ZiCA

Competence, Integrity and Virtue

Zambia Institute of Chartered Accountants

ANNUAL REPORT 2019

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 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

ZiCA is a member of;

PAFA Pan African Federation of Accountants

IFAC International Federation of Accountants

Chartered Accountants Worldwide

Our Mission

"A reputable leader in developing finance and business professionals"

Our Vision

"ZICA will protect public interest through the regulation of the accountancy profession to the satisfaction of stakeholders"

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 Education and Training of Accountants, Registration of Students
3. **Setting Standards** - Setting Ethical, auditing and accounting standards
4. **Protect Public Interest** Investigation of Disclosure made in the public interest

Events in Pictures

Honourable Margaret Mwanakatwe, MP addressing ZICA Members at the 34th Annual General Meeting held at the Avani Victoria Falls resorts in Livingstone on 25th May 2019.

Participants posing questions during the 2019 Annual Business Conference held at the Avani Victoria Falls resorts in Livingstone from 11th to 14th August 2019.

ZiCA Practitioners attending the Corporate Insolvency Workshop held at Sarovar Premiere Hotel, Lusaka.

Secretary and Chief Executive Mr. Bonna Kashinga and Director Membership and Corporate Services Ms. Patricia M Hantumba Sitali attending the APEI Professional Accountants and Auditors Committe (APAAC) meeting held in Mozambique. The meeting was attended by delegates from Mozambique, Malawi and Zambia.

Hon. Dr. Bwalya Ngándu MP and the ZICA President Mr. Jason Kazilimani, Jr during the budget night dinner held at the new Government Complex on 27th September 2019

The ZiCA delegation led by the ZICA President Mr. Jason Kazilimani Jr and the Vice President Mrs. Cecilia Zimba during a courtesy call visit to the Minister of Finance Dr. Bwalya Ngandu MP.

Left to right: Dr. Patience Pelhum, Ms. Muyaka Ethel Ngulube, Council Member and Chairperson for Forum of the Zambian Women Accountants (FZWA), Chief Justice Mrs. Ireen Mambilima and the ZiCA CEO Mr. Bonna Kashinga during the FZWA symposium held at the Intercontinental Hotel Lusaka on 11th October 2019.

Residents of Mukuni Chiefdom, asking questions during the EIA scoping meeting held at Mukuni Village on 1st February 2019. The residents unanimously accepted the Shuungu Namutitima International Convention Centre project.

Year in Review

KEY HIGHLIGHTS

4.0 % **MEMBERSHIP GROWTH**

(6.4% :2018)

STUDENT GROWTH **13.3%**

CA Zambia Qualification

(8.6% :2018)

4.9% **STUDENT GROWTH**

Diploma in Accountancy Qualification

(-34.5% :2018)

STUDENT GROWTH **-3.4%**

Taxation Qualification

(-49% :2018)

STUDENT GROWTH **-67.6%**

Diploma in Public Sector Financial Management Qualification

(60.9% :2018)

GRADUATE GROWTH **-55.9 %**

(9% :2018)

MEMBERSHIP FUNDS GROWTH **16 %**

(9% :2018)

7 % **REVENUE GROWTH**

(10% :2018)

