Committee

Taxation Committee

The main purpose of the Committee is to provide guidance on taxation matters affecting the nation and business at large.

S/N	Name	Meetings Held	Meetings Eligible to Attend	Meetings Attended
1	Julius Zgambo	3	3	3
2	Yanga K. Kalaluka	3	3	2
3	Michael Phiri	3	3	3
4	Moses Nkandu	3	3	1
5	George Chitwa	3	3	3
6	Patrick Mawire	3	3	1
7	Victor Nyasulu	3	3	3
8	Nambwenga Kauseni	3	3	1

Table 12 - 2018 Membership and Attendance of Taxation Committee

Audit and Risk Management Committee

The overall purpose of the Audit and Risk Management Committee is to assist Council in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

S/N	Name	Meetings Held	Meetings Eligible to Attend	Meetings Attended
1	Bbenkele Haachitwe	2	2	2
2	Patson Banda	2	2	2
3	Edward Kunda	2	2	2
4	Namakau Mundia Ntini	2	2	1
5	Abonny Munsaka	2	2	2

Table 13 - 2018 Membership and Attendance of Audit and Risk Management Committee

Independent Committees

As a requirement for effective self-regulation, the Accountants Act provides for the establishment of Independent Committees and Boards that carry out oversight functions for the profession. Officers from the Standards and Regulation Directorate, who operate semi autonomously, service the independent committees.

The independent committees include the following:

A. Disciplinary Committee

The Chair and Vice-Chairperson of the Disciplinary Committee are senior legal practitioners who have held high judicial office or are eligible to be appointed to such an office. The Committee's business is guided by the Chief Justice Rules. The decisions of the Committee are appealable to the High Court of Zambia.

B. Practice Review Committee

The Committee comprises people from various regulatory bodies that include Securities and Exchange Commission, Zambia Revenue Authority, representation from the big firms, representation from small to medium firms, and Bank of Zambia among others. The Committee receives reports of the audit monitoring reviews by the Practice Review Department of the Institute. The decisions of the Committee are presented before the Standards and Regulatory Board whose decisions are final. In cases where decisions require the discipline of members, such matters are taken to the Disciplinary Committee for necessary action.

C. Standards and Regulatory Board

The Board comprises various regulatory bodies in Zambia. The primary purpose is to review the decisions of the Practice Review Committee and consider the results of Competence Practice Examinations for individuals wishing to become practitioners. The Board also receives reports from the Public Sector and Technical Committees.

D. Benevolent Fund Board

This body receives and manages funds to help members and their families who are in distress. The membership comprises members elected directly by the AGM and work independently.

E. Delegation by Council

Council delegates some of its functions to the Chief Executive Officer to make management more effective. This enables Council to focus on policy matters and play its oversight functions more effectively.

PROFILES OF COUNCIL MEMBERS

JASON KAZILIMANI, Jr

President

Mr. Kazilimani is a Fellow of ZICA with over 24 years of experience in public practice and 3 years in industry. He holds a Master of Business Administration in Financial Services. He is also the President of the Zambia Golf Union.

CECILIA M. ZIMBA

Vice-President and Chairperson, Finance and Administration Committee

Ms. Zimba is a Fellow of ZICA with 21 years of experience in Commerce and Industry. She holds a Master of Business Administration (MBA).

MUYAKA E. NGULUBE

Chairperson, Education and Training Committee

Ms. Ngulube is a Fellow of ZICA with over 20 years of experience in public and private sector. She holds a Master of Business Administration (MBA) and MSc in Strategic Planning. She represents members in business.

JULIUS ZGAMBO

Chairperson, Taxation Committee

Mr. Zgambo is a Fellow of ZICA with over 14 years of experience in Finance and Taxation. He represents members in business.

BBENKELE HACHITWE

Chairperson, Audit and Risk Committee

Mr. Haachitwe is a Fellow of ZICA with over 22 years of experience in Commerce and Industry. He holds a BSc (Hons) degree. He represents members in business.

PATRICK M. HAMUKALE

Chairperson, Membership Committee

Mr. Hamukale is a Fellow of ZICA with over 13 years of experience in both Audit and Advisory Services. He represents members in public practice.

CHILALA BANDA

Chairperson, Technical Committee

Ms. Banda is a Fellow of ZICA with over 22 years of experience in Public Practice. She holds a Bachelor's degree in Accountancy. She represents members in public practice.

LUCY ZULU - MUBANGA

Chairperson, Public Sector Committee

Ms. Mubanga is a Fellow of ZICA with over 10 years of experience in the Accountancy profession. She represents members in business.

PROFILES OF COUNCIL MEMBERS CONT'D

PATSON BANDA

Vice Chairperson, Audit and Risk Management Committee

Mr. Banda is a Fellow of ZICA with over 11 years of experience in the profession. He holds a Bachelor's degree in Accountancy and MSc Economics and Finance. He represents members in public practice.

YANGA K. KALALUKA

Vice Chairperson, Membership Committee

Ms. Kalaluka is an Associate member of ZICA with over 13 years of experience in the profession. She holds a Master of Business Administration. She represents members in public practice.

DICK C. SICHEMBE

Accountant General

Dr. Sichembe is a Fellow of ZICA with over 19 years of experience in the public service. He is the Accountant General for the Republic of Zambia. He represents Government on Council.

MANAGEMENT TEAM

Management implements the Accountants Act and decisions of Council. It is headed by the Secretary and Chief Executive. He is assisted by three directors namely Director of Finance and Corporate Services, Director Education and Training, and Director Standards and Regulation. Management provides secretarial services to Council and its Committees.

PROFILES OF SENIOR MANAGEMENT TEAM

BONNA KASHINGA

Chief Executive Officer

Mr. Kashinga is an Edward S. Mason Fellow in Public Policy and Management with over 17 years of experience from Public Practice, Banking Sector and Real Estate. He holds a Master of Science in Development Finance and a Master of Public Administration.

PATRICIA SITALI

A/g Director Standards and Regulation

Ms. Sitali is a Fellow of ZICA with over 17 years of experience in the profession. She holds a Bachelors of Arts Degree.

MODEST HAMALABBI

Director Education and Training

Mr. Hamalabbi is a Fellow of ZICA with over 21 years of work experience in academia and corporate management. He holds a Master of Business Administration (MBA) and Master of Arts Degree in Economic Policy Management.

CHARLES C. MUTALE

Director Finance and Corporate Services

Mr. Mutale is a Fellow of ZICA with over 23 years of senior management experience in Commerce and Industry. He holds a Master of Business Administration (MBA).

ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS

Financial Statements

for the year ended 31st December 2018

GENERAL INFORMATION

Country of incorporation and domicile	Zambia
Nature of business and principal activities	The Zambia Institute of Chartered Accountants (ZICA, referred to as «Institute») is the regulatory body of Accountants in Zambia. ZICA was established by the Accountants Act, Number 28 of 1982. ZICA continues to exist as if established under the Accountants Act number 13 of 2008. The principal activities are the regulation of the accountancy profession as well as the education and training of accountants in Zambia.
Taxpayer identification number	1002330680
Business address	Accountants Park 2374/a Thabo Mbeki Road P.O.Box 32005 Lusaka
Bankers	Stanbic Bank Zambia Limited Stanbic House Plot 2375 Addis Ababa Drive P. O. Box 31955 Lusaka Zambia National Commercial Bank Plc Centre Branch P.O. Box 33611 Lusaka Barclays Bank Zambia Plc Elunda Office Park, Plot 4644/4643 Addis Ababa Roundabout P. O. Box 31936 Lusaka
Solicitors	BETAM Chambers Plot 6911 Addis Ababa Drive P. O. Box 50742 Lusaka Sikaulu Lungu Mupeso Legal Practitioners 4 Matandani Close off Lubuto Road Rhodes Park Lusaka
Auditors	BDO Zambia Audit Services The Gallery Office Park Frost Building Lagos Road Rhodes Park Lusaka

REPORT OF THE COUNCIL

The Council Members are pleased to present their report and audited financial statements for the year ended 31 December 2018.

Activities

The principal activities of the Institute include regulation and training of accountants in Zambia.

Financial results

Total income during the year was ZMW 45.343 million (2017: ZMW 41.269 million). Total expenditure for the year was ZMW 41.031 million (2017: ZMW 37.516 million). The Institute recorded a surplus for the year of ZMW 4.311 million (2017: ZMW 3.752 million).

Operations

The implementation of the Strategic Plan 2014-2018 was concluded during the year under review. The Institute continued undertaking compliance visits and practice reviews in line with the Accountants Act No.13 of 2008. Following the launch of the CA Zambia programme, the Institute continued forging strategic partnerships with universities, tuition providers and practicing firms for practical training. Visibility at international level was achieved by attending conferences organised by the International Federation of Accountants (IFAC), the Pan African Federation of Accountants (PAFA) and Chartered Accountant World Wide (CAW).

Council Members

The Council Members who held office during the year were as follows:-

Mr. Jason Kazilimani, Jr	President
Ms. Cecilia M. Zimba	Vice President
Ms. Muyaka E. Ngulube	Member
Ms. Chilala M. Banda	Member
Dr. Dick C. Sichembe	Member
Mr. Patson Banda	Member
Mr. Bbenkele Haachitwe	Member
Ms. Yanga K. Kalaluka	Member
Mr. Patrick M. Hamukale	Member
Ms. Lucy Z. Mubanga	Member
Mr. Julius Zgambo (elected 2018)	Member
Mr. Chikusi Banda (retired 2018)	Member

Council Members interests

None of the Council Members had any material interest in any contracts awarded during the year. (2017: none)

Employees and their remuneration

The total remuneration of employees during the year amounted to ZMW 15.763 million (2017: ZMW13.929 million) and the average number of employees was 40 (2017 : 39).