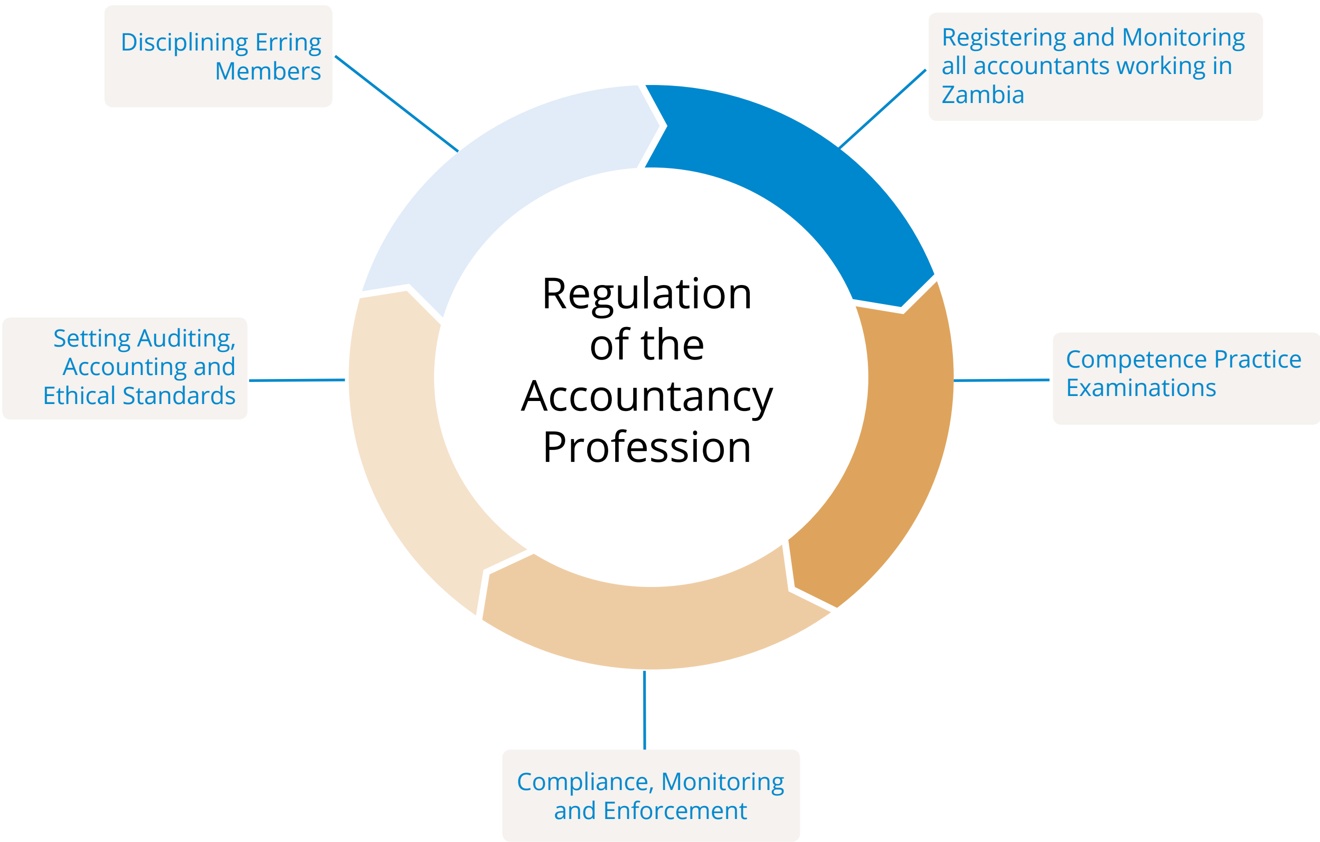
-9 % **SURPLUS DECLINE**

(15% :2018)

Our Services

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.



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, reviews of members' compliance with Continuous Professional Development requirements and enforcement of sanctions to 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 practitioners with more than 15 years of experience.

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

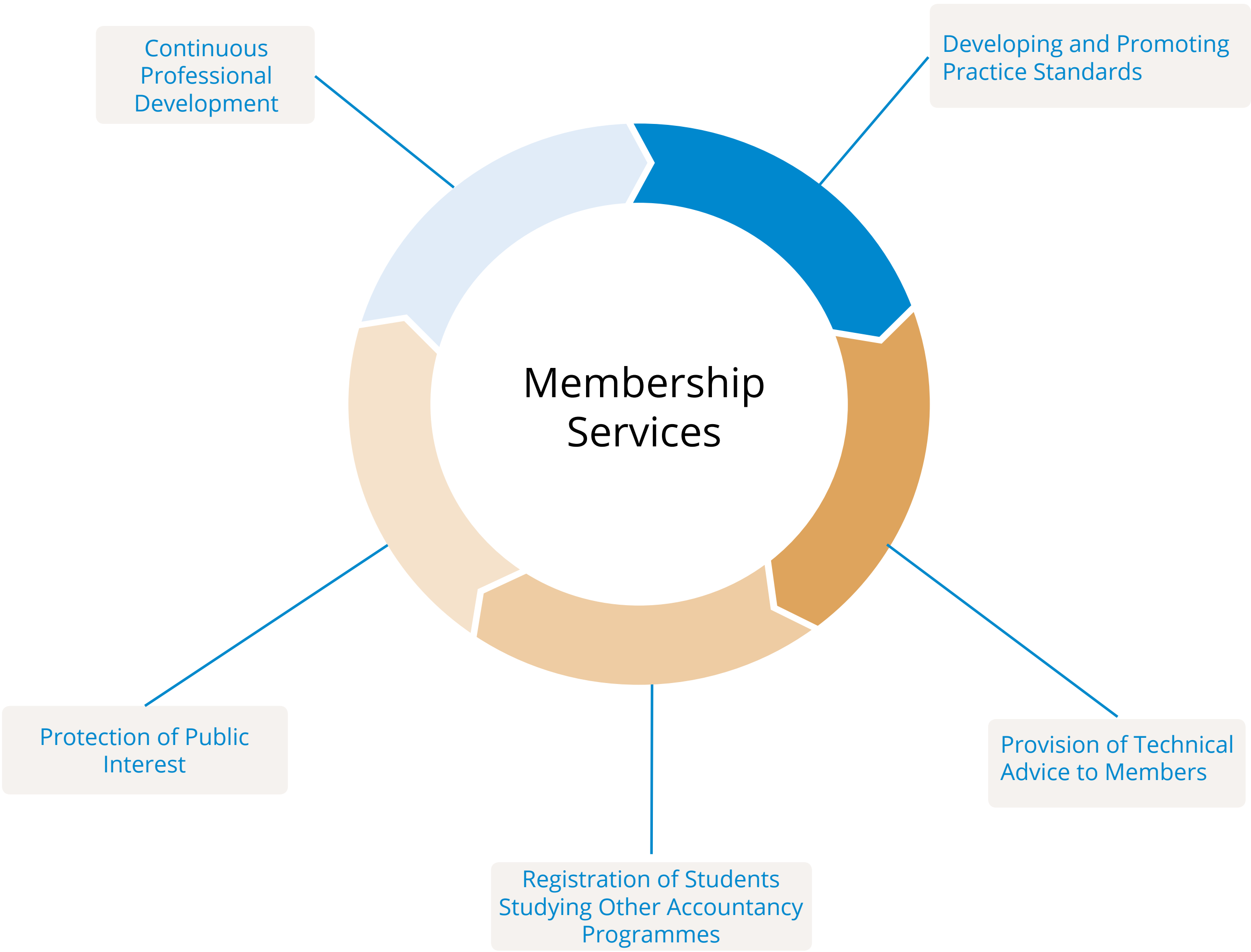
REGISTERING AND MONITORING ALL ACCOUNTANTS WORKING IN ZAMBIA

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.

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.

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.

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. We also provide 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.

REGISTRATION OF STUDENTS STUDYING OTHER ACCOUNTANCY PROGRAMMES

The Institute registers all students who pursue other accountancy programmes not offered by the Institute who still need to be registered as per the Accountants Act. As a legal requirement, registration of students ensures that the students are introduced to ethical requirements of the accountancy profession at an early stage.

EDUCATION AND TRAINING SERVICES

TRAINING SERVICES

The Institute in line with its Mission of being a reputable leader in developing finance and business professionals has continued offering training and examinations in four qualifications namely, CA Zambia, Diploma in Accountancy, Taxation and the Diploma in Public Sector Financial Management programmes.

ACCREDITATION OF TUITION PROVIDERS

In fulfilment of its mandate, the Institute accredits tuition providers intending to offer tuition to students pursuing the Institute's 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

JASON KAZILIMANI, JR

ZICA PRESIDENT

NATIONAL ECONOMY

Real GDP growth slowed to an estimated 2% in 2019, down from 4.0% in 2018

INVESTMENT

The Institute is making strides in ensuring that funding for the Shuungu Namutitima International Conference Centre Project is concluded including the finalisation of the Environmental Impact Assessment.

INCREASE IN MEMBERSHIP

I am proud to report that the year 2019 ended with a total of 6,908 registered members compared to 6,640 members as at 31st December 2018 representing a 4% growth. The Membership retention stood at 93% with 6199 renewing subscription from the 2018 closing figure of 6,640 while attrition stood at 7% or 441 members who fell off the register for various reasons. New registrations in 2019 stood at 710 representing a negative growth of 2.6%.

I am happy to present to you the 2019 Annual Report for the Institute which I have been privileged to lead in the last three years. The journey has been interesting and it was gratifying to receive the immense support of Council, Members and Management of the Institute. In this report I will present the performance of the global and national economy, financial highlights, membership status, educational matters, interface with Government and investments that will impact the future of the Institute.

PERFORMANCE OF THE GLOBAL AND NATIONAL ECONOMY

The world economy is estimated to record a reduction in growth in 2019, with real output growth estimated at 3.2 percent compared to 3.6 percent in 2018. This was mainly on account of the trade war between the United States of America and China.