Property, plant and equipment

During the year, the major changes to property, plant and equipment related to the following additions:

	2018 ZMW	2017 ZMW
Leasehold land and buildings	-	271,519
Computer equipment	401,867	24,464
Motor vehicles- owned and leased	1,788,961	454,928
Office equipment and machinery	30,235	5,708
Furniture and fittings	133,907	67,011
Total	**2,354,970**	**823,630**

Auditors

Messrs. BDO Zambia Audit Services' term of office ceases at the next Annual General Meeting. A resolution proposing their re-appointment as auditors and authorising Council to determine their remuneration will be proposed at the Annual General Meeting.

By order of Council

Secretary and Chief Executive Officer
Date: 10th April 2019

RESPONSIBILITY OF THE COUNCIL

The Council is required by the Accountants Act to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Institute as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards, the requirements of the Accountants Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Council acknowledges that it is ultimately responsible for the system of internal financial control established by the Institute and place considerable importance on maintaining a strong control environment. To enable the Council to meet these responsibilities, the Council sets 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 Institute and all employees are required to maintain the highest ethical standards in ensuring the Institute's activities are conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Institute is on identifying, assessing, managing and monitoring all known forms of risk across the Institute. While operating risk cannot be fully eliminated, the Institute endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Council is 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Council has reviewed the Institute's cash flow forecast for the 12 months to 10 April 2020 and, in light of this review and the current financial position, they are satisfied that the Institute has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Institute's financial statements. The financial statements have been examined by the Institute's external auditors and their report is presented on pages 39 to 44.

The financial statements set out on pages 45 to 87 as well as the appendix on page 88, which have been prepared on the going concern basis, were approved by the Council on 10th April 2019 and were signed on its behalf by:

Jason Kazilimani, Jr
President

Cecilia Zimba
Chairperson,Finance and Administration Committee

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Fax : +260 211 254623
Email: contact@bdo.co.zm
www.bdo.co.zm

Frost Building
The Gallery Office Park
Lagos Road,
Rhodes Park
P.O. Box 35139
Lusaka, Zambia

INDEPENDENT AUDITOR'S REPORT

To the members of Zambia Institute of Chartered Accountants

Opinion

We have audited the accompanying financial statements of Zambia Institute of Chartered Accountants which comprise the statement of financial position at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in members' funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 45 to 87.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Accountants Act.

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 Institute in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. 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.

Topic	KAM Title	Description of Key Audit Matter	Description of Auditor's Response
Accounting policy changes	Changes in accounting policies (IFRS 9 and 15), which requires significant judgement, and resulted in an opening balance sheet restatement.	As of 1 January 2018, IFRS 9 (Financial Instruments), and 15 (Revenue from contracts with customers) became effective. IFRS 9 requires the Institute to develop an IFRS 9 impairment model. In the process of developing the model IFRS 9 requires the Institute to make significant judgement in assessing the default probabilities and recovery amounts from the financial assets that fall within the scope of IFRS 9. The IFRS 9 Expected Credit Loss (ECL) model is significantly different from the previous IAS 39 "Incurred Loss" model.	We have assessed the appropriateness of the assumption applied in the IFRS 9 model. We have reviewed the methodology applied by the Institute in the development of the IFRS 9 impairment model. We have read all relevant IFRS 15 contracts (express or implied), and assessed their combined substance and confirmed that the facts described in management›s analysis were in line with the contracts.
		IFRS 15 is a new revenue recognition model which introduces a 5-step approach on revenue recognition. Significant judgement is required to determine the variable consideration which will adjust the transaction price. Both standards also require significant financial statement disclosures. The comparative figures in the 2017 financial statements have been restated to reflect the effect of the change in accounting standards. These are disclosed in notes 1.3, 7, 9 ,16, 17.1 and 17.2 of the financial statements.	See note 1.3 detailing the impacts on the financial statements following changes in accounting principles and presentation at 1 January 2018. We focused on the adequacy of the disclosures in the financial statements as required under IFRS 9 and 15. The disclosures are detailed in notes 7, 9, 17.1 and 17.2 of the financial statements.

Topic	KAM Title	Description of Key Audit Matter	Description of Auditor's Response
Investment Property under development	Valuation of Investment Property	The valuation of investment property is important to our audit as it represents a significant judgment area and an important part of the total assets of the Institute. The valuation of the investment property is highly dependent on estimates. We therefore identified the valuation of investment property as a significant risk. The Institute's policy is that property valuations are performed by external experts once a year. These valuations are amongst others based on transactions, and market assumptions, such as historical knowledge. We considered the risk associated with a competitor building a similar project that ZICA has planned to establish in Livingstone. We assessed managements basis for not impairing the proposed and current investment in the Livingstone project. Our work also focused on the capitalisation of costs for the • Livingstone – Development project, and; • The Proposed Thabo Mbeki Office Park.	Amongst others, we considered the objectivity, independence and expertise of the external appraisers. We further assessed the correctness of the property related data used as input for the valuations. We reviewed the underlying assumptions. We further focused on the adequacy of the disclosures on the valuation of investment property. Disclosures of this item are included in note 4 of the financial statements. We assessed supporting documentation detailing the Institutes impairment assessment as a result of the impact of the potential threat created by the competitor in the Livingstone investment project.

Topic	KAM Title	Description of Key Audit Matter	Description of Auditor's Response
Reconciliations	Integration of the iMIS and Pastel System	The Institute in 2016 implemented a new system which integrated iMIS and Pastel. However, this integration process is not fully implemented. The revenue module is affected by this integration. This module forms a significant part of the financial statements. The reconciliation process is manually driven and involves a matching process between departmental iMIS transactions and the Pastel accounting transactions. This manual intervention process increases the risk of error. There is a risk that cut-off procedures may not be correctly performed due to the lack of integration between the Inventory/ Membership/ Students IMIS system and the accounting PASTEL system. Reconciliations are performed quarterly.	We reviewed the reconciliation between iMIS and Pastel and evaluated the nature of the reconciling items. We determined that the effective operation of the controls provided us with audit evidence in respect of the integration process.

Information other than the financial statements and Auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regards.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the Accountants Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance that 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- Conclude on the appropriateness of the Institutes' 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 Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Institute to express an opinion on the financial statements.

We are responsible for the direction, supervision and performance of the Institute's audit. We remain solely responsible for our audit opinion.

We communicate with the Council 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.

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

From the matters communicated to the Council, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Supplementary information

We draw attention to the fact that supplementary information set out on page 88 does not form part of the audited financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Report on other legal and regulatory requirements

The Accountants Act requires that in carrying out an audit, we consider whether or not the Institute has kept the accounting records and registers as required by this Act. We confirm that in our opinion the accounting records, other records and registers required by the Accountants Act have been properly kept by the Institute.

BDO Zambia Audit Services

W.P. Saunders
Partner
AUD/F000038
Date: 10th April 2019

Statement of financial position

	Note	2018 ZMW	2017 ZMW Restated
ASSETS			
Non-current assets			
Property, plant and equipment	3	34,074,761	33,288,122
Investment property under development	4	20,550,055	17,152,163
Equity investments at FVOCI	5	1,044,599	1,063,215
Intangible assets	6	10,763,273	10,002,700
Staff loans and advances at amortised cost	9	343,826	245,103
		66,776,514	**61,751,303**
Current assets			
Inventories	8	1,424,142	1,342,113
Staff loans and advances at amortised cost	9	290,614	465,767
Other receivables	10	740,144	562,205
Investment securities at amortised cost	7	2,570,573	4,721,226
Cash and cash equivalents	11	2,000,274	1,565,726
		7,025,747	**8,657,037**
Total assets		**73,802,261**	**70,408,340**
MEMBERS' FUND AND LIABILITIES			
Accumulated fund		24,466,343	19,529,568
Revaluation reserve		24,982,800	25,622,874
Other reserves		113,648	139,783
		49,562,791	**45,292,225**
Non current liabilities			
Employee liabilities	12	1,540,510	891,757
Other payables	13	-	1,426,500
Finance lease obligations	14	950,279	-
Deferred Income	15	9,963,723	11,868,910
		12,454,512	**14,187,167**
Current liabilities			
Finance lease obligations	14	271,508	-
Other payables	13	7,768,993	8,267,842
Contract liabilities	17.2	3,744,457	2,661,106
		11,784,958	**10,928,948**
Total members' fund and liabilities		**73,802,261**	**70,408,340**

The responsibility of the Council with regard to the preparation of the financial statements is set out on page 38. The financial statements on pages 45 to 87 were approved by the Council on 10th April 2019 and were signed on its behalf by:

Jason Kazilimani, Jr
President

Cecilia Zimba
Chairperson, Finance and Administration Committee

The notes on pages 49 to 87 are an integral part of these financial statements

Statement of profit or loss and other comprehensive income

	Note	2018 ZMW	2017 ZMW
Income			
Revenue from contracts with customers	17.1	38,842,281	36,518,878
Other income	18	4,051,672	2,014,595
Finance income	19.1	543,603	829,929
Capital grant amortised	15	1,905,187	1,905,187
Total income		**45,342,743**	**41,268,589**
Expenditure			
Finance cost	19.2	83,576	-
Operating expenses		20,761,407	18,996,242
Depreciation and amortisation		3,620,564	3,110,687
Employee benefits expenses		16,576,532	15,409,431
Expected credit losses	16	(10,735)	-
Total expenditure		**41,031,344**	**37,516,360**
Surplus before tax		**4,311,399**	**3,752,229**
Income tax expense	20	-	-
Surplus for the year		**4,311,399**	**3,752,229**
Other comprehensive Income			
Items that will not be reclassified subsequently to profit or loss			
(Loss)/gain on equity investments at FVOCI	5	(40,833)	316,454
Gain on revaluation of property, plant and equipment	3	-	14,781,028
Other comprehensive income for the year		**(40,833)**	**15,097,482**
Total comprehensive income for the year		**4,270,566**	**18,849,711**