Domestic growth has further been adversely affected by a decline in copper output due to low grades of ore at some mines coupled with lower copper prices, mainly attributed to the fall in global demand. In addition, tight liquidity conditions mainly attributed to external debt servicing and as reflected in the accumulation of domestic arrears, have contributed to subdued economic growth.

PERFORMANCE OF THE INSTITUTE

During the period under review, the Institute remained committed to sound corporate governance principles and its core values of integrity, professionalism, accountability and innovation in all its dealings. Below are some key performance highlights for the year 2019.

Financial Highlights

During the year under review, the Institute recorded a total income of ZMW 48.301 million. The total expenditure for the year was ZMW 44.373 million. The surplus for the year was ZMW 3.928 million.

Membership Highlights

I am happy to report that the membership statistics of the Institute have been stable. The number of retained members for the year ended 31st December 2019 was 6,199 representing a retention rate of 93% of the 6,640 that had subscribed as at 31st December 2018. For 2019, new registrations stood at 710 giving a total closing figure of 6,908.

In line with the Institute's values as a customer centric and caring Institute, ZICA renewed the group life assurance plan for members supported by Prudential Life. The partnership with Prudential Life provided the needed support to members and their families during the time of difficulties occasioned by the death or disability of a member of the Institute.

The partnership also provided an opportunity for members to join the Pru-Inner circle programme which is designed exclusively for Prudential's high valued customers. The Pru-Inner circle provides members with exclusive treats and lifestyle offers and discounts from specially selected vendors.

Parliamentary Business

The relationship between the Institute and the Government of the Republic of Zambia continued to be cordial. During the period under review, the Institute made collaborative interactions with various arms of Government.

The Institute was invited to appear before various committees of Parliament to present its position on various matters of National Interest. Matters of Taxation remained of great interest to parliamentarians, an area in which the Institute continued to provide its professional advice. I wish to report that the Institute arranged countrywide workshops and opened the doors to all ZiCA Members and the public at large to share their views on the Sales Tax Amendment Bill.

The Institute analysed the Sales Tax Amendment Bill, made submissions to the Zambia Revenue Authority and to the Joint Parliamentary Committee on Budget and Economic Affairs, Trade and Labour Matters.

Am pleased to report that the Government was receptive to the professional advice and subsequently withdrew the proposed Sales Tax regime and maintained the Value Added Tax.

Further, in its quest to discharge the role of advising Government on matters of national and economic development, the Institute submitted memoranda to Parliament on the ramifications of various bills presented for enactment. In addition, quarterly press briefings on economic and public financial management matters were held in the period under review.

Furthermore, the Institute submitted comments on the proposed 2020 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 different subjects as indicated in the technical updates of this report.

Enanctment of the Accountants Bill 2019

I wish to report that at the last Annual General Meeting of the Institute, the Deputy Secretary to the Cabinet informed the ZICA members that on Monday, 15th April 2019 Cabinet approved the Accountants Bill 2019 which is expected to repeal and replace the Accountants Act No 13 of 2008.

The Accountants Bill 2019 has enhanced provisions and powers of the Institute in dealing with cooperation with other law enforcement agencies on financial crimes investigations, false & reckless accounting, public interest disclosures and enforcement of the Code of Ethics among others. We are confident that the enactment of the revised Accountants Act will be expedited in the year 2020. The Accountants Bill will need to take into account the decision of members on the enhanced provisions and will subsequently be submitted to the Ministry of Justice to commence the enactment process.

Annual General Meeting Highlights

In the year under review, the Annual General Meeting of the Zambia Institute of Chartered Accountants was held on 25th May 2019 at the Avani Victoria Falls Hotel in Livingstone and was graced by the then Minister of Finance, Honourable Margaret Mwanakatwe MP. A total of 1,088 participants were in attendance. The Institute was also privileged to host a successful Pre-AGM workshop which had keynote speakers including the Pan African Federation of Accountants (PAFA) Chief Executive Officer Mr. Vickson Ncube.

Re-Organisation

During the period under review, the Institute underwent re-organisation to align its operations with best practice.

The Standards and Regulation Directorate was split into two Directorates namely the Standards and Regulation Directorate and the Membership and Corporate Services Directorate. All functions to do with serving members were placed in the Directorate of Membership and Corporate Services. This was aimed at refocusing the work of the Directorate of Standards and Regulation to allow it to deal with matters to do with practitioners and to allow implementation of 'Chinese walls' from the rest of the Institute to prevent conflicts of interest.

On the other hand, the Directorate of Membership and Corporate Services was formed with the aim of enhancing the Institute's customer service offering. The Institute's core customer service offerings of ICT, Business Development, Marketing, Membership and Technical Services all fall under the new Directorate. The Institute is positive that its members will be served better under this new arrangement through enhanced customer centricity.

Long Term Sustainability

The Institute signed a development partnership agreement with Time Projects Property (Zambia) Limited for the development of a multi-use facility at the Accountants Park. The Institute in conjunction with Time Projects, completed developing conceptual drawings for the development of 4-8 office blocks consisting of 3-5 floors each with basement parking, with each office block sitting on approximately 2,500 space. The Joint roadshows on pre-leasing of office space will commence in 2020. I wish to encourage all ZICA Members to service their investment units in full for the Institute to commence the ground breaking at the Accountants Park.

The Institute received an indicative financing proposal for the proposed Shuungu Namutitima International Convention Centre in Livingstone from the China Construction Bank Corporation. Further, the Bank required a sovereign guarantee from the Ministry of Finance.

However, the funding of the Shuungu Namutitima International Convention Centre (SNICC) project was derailed due to Government's pronouncement regarding the stoppage on the issuance of sovereign guarantees. The Institute is exploring the option of acquiring a commercial guarantee in order to secure financing.

The Institute commissioned the Environmental Impact Assessment (EIA) during the period under review. Scoping and disclosure meetings were also held during the year.

The EIA report was submitted to ZEMA, which has issued the Institute with a quotation for statutory review fees before granting a decision letter.

ZICA is resolved in realising the vision of the SNICC and wishes to thank numerous stakeholders including the Government of His Excellency President Dr. Edgar Chagwa Lungu for the support and goodwill being rendered to the Institute in its pursuit of developing the SNICC. With the continued support of the Livingstone community, civic, political and royal leadership coupled with the support from the central Government, I am confident that the Institute will be able to deliver the SNICC.

TENURE OF COUNCIL

In the year under review, Ms. Muyaka E Ngulube was re-elected as Council Member. The position fell vacant after she had served her initial 3 year tenure as Council Member.

I wish to inform you that at the 2020 Annual General Meeting, eight (8) Council positions shall fall vacant.

These are: President, Vice President, Six (6) Council Members, two (2) from industry and four (4) from Public Practice. There are three vacancies on the Disciplinary Committee members, one (1) from Public Practice and two (2) from industry.

ACKNOWLEDGEMENTS

I would like 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 and over the three years that I have served as President.

This support enabled the following to be achieved, amongst others:

- Introduction of quarterly press briefings, which raised the profile of ZICA and made it a trusted adviser to Government
- Withdrawal of the proposed controversial Sales Tax Amendment Bill and reinstatement of VAT
- Enhanced provisions in the Accountants Bill 2019
- Finalisation of the client service fees regulations, albeit the subsequent withdrawal of the statutory instrument.
- Signing of the property development agreement with Time Projects.
- Operationalisation of the ZiCA Property Fund.
- Enhancement of member benefits with Prudential Life.
- Introduction of self-appraisal of the Council and its Committees' performance facilitated by an independent consultant.

Notwithstanding the above, a number of challenges still remain, which I trust will be addressed by the incoming President and Council. These include making our qualifications the undoubted first choice for students, as well as having traction on the various property development projects. These, and other matters, will be covered in my handover notes to the incoming President.

I would like to attribute all the successes of the Institute over the last three (3) years to my colleagues on Council and the ZICA Secretariat and I take my share of responsibility for any shortcomings during this period.

Best Wishes

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Jason Kazilimani, Jr

PRESIDENT

Chief Executive Officer's Report

BONNA KASHINGA

SECRETARY AND CHIEF EXECUTIVE

ZMW48.301m (ZMW45.343m :2018) **TOTAL INCOME**

ZMW44.373m (ZMW41.031m :2018) **TOTAL EXPENDITURE**

ZMW 3.928m (ZMW4.311m :2018) **TOTAL SURPLUS**

STRATEGIC FOCUS

I am happy to present to you the 2019 Report, which covers various activities undertaken during the year in line with the 2019-2023 strategic plan.