The notes on pages 49 to 87 are an integral part of these financial statements

Statement of cash flows

	Note	2018 ZMW	2017 ZMW
Cash flows from operating activities			
Surplus for the year		4,311,399	3,752,229
Adjustments to reconcile surplus to net cash flows:			
Depreciation of property, plant and equipment	3	1,568,331	1,137,231
Change in fair value of investment property under development	4	(3,026,000)	(1,563,112)
Amortisation of intangible assets	6	2,052,233	595,129
Impairment loss recognised in assets-intangible assets and inventory	6,8	-	1,378,327
Capital grant amortised	15	(1,905,187)	(1,905,187)
Profit on disposal of property, plant and equipment	18	(85,102)	-
Interest received	19.1	(528,051)	(819,202)
Dividend received	19.1	(15,552)	(10,727)
Finance cost from obligations under finance leases	19.2	83,576	-
		2,455,647	**2,564,688**
Cash flow from operating activities			
Increase in inventories	8	(82,029)	(1,155,739)
Decrease in staff loans and advances at amortised cost	9	76,430	316,444
(Increase)/decrease in other receivables	10	(177,939)	27,358
Increase in employee benefits	12	648,753	604,840
(Decrease)/increase in other payables	13	(1,925,349)	4,515,373
Increase in finance lease obligations	14	1,221,787	-
Increase in contract liabilities	17.2	1,083,351	412,095
Net cash flows from operating activities		**3,300,651**	**7,285,059**
Cash flow from investing activities			
Purchase of property, plant and equipment	3	(2,354,970)	(823,630)
Acquisition of investment property	4	(371,892)	(9,164,836)
Purchase of equity instruments designated at FVTOCI	5	(22,217)	-
Acquisition of intangible assets	6	(2,812,806)	(7,335,201)
Redemption/(acquisition) of investment securities at amortised cost	7	2,150,653	(2,093,356)
Grant received	15	-	7,119,562
Proceeds from disposal of property, plant and equipment	18	85,102	-
Dividend received	19.1	15,552	10,727
Interest received	19.1	**528,051**	**819,202**
Net cash flows utilised in investing activities		**(2,782,527)**	**(11,467,532)**
Cashflows from financing activities			
Interest paid	19.2	(83,576)	-
Net cash used in financing activities		**(83,576)**	**-**
Increase/ (decrease) in cash and cash equivalents		**434,548**	**(4,182,473)**
Cash and cash equivalents at beginning of the year		1 ,565,726	5,748,199
Cash and cash equivalents at end of the year	11	**2,000,274**	**1,565,726**

The notes on pages 49 to 87 are an integral part of these financial statements

Statement of changes in members' funds

	Accumulated fund	Revaluation reserve	Equity Investments reserve	Whistle blower protection fund	Total
	ZMW	ZMW	ZMW	ZMW	ZMW
Balance at 1 January 2017	**15,175,988**	**11,481,920**	**(283,788)**	**92,419**	**26,466,539**
Surplus for the year	3,752,229	14,781,028	316,454	-	18,849,711
Amortisation	640,074	(640,074)	-	-	-
Funds transfer	(14,698)	-	-	14,698	-
Balance at 31 December 2017	**19,553,593**	**25,622,874**	**32,666**	**107,117**	**45,316,250**
Balance at 1 January 2018 as originally stated	**19,553,593**	**25,622,874**	**32,666**	**107,117**	**45,316,250**
Effect of adoption of new accounting standards (note 1.3)	(24,025)	-	-	-	(24,025)
Balance at 1 January 2018-Restated	**19,529,568**	**25,622,874**	**32,666**	**107,117**	**45,292,225**
Surplus for the year	4,311,399	-	(40,833)	-	4,270,566
Amortisation	640,074	(640,074)	-		-
Funds transfer	(14,698)	-	-	14,698	-
Balance at 31 December 2018	**24,466,343**	**24,982,800**	**(8,167)**	**121,815**	**49,562,791**

(i). The accumulated fund represents carried forward recognised income net of expenses for the Institute.

(ii). The revaluation reserve is the surplus on land and buildings arising from revaluations.

(iii). The whistle blower protection fund is a reserve to protect members that may report activities that are not in line with the ethics of the Institute.

(iv). Equity investment revaluation reserve represents the cumulative gains and losses on the revaluation of equity investment at FVOCI financial assets that have been recognised in other comprehensive income.

The notes on pages 49 to 87 are an integral part of these financial statements

Significant accounting policies

1. Regulatory framework

The Zambia Institute of Chartered Accountants was established by the enactment of the Accountants Act, Number 28 of 1982 now repealed and continues to exist as if established under the Accountants Act Number 13 of 2008.

1.1. Basis of preparation

The financial statements of Zambia Institute of Chartered Accountants have been prepared in accordance with International Financial Reporting Standards and the requirements of the Accountants Act Number 13 of 2008. The financial statements have been prepared under the historical cost convention and the accounting policies have been consistently applied with the exception of leasehold buildings, investment property under development and equity financial assets for which a revaluation policy has been adopted. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. The financial statements provide comparative information in respect of the previous period.

1.2. Functional and presentation currency

The functional and presentation currency of the Institute is the Zambian Kwacha.

1.3 Adoption of new and revised standards

The Institute adopted IFRS 9 and IFRS 15 with a transition date of 1 January 2018. The Institute has chosen to restate comparatives on adoption of IFRS 15 and IFRS 9, therefore, are reflected in the restated prior year financial statements. These changes have been processed at the date of initial application (i.e. 1 January 2018) and recognised the opening equity balances. As a result of the adoption, several other amendments and interpretations apply for the first time in 2018, but do not have a significant impact on the financial statements of the Institute. The Institute has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The Institute applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Institute adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Institute did not apply any of the other available optional practical expedients.

Significant accounting policies

1.3 Adoption of new and revised standards (continued)

The effect of adopting IFRS 15 is, as follows: Impact on statement of profit or loss and other comprehensive income- increase/(decrease)

31 December 2017

	As originally presented	Reclassification	Impact of IFRS 15	As restated
	ZMW	ZMW	ZMW	ZMW
Income	25 496 522	11 022 356	Nil	36 518 878
Other Income	15 772 067	(11 022 356)	Nil	4 749 711
Expenditure	(37 516 360)	-	Nil	(37 516 360)
Surplus for the year	3 752 229	-	Nil	3 752 229
Other comprehensive income	15 097 482	-	Nil	15 097 482
Total comprehensive income for the year	18 849 711	-	Nil	18 849 711

Impact on statement of financial position- increase/(decrease)

31 December 2017

	As originally presented	Reclassification	Impact of IFRS 15	As restated
	ZMW	ZMW	ZMW	ZMW
Assets				
Other assets	249 777	-	Nil	249 777
Other receivables	1 027 972	-	Nil	1 027 972
Inventories	1 342 113	-	Nil	1 342 113
Cash and cash equivalents	1 565 726	-	Nil	1 565 726
Investment securities	4 740 577	-	Nil	4 740 577
Member Fund and Liabilities	45 316 250	-	Nil	45 316 250
Non current Liabilities				
Employee liabilities	891 757		Nil	891 757
Other payables	1 426 500		Nil	1 426 500
Deferred income	11 868 910		Nil	11 868 910
Current Liabilities				
Trade and other payables	10 928 948	(2 661 106)	Nil	8 267 842
Contract liabilities	-	2 661 106	Nil	2 661 106

There was no impact on the statement of cash flows for the year ended 31 December 2017.

IFRS 9 Financial Instruments

The effect of adopting IFRS 9 is, as follows:

Impact on statement of changes in members funds- increase/(decrease)

Significant accounting policies

1.3 Adoption of new and revised standards (continued)

31 December 2017

	As originally presented	Reclassification	Impact of IFRS 9	As restated
	ZMW	ZMW	ZMW	ZMW
Accumulated fund	19 553 593	-	(24 025)	19 529 568
Properties revaluation reserve	25 622 874	-	Nil	25 622 874
Equity investment revaluation reserve	32 666	-	Nil	32 666
Whistle blower protection fund	107 117	-	Nil	107 117
Opening member funds (1 January 2018)	45 316 250	-	(24 025)	45 292 225

A reconciliation of the ECL is provided on note 16.

Impact on statement of financial position- increase/(decrease)

31 December 2017

	As originally presented	Reclassification	Impact of IFRS 9	As restated
	ZMW	ZMW	ZMW	ZMW
Assets				
Other assets	249 777	(249 777)	Nil	-
Other receivables	1 027 972	(465 767)	Nil	562 205
Staff loans and advances	-	715 544	(4 674)	710 870
Inventories	1 342 113	-	Nil	1 342 113
Cash and cash equivalents	1 565 726	-	Nil	1 565 726
Investment securities	4 740 577	-	(19 351)	4 721 226
	8 926 165	-	(24 025)	8 902 140
Member Fund and Liabilities	45 316 250	-	(24 025)	45 292 225
Non current Liabilities				
Employee liabilities	8 91 757	-	Nil	8 91 757
Other payables	1 426 500	-	Nil	1 426 500
Deferred income	11 868 910	-	Nil	11 868 910
Current Liabilities				
Trade and other payables	10 928 948	-	Nil	10 928 948

Impairment

The adoption of IFRS 9 has fundamentally changed the Institute's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Institute to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, the Institute recognised an impairment amounting to ZMW 24,025 on it's financial assets with a total amortised cost of ZMW 5,456,121 (i.e. investment securities and staff loan and advances) as at 1 January 2018.

Significant accounting policies

1.3 Adoption of new and revised standards (continued)

The change did not have a material impact on the Institute's operating, investing and financing cash flows.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows:

	IAS 39 measurement	IFRS 9 re-measurement
Financial assets	**Category**	**Category**
Cash and cash equivalents	Cash	Amortised cost
Staff loans and advances	Loans and receivables	Amortised cost
Equity Investments	Available for Sale	Fair value through other OCI
Investment securities	Loans and receivables	Amortised cost
Financial liabilities		
Contract liabilities	Nil	Amortised cost
Finance lease obligations	Nil	Amortised cost

2. Significant accounting policies

2.1. Property, plant and equipment

Plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Institute depreciates them separately based on specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Office properties are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income (OCI) and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Significant accounting policies

2.1. Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Leasehold buildings	2.5%
Motor vehicles - owned and leased machinery	25%
Furniture, fittings, machinery, office equipment	20%
Library books are not depreciated.	