IMPROVE REGULATION OF THE ACCOUNTANCY PROFESSION

Employer Sensitization

A total of 93 employer visitations and offsite inspections were conducted in the year under review. Out of the 93 companies visited, 7 were non-compliant and 86 were not. However, the Institute will continue engaging Government and the Private Sector to ensure that we strengthen compliance levels going forward.

Finalising Statutory Instrument on Client Service Fees

I wish to report that the Government signed the SI 34 in 2018 to prohibit low-balling and provide a legal basis for the fees charged by accountants in practice with a view that going forward those fees would be a true reflection of the value of the services offered.

During the implementation process, ZICA received feedback from the Attorney General that SI 34 did not sit well with the provisions of Section 16 (2) of the Accountants Act No. 13 of 2008. This is because the schedule in the SI 34, provided for the fees chargeable, applied to administrative structures that exist in accounting practice firms, which were not consistent with the classes of Membership as provided for in the ZICA constitution and the Accountants Act. Therefore, based on the aforementioned, the Attorney General recommended the revocation of the Statutory Instrument No. 34 of 2018, to ensure that it was aligned with the provisions of the Accountants Act No. 13 of 2008 and the ZICA Constitution. Consequently, SI 34 was revoked on 5th February, 2019 by the Minister of Finance.

To ensure that no vacuum was created in the market and profession at large, the Institute in conjunction with the Ministry of Finance and the Ministry of Justice set up a task force that is addressing the matters raised by the Attorney General to ensure a new statutory instrument is issued.

We wish to advise that, for the avoidance of doubt on charge out rates, the Ministry of Justice guided that all fees and hours charged for work performed by the holder of a ZICA practicing certificate and their firms and contracts entered into up until the date of revocation of SI 34 on 5th February 2019, are valid because SI 34 was subsisting.

IMPROVE CUSTOMER AND STAKEHOLDER ENGAGEMENT

Education and Training Reforms

During the period under review, the Institute conducted a number of Education and Training Reforms.

Revision of Entry Requirements

The Institute revised the entry requirements for the direct entrance into the CA Zambia programme and also the entry requirements for all the Diploma programmes. Direct entry applicants into the CA Zambia programme should now possess a Grade 12 School Certificate or its equivalent with five (5) O level credits or better including Mathematics and English instead of the meritorious grades. Applicants for all Diploma programmes should now possess a Grade 12 School Certificate or its equivalent with five (5) O levels including Mathematics and English.

Multiple Certification for the CA Zambia Programme

Since the launch of the CA Zambia Qualification in August 2017, the Institute was only providing certification at the end of the programme. The effect of the programme structure was that some students were not able to commence their practical training component as they did not have any certificate to show to prospective employers.

To mitigate the concerns from the students and other stakeholders and hence give students exit Qualifications en-route to the prestigious CA Zambia qualification, we are happy to announce that the Institute's application to award certifications at various levels of the examination component was approved by the Zambia Qualifications Authority (ZAQA).

Introduction of Block Release

In recognition of the fact that there were some selected provinces where there were no accredited tuition providers because the colleges in those areas could not meet the criteria for accreditation, the Institute introduced intensive tuition and revision lessons under the block release approach in selected provincial centres. The first session in Audit and Assurance was held at St Paul's Training Centre in Mazabuka for the December 2019 Examination Session.

Introduction of Additional Examination Sessions

The Institute introduced two (2) more examination sessions (March and September), bringing the total number of sessions in a year to four (4) (March, June, September and December). The holding of four (4) examination sessions commenced in March 2020. It is hoped that the additional two (2) sittings will facilitate reduction of the time spent by students studying the ZICA programmes.

Introduction of Additional Versions of Practical Training

In August 2019, the Institute introduced two (2) additional versions of practical training experience confirmation. The additional versions were introduced in order to facilitate the high uptake of students obtaining the practical training experience. Version 2 of the practical training policy is applicable to a student who is currently employed and is eligible to commence practical training but the student's employer has not yet signed up the MoU and the organisation has professionally qualified accountant (s) who are qualified to mentor the student. Version 3 is applicable to a student who is currently employed and is eligible to commence practical training but the employer cannot qualify to be an approved employer because it has no professionally qualified accountants or the student is the highest person in the Accounts department or the organization as the case may be, for students who are owners or CEOs of firms. A trainee accountant whose Practical Experience has been signed off under versions 2 and 3 will be required to sit for a Practical Experience Competence Examination to confirm the competency.