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.
The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

Finance leases are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss. A leased asset is depreciated over the useful life of the asset.

2.2 Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development and carried at fair value until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. Any gain or loss on remeasurement is recognised in profit or loss. All costs directly associated with the purchase and construction of a property and all subsequent capital expenditure for the development qualify as acquisition costs and are capitalised.

2.3. Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the Institute from which the Institute expects to derive future economic benefits. An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Institute and the cost of the asset can be measured reliably.
Intangible assets that are acquired and have finite useful lives are initially recognised at cost with subsequent measurement at cost less any accumulated amortisation and any impairment losses. The intangible assets are amortised at 20% per annum on a straight line basis. An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains and losses from derecognition of an intangible asset are recognised in profit or loss.

2.4. Inventory

Inventory is stated at the lower of cost and net realisable value. The cost is determined on a weighted average cost basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less any selling expenses.

2.5. Revenue from contracts with customers

The Institute recognises revenue from the following major sources:

Significant accounting policies

2.5. Revenue from contracts with customers (continued)

- Annual subscription
- Subscription arrears
- Registrations and entry fees
- Competence examination fees
- Firm registrations fees
- Practicing certificate fees
- Exemption fees
- Examination fees
- Seminars & workshops
- Sales of manuals

Revenue is measured based on the consideration to which the Institute expects to be entitled in a contract with customers and excludes amounts collected on behalf of third parties.
The Institute is in the business of providing regulatory services and the training of accountants. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Institute expects to be entitled in exchange for those goods or services.

All its revenue except that from annual subscriptions is recognised at the point in time when control of the asset is transferred to the customer. Subscriptions received in advance are recognised as services transferred over time that result in a current contract liability.

The Institute considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., free magazines and life insurance cover).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Institute performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Institute's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets - Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Institute has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Institute transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Institute performs under the contract.

2.6. Grants and non-monetary donations

Grants for revenue expenditure are recognised in profit or loss during the period in which they are received. Grants for capital expenditure and donations of non-monetary assets are credited to a deferred income account at their cash or fair values. The deferred income is transferred to profit or loss each year on a systematic and rational basis over the useful lives of the related assets.

Significant accounting policies

2.7. Transactions in foreign currencies

Transactions in foreign currencies during the year are converted into Zambian Kwacha at rates ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated into Zambian Kwacha at rates ruling at the statement of financial position date. The resulting differences from conversion and translation are dealt with in the statement of comprehensive income in the year in which they arise.

2.8. Cash and cash equivalents

Cash comprises cash on hand, at bank and demand deposits with banks. Cash equivalents are short term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash, deposits in banks and short term investments, net of outstanding bank overdrafts.

2.9. Employee benefits

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Institute pays fixed contributions into the National Pension Scheme Authority. The Institute has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

The cost of gratuity and annual leave are recognised during the period in which the employee renders the related service. Accruals for employee entitlement to gratuity and annual leave represent the present obligation, which the Institute has to pay as a result of the employee services provided to the reporting date.

Employee liabilities are recognised for the amount expected to be paid for gratuity and annual leave as the Institute has a present legal constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.10. Financial instruments

Financial instruments – initial recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Institute becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Institute recognises balances due to customers when funds are transferred to the Institute.

Initial measurement of financial instruments and classification of financial instruments at initial recognition depends on the contractual terms and the business model for managing the instruments. Financial instruments are initially measured at fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Institute accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Institute recognises the difference between the transaction

Significant accounting policies

2.10. Financial instruments (continued)

price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

From 1 January 2018, the Institute classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- Fair value through other comprehensive income;
- Fair value through profit and loss.

The Institute may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies. Furthermore, the Institute designates and measures it's financial assets held for investment purposes at FVOCI.

Before 1 January 2018, the Institute classified its financial assets as loans and receivables (amortised cost), FVPL, available-for- sale or held-to-maturity (amortised cost). Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

Financial assets and liabilities

Due from staff loans and advances and bank financial investments at amortised cost

Before 1 January 2018, due from staff loans and advances and bank financial investments, included non–derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

- That the Institute intended to sell immediately or in the near term;
- That the Institute , upon initial recognition, designated as at FVPL or as available-for-sale;
- For which the Institute may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale.

From 1 January 2018, the Institute only measures due from loans and staff loans and advances and other bank financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

The Institute determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

Financial assets and liabilities

The Institute's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are

Significant accounting policies

2.10. Financial instruments (continued)

evaluated and reported to the entity's key management personnel;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Institute's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Institute's original expectations, the Institute does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The solely payments of principal and interest test

As a second step of its classification process the Institute assesses the contractual terms of financial asset to identify whether they meet the solely payments of principal and interest test .

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Institute applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Reclassification of financial assets and liabilities

From 1 January 2018, the Institute does not reclassify its financial assets subsequent to initial recognition, apart from the exceptional circumstances in which the Institute acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Institute did not reclassify any of its financial assets or liabilities in 2018.

Derecognition due to substantial modification of terms and conditions

The Institute derecognises a financial asset, such as a loan to staff, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a staff, amongst others, the Institute considers the following factors:

- Change in currency of the loan
- Change in counterparty

Significant accounting policies

2.10. Financial instruments (continued)

- If the modification is such that the instrument would no longer meet the SPPI criterion
- If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective rate of interest, the Institute records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Institute also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. The Institute has transferred the financial asset if, and only if, either:

- The Institute has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Institute retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Institute has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Institute cannot sell or pledge the original asset other than as security to the eventual recipients
- The Institute has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Institute is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Institute has transferred substantially all the risks and rewards of the asset or
- The Institute has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Institute considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Institute has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Institute's continuing involvement, in which case, the Institute also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Institute has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the

Significant accounting policies

2.10. Financial instruments (continued)

original carrying amount of the asset and the maximum amount of consideration the Institute could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Institute would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

The adoption of IFRS 9 has fundamentally changed the Institute's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Institute has been recording the allowance for expected credit losses for all loans and other financial assets not held at FVPL. Equity instruments are not subject to impairment under IFRS 9.

Impairment of financial assets (Policy applicable from 1 January 2018)

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12 months ECL).

The 12 months ECL is the portion of Lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both Lifetime ECLs and 12months ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Institute has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Institute groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Institute recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Institute records an allowance for the Lifetime ECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Institute records an allowance for the Lifetime ECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition.

POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit- adjusted effective rate of interest. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Significant accounting policies

2.10. Financial instruments (continued)

For financial assets for which the Institute has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The Calculation of ECLs

The Institute calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective rate of interest. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.
The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Institute considers four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2')). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Institute has the legal right to call it earlier.

Impairment of financial assets (Policy applicable from 1 January 2018) continued Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. Provisions for ECLs for undrawn loan commitments are assessed.

Overview of the ECL principles

The mechanics of the ECL method are summarised below:

- Stage 1: The 12 months ECL is calculated as the portion of Lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Institute calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12- month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original effective rate of interest. This calculation is made for each of the four scenarios, as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Institute records an allowance for the Lifetime ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original effective rate of interest.
- Stage 3: For loans considered credit-impaired, the Institute recognises the lifetime expected credit losses for these

Significant accounting policies

2.10. Financial instruments (continued)

loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

- POCI - POCI assets are financial assets that are credit impaired on initial recognition. The Institute only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit- adjusted effective rate of interest.

The mechanics of the ECL method are summarised below:

Forward looking information

In its ECL models, the Institute relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 25.

Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Institute's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and effective rate of interest interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Institute's internal credit grading model, which assigns PDs to the individual grades.
- The Institute's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when the ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP growth rate and collateral values, and the effect on PDs, EADs and LGDs.

Selection of forward-looking macroeconomic scenarios probability weightings, to derive the economic inputs into the ECL models.

2.11. Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in best in the economic interest.

Significant accounting policies

2.11. Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it another market participant that would use the asset in its highest and best use. The Institute uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Institute determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period.

The Institute's executive management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurements. The executive management comprises of the Chief Executive Officer and the Directors.

External valuers are involved for valuation of significant assets, such as properties and equity investments, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the executive management.
Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years for the valuation of property, plant and equipment. The Institute's external valuers provide the valuation techniques and inputs to use for each case.

At each reporting date, the executive management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Institute's accounting policies. For this analysis, the executive management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The executive management, in conjunction with the Institute's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an annual basis, the executive management and the Institute's external valuers present the valuation results to the Audit Committee and the Institute's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Institute has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.12. Current versus non-current classification

The Institute presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

Significant accounting policies

2.12. Current versus non-current classification (continued)

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting

2.13. Investment securities

a) Government bonds

Investments in GRZ bonds are valued at amortised cost using the effective interest rate method less any provision for impairment.

b) Shares

The fair value of shares that are actively traded on the Lusaka Securities Exchange is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. Any changes in value of the shares is reflected through the statement of comprehensive income.

2.14. Significant accounting judgements, estimates and assumptions

The preparation of the Institute's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Institute's exposure to risks and uncertainties includes:

- Capital management
- Financial instruments risk management and policies
- Sensitivity analyses disclosures

In the process of applying the Institute's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Institute applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Identifying performance obligations.
- Determining the timing of satisfaction of the subscriptions and other services.
- Principal versus agent considerations

Significant accounting policies

2.14. Significant accounting judgements, estimates and assumptions (continued)

Subscriptions, Insurance and Magazine services

Before the adoption of IFRS 15, the Institute accounted for the subscriptions fees as a single deliverable and did not allocate consideration to each deliverable.

Under IFRS 15, the Institute assessed that there were three performance obligations in a contract for subscription fees and performed a re-allocation of the transaction price based on their relative stand-alone selling prices, which decreased the amount allocated to subscription fees.

The statement of financial position as at 31 December 2017 was restated, resulting in the Institute reclassifying ZMW 2,661,106 from Trade and other payables to Contract liabilities as at 1 January 2018.

The following significant assumptions have been applied in the determination of the relative standalone prices used in the allocation of the transaction prices for the free magazines and insurance cover to fully paid up members.

	31 December 2018	31 December 2017
Magazines	43	43
Insurance	340	320

The Institute has concluded that the performance obligations in respect to the member benefits as above all mature within the same accounting period.

Revaluation of property, plant and equipment and investment properties

Investment properties and property, plant and equipment valuation methodology are based on active market prices, the nature, location or condition of the specific property which is performed by an accredited independent valuer who has valuation experience for similar properties. The Institute carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The changes in fair value of property, plant and equipment is recognised in OCI.

The key assumptions used to determine the fair value of the properties are provided in Notes 3 and 4.

Provision for expected credit losses

The Institute uses a General approach to calculate ECLs for staff loans and advances and investment securities. The probability of default rates is based on days past due for groupings of various instruments segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The impairment model is initially based on the Institute's historical observed default rates. The Institute will calibrate the PD factors to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Institute's historical credit loss experience and forecast of economic conditions may also not be representative of the staff's actual default in the

Significant accounting policies

2.14. Significant accounting judgements, estimates and assumptions (continued)

future. The information about the ECLs on the Institute's financial instruments is disclosed in Note 7, 9, 16 and 25 of the financial statements.

2.15. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Institute's financial statements are disclosed below. The Institute intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Institute plans to adopt IFRS 16 retrospectively to each prior reporting period presented. The Institute will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Institute will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.
The Institute will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

During 2018, the Institute performed an impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be, as follows:

Operating lease

IFRS 16 will change how the Institute accounts for leases classified as operating lease under IAS 17, which were off balance sheet. On initial application of IFRS 16 for all leases, the Institute will;
(a) Recognise the right of use of assets and lease liabilities in the statement of financial position
(b) Recognise depreciation of right of use assets and interest on lease liabilities in the profit and loss

Significant accounting policies

2.15. Standards issued but not yet effective (continued)

(c) Separate the total amount of cash paid into a principal portion and interest in the cashflow statement.

Finance lease

On initial application, the Institute will present assets previously included in property , plant and equipment within the line item for right-of-use assets and separate line for lease liabilities. Based on the analysis of the finance leases as at 31December 2018, the change will have no impact on the amounts recognised in the financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Institute will apply the interpretation from its effective date. Since the Imstitute is exempt from income tax, applying the interpretation may not affect its financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Institute.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full.

Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

Significant accounting policies

2.15. Standards issued but not yet effective (continued)

The Institute will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.
The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Institute does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of

Significant accounting policies

2.15. Standards issued but not yet effective (continued)

the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Institute.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Institute but may apply to future transactions.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The Institute does not expect any effect on its financial statements as it is exempt from income taxes

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. The Institute does not expect any effect on its financial statements.

Notes to the financial statements

3. Property, plant and equipment

2018	Leasehold land and buildings	Motor vehicles owned	Motor Vehicles leased	Furniture, fitting Equipment	Machinery	Office equipment	Computers	Library books	Total
	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW
Cost									
At 01 January 2018	32 284 000	1 756 283	-	1 593 869	278 424	781 817	2 115 474	87 722	38 897 589
Additions	-	362 797	1 426 164	133 907	-	30 235	401 867	-	2 354 970
Disposal	-	(582 023)	-	-	-	-	-	-	(582 023)
At 31 December 2018	**32 284 000**	**1 537 057**	**1 426 164**	**1 727 776**	**278 424**	**812 052**	**2 517 341**	**87 722**	**40 670 536**
Depreciation									
At 01 January 2018	-	1 386 654	-	1 343 573	240 093	718 602	1 920 545	-	5 609 467
Charge for the period	921 676	167 161	148 559	143 217	38 331	7 081	142 306	-	1 568 331
Write-back on disposal		(582 023)	-	-	-	-	-	-	(582 023)
At 31 December 2018	**921 676**	**971 792**	**148 559**	**1 486 790**	**278 424**	**725 683**	**2 062 851**	**-**	**6 595 775**
Net book value as at 31 December 2018	**31 362 324**	**565 265**	**1 277 605**	**240 986**	**-**	**86 369**	**454 490**	**87 722**	**34 074 761**

2017	Leasehold land and buildings	Motor vehicles owned	Motor Vehicles leased	Furniture, fitting Equipment	Machinery	Office equipment	Computers	Library books	Total
	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW
Cost									
At 01 January 2017	19 597 186	1 301 355	-	1 526 858	278 424	776 109	2 091 010	87 722	25 658 664
Additions	271 519	454 928	-	67 011	-	5 708	24 464	-	823 630
Revaluation	12 415 295	-	-	-	-	-	-	-	12 415 295
At 31 December 2017	**32 284 000**	**1 756 283**		**1 593 869**	**278 424**	**781 817**	**2 115 474**	**87 722**	**38 897 589**
Depreciation									
At 01 January 2017	1 879 559	1 181 676	-	1 203 345	167 055	672 124	1 734 210	-	6 837 969
Charge for the period	486 174	204 977	-	140 229	73 038	46 478	186 335	-	1 137 231
Write-back on revaluation	(2 365 733)	-	-	-	-	-	-		(2 365 733)
At 31 December 2017	**-**	**1 386 653**	**-**	**1 343 574**	**240 093**	**718 602**	**1 920 545**	**-**	**5 609 467**
Net book value as at 31 December 2017	**32 284 000**	**369 630**	**-**	**250 295**	**38 331**	**63 215**	**194 929**	**87 722**	**33 288 122**

Notes to the financial statements

	2018	2017
	ZMW	ZMW
		Restated

3. Property, plant and equipment (continued)

The leasehold buildings were valued at 31 December 2017 on an open market value basis by qualified, independent valuers from Knight Frank who have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The leasehold buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluation surplus was credited to other comprehensive income and is included on the statement of financial position and in the statement of changes in members' funds. Had the revalued properties been measured on a historical cost basis, their net book value would have been ZMW 7,390,368 (2017: ZMW 7,649,472).

4. Investment property under development

	2018	2017
Opening balance	17 152 163	6 424 215
Leasehold land additions during the year	-	9 164 836
WIP additions	371 892	-
Change in fair value of Investment Property (note 18)	3 026 000	1 563 112
Closing balance	**20 550 055**	**17 152 163**

The revalued Investment property under development consists of the Livingstone Lot No.19912/M & Farm No.9012. Fair value of the property was determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, adjusted for differences in the nature, location or condition of the specific property. As at the date of revaluation, the property's fair value is based on valuations performed by Knight Frank Zambia Limited, an accredited independent valuer who has valuation experience for similar properties. There was no change to the valuation technique during the year.

5. Equity investments

Company	No. of shares	Share price as at 31 December 2018 ZMW	Market value as at 31 December 2017 ZMW	Addition ZMW	Capital appreciation/ (depreciation) ZMW	Market value as at 31 December 2018 ZMW
Zambia National Commercial Bank Plc	2 50,000	0,84	242 500	-	(32 500)	210 000
Standard Chartered Bank Plc	87,949	2,63	241 860	-	(10 554)	231 306
Zambeef Products Plc	50,000	3,00	150 000	-	-	150 000
Zambia Sugar Plc	100,000	2,70	270 000	-	-	270 000
CEC Africa	111,087	0,20	-	22 217	-	22 217
Copperbelt Energy Corporation Plc	111 087	1,45	158 855	-	2 221	161 076
			1 063 215	**22 217**	**(40 833)**	**1 044 599**

Notes to the financial statements

	2018	2017
	ZMW	ZMW
		Restated

5. Equity investments (continued)

Company	No. of shares	Share price as at 31 December 2017	Market value as at 31 December 2016	Addition	Capital appreciation/ (depreciation)	Market value as at 31 December 2017
		ZMW	ZMW	ZMW	ZMW	ZMW
Zambia National Commercial Bank Plc	2 50,000	0,97	72 500	-	170 000	242 500
Standard Chartered Bank Plc	87,949	2,75	153 031	-	88 829	241 860
Zambeef Products Plc	50,000	3,00	125 000	-	25 000	150 000
Zambia Sugar Plc	100,000	2,70	300 001	-	(30 001)	270 000
CEC Africa	111,087	1,43	96 229	-	62 626	158 855
			746,761	**-**	**316 454**	**1 063 215**

Equity investments consist of funds invested in shares in Lusaka Securities Exchange listed companies. The investments are reflected at market values and are classified as level 1 in the fair value hierarchy. The equity investment has been classified at fair value through other comprehensive income (FVOCI).

6 Intangible assets

31 December 2018	Carrying value at beginning of year	Additions	Amortisation	Impairment	Carrying value at end of year
	ZMW	ZMW	ZMW	ZMW	ZMW
Software costs	1 491 160	-	(372 240)	-	1 118 920
Development costs	8 511 540	2 812 806	(1 679 993)	-	9 644 353
	10 002 700	**2 812 806**	**(2 052 233)**	**-**	**10 763 273**

31 December 2017	Carrying value at beginning of year	Additions	Amortisation	Impairment	Carrying value at end of year
	ZMW	ZMW	ZMW	ZMW	ZMW
Software costs	1 861 198	2 202	(372 240)	-	1 491 160
Development costs	2 568 028	7 332 999	(222 889)	(1 166 598)	8 511 540
	4 429 226	**7 335 201**	**(595 129)**	**(1 166 598)**	**10 002 700**

Software costs relate to iMIS software which is fully operational. Development costs relate to expenditure on the CA Zambia qualification, the Diploma in Accountancy Qualification, Taxation and the Public Sector Finance Programmes. The development expenditure and software costs are being amortised over a period of five years.