Introduction of Flexible Payments

Lastly, the Institute introduced flexible payment options (i.e. pay in instalments) for the subscriptions and examinations fees payable by students and also introduced a lay-by facility for purchase of manuals and Revision Kits. Under the flexible payment option, the payments should be paid within the prescribed deadlines for each type of payment. There is no refund under the policy. If a student fails to fulfil the commitment under the policy, the Institute reserves the right to allocate the paid amount towards subscriptions for the following year or as a credit balance towards future examinations or towards future manual acquisition costs, on case by case basis.

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. Thirty Nine (39) MoUs were signed during the period under review.

ZICA Mobile Application

In a quest to improve internal operational efficiencies and also provide members with a better and seamless experience, the Institute launched the ZICA Mobile Application on the google platform on 11th November 2019. The App aims at responding to the increasing demand of convenience and quicker access to information and provides members with access to the Institute's products and services.

The mobile app brings services that have traditionally been available on the member portal directly on members android phones. Members are now able to book for examinations and workshops, view examinations results, make secure payments using VISA/MasterCard and participate in online surveys. The Institute is committed to leveraging technology by making services available on various platforms.

Introduction of Examination Techniques Videos

The Institute introduced Examinations Answering Techniques videos which are now available on vimeo.com (a video hosting site). This has been done in an effort to support the students and make them well equipped to answer future examinations. So far the Institute has recorded ten (10) papers for the CA Zambia Programme. The process of recording all the subjects has continued and expected to be completed in the course of the year. Members and Students can access these videos through their online accounts.

IMPROVE INFRASTRUCTURE

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

The Institute signed a development partnership agreement with Time Projects Property (Zambia) Limited for the development of a Multi-use facility at the Accountants Park. Meetings were held with Time Projects during the period under review where the following matters were considered;

Leasing Brochure

Time Projects completed developing a leasing brochure comprising the conceptual drawings for the development of 4-8 office blocks consisting of 3-5 floors each with basement parking with each office block sitting on approximately 2,500sqm space.

Financing

Time Projects submitted options for the financing of the proposed Multi-use facility in order to accelerate the developments. The Institute has continued to encourage members to service their investment units in full to enable it to commence the construction.

The road show programme in conjunction with Time Projects will commence in 2020.

Development of lot No. 19921/m Livingstone SNICC EIA Update

The Institute commenced the SNICC development process by holding an Environmental Impact Assessment (EIA) scoping meeting at Simukale ceremony Centre in Livingstone.

Further, a disclosure meeting was held in November 2019 and the Institute through the consultant Global Environmanagement submitted the final Environmental Impact Statement report to ZEMA after attending to all the comments raised and a decision letter is being awaited in 2020.

IMPROVE MARKETING AND COMMUNICATION

The Institute continued enhancing its brand visibility and promoting the uptake of students onto the ZICA Professional Qualifications through marketing campaigns which included face-to-face visitations to secondary schools in Lusaka, Central, North-Western and Southern Provinces.

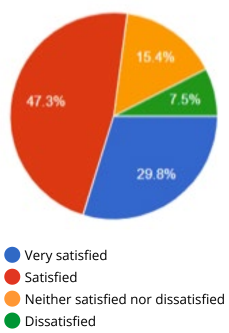
The Institute provided sponsorship to graduates of 7 universities and presented prizes in form of an award to study the CA Zambia programme at discounted rates aimed at attracting accounting degree students to study CA Zambia.

The Institute secured ZICA's participation in the One Young World Summit held in London from 22 to 25 October 2019 and sponsored Mr. Felix Mwansa, a top CA Zambia student to represent the Institute and Zambia at the Summit.

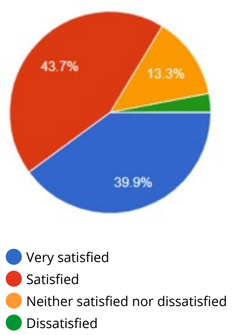
The Institute promoted the CA Zambia brand under the tagline, "Developing Business Leaders", through the various media houses across all provinces in Zambia. The Institute further promoted CAW, IFAC and PAFA through the Newsletter, Accountant Journal, Student Accountant Magazine, ZiCA website and social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

In our quest to enhance customer service, the Institute undertook a customer satisfaction survey whose results are depicted below.

Membership Satisfaction 77.1%



Student Satisfaction 83.6%



Conclusion and way forward

Finally, the Institute continued working on the diversification of the Investment Portfolio. New avenues of generating income were explored including the signing of the Distribution Agreement with Prudential Zambia Limited. The Institute is in the process of concluding the MoU signing with providers of short courses as another revenue stream in order to ensure that the operations of the Institute were not sorely dependent on income from members and students.