Notes to the financial statements

	2018 ZMW	2017 ZMW Restated

7. Investment securities at amortised cost

	2018	2017
Fixed deposits	2 588 627	4 144 034
Government Securities	-	596 543
	2 588 627	**4 740 577**
ECL - IFRS 9 provision	(18 054)	(19 351)
Closing balance	**2 570 573**	**4 721 226**

The table below shows the credit quality and the maximum exposure to credit risk based on the Institute's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Institutes' internal grading system are explained in Note 25. The policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 25.

As at 31 December 2018

Internal Rating Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing high Grade	(18 054)	-	-	(18 054)
Standard grade	-	-	-	-
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Not performing individually impaired	-	-	-	-
Total	**(18 054)**	**-**	**-**	**(18 054)**

As at 31 December 2017

Internal Rating Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing high Grade	**(19 351)**	**-**	-	**(19 351)**
Standard grade	-	-	-	-
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Not performing individually impaired	-	-	-	-
Total	**(19 351)**	**-**	**-**	**(19 351)**

The outstanding balance of investment securities at amortised cost decreased by ZMW 2,151,950. The decrease is a result of ZMW 2,151,950 assets disposed off. The ECL allowance as of 1 January 2018 was ZMW 19,351 with the 31 December 2018 ECL being ZMW 18,054. Movements over the year were minor mostly driven by the movements in the corresponding gross figures in 2018.
A reconciliation of the ECL as at 31 December 2018 is shown below:

IAS 39 provision	**31 December 2018**	**Day one provision 1 January 2018**
Fixed Deposits	19 351	**19 351**
Government Securities	-	**-**
Expected Credit Loss (ECL) credit	(1 297)	**-**
Total ECL- IFRS 9 provision adjustment	**18 054**	**19 351**

Notes to the financial statements

	2018 ZMW	2017 ZMW Restated
7. Investment securities at amortised cost (continued)		
Average annual rates		
Institution		
First National Bank Zambia Limited fixed deposit	17.4%	16.0%
Stanbic Bank Zambia Limited fixed deposit	15.5%	16.0%
Government treasury bills		17.0%

8. Inventories

	2018 ZMW	2017 ZMW Restated
Study manuals	1 424 142	1 553 842
Impairment of ZICA manuals	-	(211 729)
	1 424 142	**1 342 113**

The cost of inventories recognised as an expense during the year was ZMW 635,567 (2017: ZMW 802,769).

9. Staff loans and advances at amortised cost

	2018 ZMW	2017 ZMW Restated
Staff advances	138 245	86 055
Staff loans	491 431	629 489
ECL- IFRS 9 provision	4 764	(4 674)
Closing balance	**634 440**	**710 870**

The table below shows the credit quality and the maximum exposure to credit risk based on the Institute's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Institutes' internal grading system are explained in Note 25. The policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 25.

As at 31 December 2018

Internal Rating Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing high Grade	4 764	-	-	4 764
Standard grade	-	-	-	-
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Not performing individually impaired	-	-	-	-
Total	**4 764**	**-**	**-**	**4 764**

As at 31 December 2017

Internal Rating Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing high Grade	(4 674)	-	-	(4 674)
Standard grade	-	-	-	-
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Not performing individually impaired	-	-	-	-
Total	**(4 674)**	**-**	**-**	**(4 674)**

The outstanding balance of staff loans and advances at amortised cost decreased by ZMW 85,867. The decrease is a result of ZMW 85,867 loans and advances repaid. The ECL allowance as of 1 January 2018 was ZMW 4,674 with the 31 December 2018 ECL credit being ZMW 4,764. Movements over the year were minor mostly driven by the movements in the corresponding gross figures in 2018.

Notes to the financial statements

	2018 ZMW	2017 ZMW Restated
9. Staff loans and advances at amortised cost (continued)		
A reconciliation of the ECL as at 31 December 2018 is shown below:		
IAS 39 provision		
Day one provision		
Staff loans and advances	4 674	4 674
Expected Credit Loss (ECL) credit	(9 438)	-
Total ECL- IFRS 9 provision adjustment	**(4 764)**	**4 674**
Current asset		
Staff loans and advances (short term component)	290 614	465 767
	290 614	**465 767**
Non current asset		
Staff loans and advances (long term component)	343 826	245 103
	634 440	**710 870**
Average annual rates		
Staff loans and advances	15%	15%

10. Other receivables

	2018 ZMW	2017 ZMW Restated
Sundry debtors	384 823	476 757
Prepayments	355 321	85 448
Staff loans and advances	-	715 544
	740 144	1 277 749
Reclassified to Staff loans and advances at amortised cost (note 9)	-	(715 544)
	740 144	**562 205**

11. Cash and cash equivalents

	2018 ZMW	2017 ZMW Restated
Cash at bank	1 999 215	1 564 665
Cash on hand	1 059	1 061
	2 000 274	**1 565 726**

12. Employee Liabilities

	2018 ZMW	2017 ZMW Restated
Balance at 31 December	2 581 490	1 898 257
Less Short term portion (note 13)	(1 040 980)	(1 006 500)
Long term portion	**1 540 510**	**891 757**

The employee liabilities represent accruals for gratuity and annual leave entitlement by employees. The employees of the Institute are members of the National Pension Scheme Authority. The Institute contributed 5% to the retirement benefit scheme subject to the social security ceiling of ZMW 995.00 of an employees' total monthly contribution in order to fund the benefits. The total expenses recognised in profit or loss was ZMW 339,503 (2017: ZMW 310,247).

Notes to the financial statements

	2018 ZMW	2017 ZMW Restated
13. Other payables		
Accruals	3 871 363	4 188 247
Benevolent fund	21 444	15 913
Employee liabilities (note 12)	**1 040 980**	**1 006 500**
Sundry creditors	2 835 206	3 057 182
Subscriptions received in advance	-	2 661 106
	7 768 993	10 928 948
Reclassified to contract liabilities (note 17.2)	-	(2 661 106)
Current portion	**7 768 993**	**8 267 842**
Non-current portion		
Other payable	-	1 426 500
	-	**1 426 500**

In 2017, the Institute entered into contracts for the purchase of 60 hectares of land in Livingstone for ZMW 6,000,000 and the design of the ultra-modern office complex at the Accountants Park for ZMW 5,882,789 respectively. These figures were included in the accruals and sundry creditors respectively and impacted on the liquidity ratios of the Institute. The obligations relating to the purchase of the land in Livingstone and the design of the office complex will be discharged during 2019. The overall total assets less total liabilities position remains adequately covered.

14. Finance lease obligations

Finance lease- lessee

The Institute leases motor vehicles, which have a net carrying value ZMW 1,277,605 (2017: nil). Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and the Institute has the right to purchase the assets outright at the end of the minimum lease term.

Future lease payments are due as follows:

	2018 ZMW	2017 ZMW Restated
Present Value of minimum lease payments		-
Within one year	271 508	-
In the second and fifth years inclusive	950 279	-
After five years	-	-
Present value of lease obligations	**1 221 787**	
Minimum lease payments		
Within one year	301 961	-
In the second to fifth years inclusive	1 355 553	-
After five years	-	-
Less future finance charges	(435,727)	-
Minimum lease payments	**1,221,787**	-
Analysed as		
Finance lease current obligation	**271 508**	-
Finance lease non-current obligation	**950 279**	-
	1 221 787	-

15. Deferred Income

	2018 ZMW	2017 ZMW Restated
Non current		
Grants (i) (ii)		
Opening balance	11 868 910	6 654 535

Notes to the financial statements

	2018 ZMW	2017 ZMW Restated
15. Deferred Income (continued)		
Additions	-	7 119 562
Amortisation	(1 905 187)	(1 905 187)
Closing balance	**9 963 723**	**11 868 910**

(i) The grant relates to funds received from Government of the Republic of Zambia in relation to the construction of the Institute's Head Office on plot 2374/a Thabo Mbeki Road. The grant is recognised in profit or loss on a systematic basis over the useful life of the asset.

(ii) The Institute received support in the form of a grant from the World Bank for the development of the curriculum for the Chartered Accountant (CA) Zambia programme. The grant is recognised in the profit or loss on a systematic basis over a five year period.

16. Expected credit losses

	2018 ZMW	2017 ZMW Restated
Opening expected credit loss 1 January 2018 (noted 1.3)	24 025	-
Total expected credit losses (credit)/charge (note 7 & 9)	(10 735)	-
Closing expected credit loss	**13 290**	**-**

The table below shows the ECL charges on financial instruments for the year recorded in the income statement:

31 December 2018	**Stage 1**		**Stage 2 and 3**		**POCI**	**Total**
	Collective	**Individual**	**Collective**	**Individual**		
	ZMW	**ZMW**	**ZMW**	**ZMW**	**ZMW**	**ZMW**
Cash and cash equivalents	-	-	-	-	-	-
Staff loans and advances	(4 764)	-	-	-	-	(4 764)
Equity Investments	-	-	-	-	-	-
Investment Securities	18 054	-	-	-	-	18 054
Total Impairment loss	**13 290**	-	-	-	-	**13 290**

The loss allowance on staff loans and advances reversed during the year due to the repayment of loans and advances by staff and the increase in the PV of security.

17.1. Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Institute's revenue from contracts with customers:

	For the year ended 31 December 2018					
Segments	**Subscriptions**	**Seminars**	**Examinations**	**Certification**	**Manuals**	**Total**
	ZMW	**ZMW**	**ZMW**	**ZMW**	**ZMW**	**ZMW**
Types of goods and services:						
Annual Subscriptions:						
• Membership fees	9 212 159	-	-	-	-	9 212 159
• Life insurance cover	2 161 381	-	-	-	-	2 161 381
• Magazines fees	270 758	-	-	-	-	270 758
Subscription arrears	907 200	-	-	-	-	907 200
Registration fees	2 881 675	-	-	-	-	2 881 675
Competence exams	-	-	65 165	-	-	65 165
Firm registrations fees	-	-	-	72 857	-	72 857
Practicing certificate fees	-	-	-	1 295 652	-	1 295 652

Notes to the financial statements

	2018	2017
	ZMW	ZMW
		Restated

17.1. Revenue from contracts with customers (continued)

Exemption fees	-	-	22 045	-	-	22 045
Examination fees	-	-	10 514 751	-	-	10 514 751
Entry fees	-	-	699 582	-	-	699 582
Seminars & workshops	-	8 889 458	-	-	-	8 889 458
Manuals sales	-	-	-	-	1 849 598	1 849 598
Total revenue from contracts with customers	**15 433 173**	**8 889 458**	**11 301 543**	**1 368 509**	**1 849 598**	**38 842 281**
Timing of revenue recognition						
Transferred at a point in time	3 788 875	8 889 458	11 301 543	-	1 849 598	25 829 474
Services transferred over time	11 644 298	-	-	1 368 509	-	13 012 807
Total revenue from contracts with customers	**15 433 173**	**8 889 458**	**11 301 543**	**1 368 509**	**1 849 598**	**38 842 281**
Geographical markets						
Zambia	15 368 642	8 889 458	11 301 543	1 368 509	1 849 598	38 777 750
Zimbabwe	64 531	-	-	-	-	64 531
	15 433 173	**8 889 458**	**11 301 543**	**1 368 509**	**1 849 598**	**38 842 281**

For the year ended 31 December 2017

Segments	Subscriptions	Seminars	Examinations	Certification	Manuals	Total
	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW
Types of goods and services:						
Annual Subscriptions:						
• Membership fees	9 225 180	-	-	-	-	9 225 180
• Life insurance cover	2 394 368	-	-	-	-	2 394 368
• Magazines fees	321 158	-	-	-	-	321 158
Subscription arrears	175 167	-	-	-	-	175 167
Registration fees	1 029 151	-	-	-	-	1 029 151
Competence exams fees	-	-	97 650	-	-	97 650
Firm registrations fees	-	-	-	36 000	-	36 000
Practicing certificate fees	-	-	-	1 115 700	-	1 115 700
Exemption fees	-	-	290 986	-	-	290 986
Examination fees	-	-	10 089 833	-	-	10 089 833
Entry fees	-	-	721 329	-	-	721 329
Seminars & workshops	-	9 289 255	-	-	-	9 289 255
Manuals sales	-	-	-	-	1 733 101	1 733 101
Total revenue from contracts with customers	**13 145 024**	**9 289 255**	**11 199 799**	**1 151 700**	**1 733 101**	**36 518 878**

Notes to the financial statements

					2018 ZMW	2017 ZMW Restated
17.1. Revenue from contracts with customers (continued)						
Timing of revenue recognition						
Transferred at a point in time	1 204 318	9 289 255	11 199 799	-	1 733 101	23 426 472
Services transferred over time	11 940 706	-	-	1 151 700	-	13 092 406
with customers	**13 145 024**	**9 289 255**	**11 199 799**	**1 151 700**	**1 733 101**	**36 518 878**
Geographical markets						
Zambia	13 118 836	9 289 255	11 199 799	1 151 700	1 733 101	36 492 691
Zimbabwe	26 187	-	-	-	-	26 187
	13 145 023	**9 289 255**	**11 199 799**	**1 151 700**	**1 733 101**	**36 518 878**

17.2. Contract liabilities

	2018	2017
contract liabilities	3 744 457	2 661 106
	3 744 457	**2 661 106**

Contract assets are initially recognised for revenue earned from services as receipt of consideration is conditional on successful completion of various services. Upon completion of various service and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. There were no contract assets during the period, hence no ECL was recognised as provision for expected credit losses on contract assets (2017: Nil).

Contract liabilities are subscriptions received in advance are recognised as services transferred over time. The outstanding balances of these accounts increased in 2018 and 2017 due to the continuous increase in the Institute's customer base.

Set out below is the amount of revenue recognised from:

	2018	2017
Reclassified from other payables	-	2 661 106
Amounts included in contract liabilities at the beginning of the year	2 661 106	-
Performance obligations satisfied in previous years	(2 661 106)	-
	-	**2 661 106**

Subscriptions received in advance

The performance obligation is satisfied over-time and payment is generally due upon commencement of the year and acceptance of the customer.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	2018	2017
Within one year	3 744 457	2 661 106
	3 744 457	**2 661 106**

All the other remaining performance obligations are expected to be recognised within one year.

18. Other income

	2018	2017
Sundry income	878 894	444 796
Gain on disposal of PPE	85 102	-

Notes to the financial statements

	2018 ZMW	2017 ZMW Restated
18. Other income (continued)		
Advertising income	17 000	-
Exchange gain	44 676	6 687
Gain on fair value of Investment property under development (note 4)	3 026 000	1 563 112
	4 051 672	**2 014 595**

19.1. Finance Income

	2018	2017
Income from financial instruments measured at amortised cost:		
Bank deposits	466 228	752 088
Interest on staff loans and advances	61 823	67 114
	528 051	819 202
Income from financial instruments designated at FVOCI		
Dividends received from equity investments	15 552	10 727
	543 603	**829 929**

19.2. Finance cost

	2018	2017
Interest on obligations under finance leases	**83 576**	**-**

20. Taxation

The Institute is exempt from taxation under the Income Tax Act Section 5(i) of part III Second Schedule of CAP 323 of the Laws of Zambia.

21. Surplus for the year

Surplus for the year has been arrived at after charging/(crediting):

	2018	2017
Exchange gain	(44 676)	(6 687)
Gain on fair value of Investment property under development	(3 026 000)	(1 563 112)
Gain on disposal of property, plant and equipment	(85 102)	-
Expected credit losses credit	(10 735)	-
Finance income	(543 603)	(829 929)
Depreciation of Property, plant and equipment	1 568 331	1 137 231
Amortisation of intangible assets	2 052 233	595 129
Impairment	-	1 378 327
Cost of inventories recognised as manuals expense	635 567	802 769
Employee benefits expense	16 576 532	15 409 431
Finance cost	83 576	-
	17 206 123	**16 923 159**

22. Employee benefit expenses

	2018	2017
Salaries	12 284 009	10 899 911
NAPSA contributions	679 006	620 006
Gratuity	2 799 858	2 409 146

Notes to the financial statements

	2018 ZMW	2017 ZMW Restated
22. Employee benefit expenses (continued)		
Other employee benefits	813 659	1 480 368
	16 576 532	**15 409 431**

23. Related party transactions

The remuneration of key management personnel and Council and Committee members during the year was as follows;

	2018 ZMW	2017 ZMW Restated
Short term benefits	5 881 776	4 556 640
Post employment benefits	1 470 444	1 139 160
	7 352 220	**5 695 800**
Loans to key management personnel	280 941	270 682
Council and Committee expenses	**142 097**	**170 550**

Council and Committee members receive an honorarium of ZMW 350 per sitting as part of cost recovery for the expenses they directly incur in discharging their duties for the Institute.

24. Financial instruments

Financial assets and financial liabilities

The Institute assessed that cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Institute based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2018, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The Institute's principal financial instruments from which financial instrument risk arises are cash and cash equivalents, trade receivables, investment in quoted equity securities and trade and other payables.

	2018	2017
	ZMW	ZMW
		Restated

24. Financial instruments (continued)

Categories of financial instruments

31 December 2018	Amortised cost	Fair value through OCI	Total
Financial assets	ZMW	ZMW	ZMW
Cash and bank balances	2 000 274	-	2 000 274
Staff loans and advances	634 440	-	634 440
Investment securities	2 570 573	-	2 570 573
Equity investments	-	1 044 599	1 044 599
	5 205 287	1 044 599	6 249 886
Financial liabilities			
Finance lease obligations	1 221 787	-	1 221 787
Accounts payable	7 768 993	-	7 768 993
	8 990 780	-	8 990 780

31 December 2017 (Restated) Financial assets	Amortised cost	Fair value through OCI	Total
	ZMW	ZMW	ZMW
Cash and bank balances	1 565 726	-	1 565 726
Staff loans and advances	710 870	-	710 870
Investment securities	4 721 226	-	4 721 226
Equity investments	-	1 063 215	1 063 215
	6 997 822	1 063 215	8 061 037
Financial liabilities			
Accounts payable	8 267 842	-	8 267 842
	8 267 842	-	8 267 842

25. Risk management

Impairment assessment (Policy applicable from 1 January 2018)

The references below show where the Institute's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

Definition of default and cure

The Institute considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

The Institute considers treasury and interinstitutional balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements. As a part of a qualitative assessment of whether a customer is in default, the Institute also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Institute carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

Notes to the financial statements

	2018	2017
	ZMW	ZMW
		Restated

25. Risk management (continued)

- Internal rating of the borrower indicating default or near-default
- The borrower having past due liabilities
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral

The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The Institute's criterion for 'cure' for ECL purposes is less stringent than the 24 months requirement for forbearance which is explained in Notes 7 and 9.

The Institute's internal rating and PD estimation process

The Institute independently operates its internal rating models. The Institute runs separate models for its key portfolios in which its customers are rated using information from rating agencies. These information sources are first used to determine the PDs within the Institute's IFRS 9 framework. The internal credit grades are assigned based on these rating agencies. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenarios as appropriate.

Interbank relationships

The Institute's treasury, trading and interbank relationships and counterparties comprise financial services institutions, Institute, broker- dealers, exchanges and clearing-houses. For these relationships, the Institute's analyses publicly available information such as financial information and other external data, e.g., the rating of rating agencies, and assigns the internal rating, as shown in the table below.

The Institute's internal credit rating grades - Cumulative Historic Default Rates (in percentages)

Rating categories	Moody's		Standard and Poor's		Ratings
	Municipal	Corporate	Municipal	Corporate	
Aaa/AAA	0.0	0.52	0.0	0.60	Prime
Aa/AA	0.06	0.52	0.0	1.50	High grade
A/A	0.03	1.29	0.23	2.91	Upper medium
Baa/BBB	0.13	4.64	0.32	10.29	Lower medium grade
Ba/BB	2.65	19.12	1.74	29.93	Non-Investment grade
B/B	11.86	43.34	8.48	53.72	Highly speculative
Caa-C/CCC-C	16.58	69.18	44.81	69.19	Substantial Risk

	2018	2017
	ZMW	ZMW
		Restated

25. Risk management (continued)

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Institute assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Institute determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Institute's models.

Loss given default

For corporate and investment banking financial instruments, LGD values are assessed at least every three months by the Institute. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on a minimum of two possible scenarios. Examples of key inputs involve changes in, collateral values, payment status or other factors that are indicative of losses. The Institute estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Significant increase in credit risk

The Institute continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or LTECL, the Institute assesses whether there has been a significant increase in credit risk since initial recognition. The Institute considers an exposure to have not significantly increased in credit risk when the IFRS 9 lifetime PD has not doubled since initial recognition.

The Institute also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a facility to the watch list, or the account becoming forborne. In certain cases, the Institute may also consider that events are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Institute applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

	2018	2017
	ZMW	ZMW
		Restated

25. Risk management (continued)

Grouping financial assets measured on a collective basis

The Institute calculates ECLs either on a collective or an individual basis.

Asset classes where the Institute calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets
- The investments portfolio
- Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring

Asset classes where the Institute calculates ECL on a collective basis include:

- Stage 1 and 2 investments
- Purchased POCI exposures managed on a collective basis

The Institute groups these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans.

For Investments these are:

- Product type
- Internal grade
- Exposure value

IFRS 9 sensitivity analysis

The sensitivity analysis of the significant input in the IFRS 9 model are analysed below as at 31 December 2018:

Sensitivity of key inputs	Changes in key inputs	Impact on profit for the year
Probability of default	+10%	217 335
	-0.05%	(3 834)
Loss given default	-50%	(9 462)
Effective interest rate	+3%	54 031
Tenor	+6 months	(1 096)
	-6 months	1 096

Credit risk

Credit risk is the risk of financial loss of the Institute if a counterparty to a financial instrument defaults on contractual obligations. The Institute is subject to credit risk through its trading and investing activities. The Institute's primary exposure to credit risk arises through its investment securities, cash deposits, account receivables and cash equivalents. The Institute evaluates counterparties for credit worthiness where credit risk arises and there are no credit ratings readily available. The counterparties for investment securities and cash equivalents are Bank of Zambia (BOZ) and commercial banks licensed by Bank of Zambia. The Government securities are rated B- by Fitch.

The Institute does not hold any collateral to cover its credit risk associated with accounts receivables in respect of staff loans and advances except that the credit risk is mitigated by ensuring that staff loans and advances do not exceed the gratuity payable to employees. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018 ZMW	2017 ZMW Restated
25. Risk management (continued)		
Investment securities	2 570 573	4 721 226
Staff loans and advances	634 440	710 870

All financial assets at the end of the reporting period were neither past due nor impaired.

(ii) Liquidity risk

Liquidity risk arises in the general funding of the Institute's operations. It includes both the risk of being unable to fund financial liabilities when they mature and the risk of being unable to liquidate financial assets at close to their fair value. The Institute manages liquidity risk by maintaining adequate reserves, monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of financial liabilities and assets.

31 December 2018	Carrying Amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Longer than 5
	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW
Financial liabilities						
Finance lease obligations	1 221 787	-	271 508	-	950 279	-
Accounts payables	7 768 993	-	7 768 993	-	-	-
	8 990 780	-	8 040 501	-	950 279	-
Financial assets						
Cash and bank balances	2 000 274	-	2 000 274	-	-	-
Accounts receivable	634 440	-	290 614	343 826	-	-
Investment securities	2 570 573	-	2 570 573	-	-	-
Equity investments	1 044 599	-	-	-	1 044 599	-
	6 249 886	-	4 861 461	343 826	1 044 599	-

31 December 2017	Carrying Amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Longer than 5
	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW
Financial liabilities						
Accounts payables	8 267 842	-	8 267 842	-	-	-
Financial assets						
Cash and bank balances	1 565 726	-	1 565 726	-	-	-
Staff loans and advances	710 870	-	465 767	245 103	-	-
Investment securities	4 721 226	-	4 721 226	-	-	-
Equity investments	1 063 215	-	-	-	1 063 215	-
	8 061 037	-	6 752 719	245 103	1 063 215	-

(iii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial Instrument will fluctuate because of changes in foreign exchange rates. The Institute's exposure to the risk of changes in foreign exchange rates relates primarily to the Institute's operating activities (when revenue or expense is denominated in a different currency from the Institute's presentation

Notes to the financial statements

	2018	2017
	ZMW	ZMW
		Restated

25. Risk management (continued)

currency). The Institute manages its foreign currency risk by maintaining a balance between foreign assets and liabilities that are expected to occur within a maximum 24 month period.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonable possible change in USD exchange rates, with all other variables held constant. The impact on the Institute's profit is due to changes in the fair value of monetary assets and liabilities.

Sensitivity analysis	Assets	Liabilities
Total foreign exposure in USD	15 557	23 582
Change in USD rate	+0.2	+0.2
Effect on profit	3 111	(4 716)
Effect on equity	3 111	(4 716)

The Institute's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature at different times and in different amounts. The Institute is exposed to interest rate risk to the extent of the balances of the bank accounts. The Institute manages its Assets and Liabilities within its sensitivity to the interest rate changes. The Institute does not have interest bearing facilities with the banks.

(v) Price risk

Price risk is the risk that the value of a security or portfolio of securities will fluctuate in future. The Institute holds financial assets which are subject to price risk.

The sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period. If the equity prices had been 5% higher/lower;

(i) The surplus for the year ended 31 December 2018 would have been unaffected as the equity investments are classified as fair value through OCI and no investments were disposed or impaired; and

(ii) Other comprehensive income for the year ended 31 December 2018 would increase/ (decrease) by ZMW (52,188), (2017: ZMW 53,161) as a result of changes in fair value of shares. The Institutes sensitivity to equity prices has not changed significantly from the prior year.

(vi) Fair value measurement hierarchy for assets as at 31 December 2018

The table below analyses assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value of the asset is categorised.

31 December 2018	Level 1	Level 2	Level 3	Total
	ZMW	ZMW	ZMW	ZMW
Equity investment	1 044 599	-	-	1 044 599
Investment property under development	-	20 550 055	-	20 550 055
Leasehold land and building		34 074 761		34 074 761

Notes to the financial statements

			2018 ZMW	2017 ZMW Restated
	1 044 599	**54 624 816**	**-**	**55 669 415**

25. Risk management (continued)

31 December 2017 (Restated)	**Level 1** **ZMW**	**Level 2** **ZMW**	**Level 3** **ZMW**	**Total** **ZMW**
Equity investment	1,063,215	-	-	1,063,215
Investment property under development	-	17,152,163	-	17,152,163
Leasehold land and building		33 288 122		33 288 122
	1,063,215	**50 440 285**	**-**	**51 503 500**

For the properties categorised in level 2 of the fair value hierarchy, their fair values were derived using the market comparable approach based on recent market prices without any significant adjustments being made to the market observable data. There has been no transfers between level 1 and level 2 during 2018 (2017: nil).

26. Capital commitments

The capital commitments approved by the Council as at 31 December 2018 were ZMW 425,000. (2017: ZMW 1,600,00). The capital commitments relate to the proposed development of Livingstone Lot No.19912/M & Farm No.9012 and the Office complex along Thabo Mbeki road. The Institute intends to develop a convention centre in Livingstone and a multi -use facility in Lusaka.

27. Contingent liabilities

There were no contingent liabilities as at 31 December 2018 (2017: Nil).

28. Events after the reporting period

The Council is not aware of any matter or circumstances since the financial year end and the date of this report, not otherwise dealt with in the financial statements, which significantly affects the financial position of the Institute and the results of its operations.

Detailed expenses

	2018 ZMW	2017 ZMW
Operating expenses		
Advertising and publicity	1,639,588	1,830,491
AGM expenses	550,316	715,678
Internal audit fee	69,600	61,320
External audit fee	279,537	150,000
Bank charges	471,190	452,856
Competence exams	39,879	35,830
Council and committee expenses	266,352	250,578
Exchange loss	-	137,758
Donations	10,000	10,000
Electricity and water	116,266	96,906
Examination expenses	2,888,025	2,807,757
Graduation expenses	88,338	169,605
ICT expenses	799,778	773,013
Insurance	1,108,109	734,933
Manuals	635,567	802,769
Motor vehicle expenses	801,590	528,786
Office expenses	293,352	352,857
Office rent	145,357	165,696
Postage	399,111	433,288
Printing and stationery	790,202	879,226
Professional fees	333,832	196,039
Publication costs of Accountant Magazine	358,872	368,080
Rates and taxes	114,174	136,019
Repairs and maintenance	402,625	290,636
Security expenses	145,812	125,027
Seminars and workshops	5,812,559	4,581,124
Subscription	445,350	406,235
Telephone	265,988	247,287
Travel - local	371,300	390,282
Travel - foreign	782,822	646,191
Travel - foreign - IFAC meetings		335,916
	20,761,407	**18,996,242**
Depreciation, amortisation and impairment		
Amortisation of development costs	2,052,233	595,129
Depreciation	1,568,331	1,137,231
Impairment	-	1,378,327
	3,620,564	**3,110,687**
Employee benefits expense		
Gratuity	2,799,858	2,409,146
Salaries	12,963,015	11,519,917
Staff training and development	329,227	770,279
Staff welfare		484,432
	16,576,532	**15,409,431**
Finance cost	**83,576**	**-**
Expected credit losses	**(10 735)**	-
	41 031 344	**37 516 360**

The supplementary information presented does not form part of the audited financial statements.

NOTES

NOTES

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