I thank you

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Bonna Kashinga

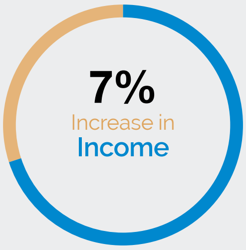
SECRETARY AND CHIEF EXECUTIVE

Financial and Operations Review

The Operational review gives highlights of the performance of the Institute during the year 2019. The operational highlights provide both the financial and non-financial metrics of the performance of the Institute.

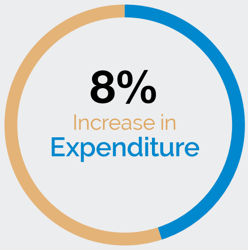
Financial Highlights

Income



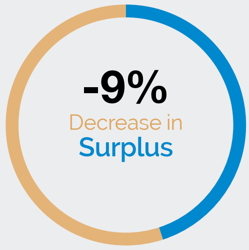
The total income for the year was ZMW48.301 million against a budget of ZMW 45.970 million representing an increase of 7 % compared to 2018 actual income. The increase was attributed to members renewing their subscriptions.

Expenditure



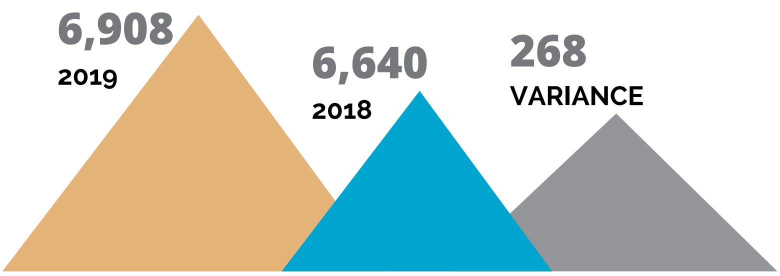
The total expenditure incurred during the year was ZMW 44.373 million against a budget of ZMW 43.898 million representing an increase of 8% compared to 2018 actual expenditure. The increase was mainly attributed to increase in staff costs related to the cost of living adjustment, organisational structure review and the impact of the adoption of IFRS 16.

Surplus



The Institute achieved a surplus of ZMW 3.928 million during the year against a budget of ZMW2.072million representing a decrease of 9% compared to 2018 actual surplus. The decrease was mainly attributed to the organisational structure review and the impact of adopting IFRS 16.

Membership Statistics



The number of registered members for the year ended 31 December 2019 was 6,908 as follows: 1,404 Fellows, 935 Associates, 650 Graduates, 1,918 Licentiates and 2,001 Technicians

	2019	2018	Variance
Fellow	1,404	1,308	96
Associate	935	851	84
Graduate	650	557	93
Licentiate	1,918	1,802	116
Technician	2,001	2,122	(121)
Total	**6,908**	**6,640**	**268**

The membership number for 2019 stood at 6,908 compared to 2018 at 6,640.

Figure 1 - Membership Statistics for 2019 and 2018

Membership retention statistics

	2019 Membership	2019 Enrolments	2018 Membership	Total Retention
Fellow	1,404	(144)	1,308	1,261
Associate	935	(60)	851	875
Graduate	650	(90)	557	560
Licentiate	1,918	(251)	1,802	1,667
Technician	2,001	(165)	2,122	1,836
Total	**6,908**	**710**	**6,640**	**6,199**

The number of retained members for the year ended 31st December 2019 was 6,199 representing a retention rate of 93%. New registrations stood at 710.

Figure 2 - Membership Retention for 2019 and 2018

Number of Audit and Non- Audit Practitioners for 2019 and 2018

	2019	2018	Variance
Audit	145	139	5
Non-Audit	32	29	3
Total	**177**	**168**	**8**

The number of practicing certificates for audit and non-audit held during the year are as indicated in figure 3.

Figure 3 - Number of Audit and Non-Audit practitioners for 2019 and 2018

ANNUAL BUSINESS CONFERENCE

The Annual Business Conference was held in Livingstone at Avani Resort. The theme of the conference was "Emerging world order: implications on business, developing countries and global sustainability." ZICA, CIMA and ACCA under an annual tripartite arrangement hosted the conference which was attended by 423 participants.

COMPETENCE PRACTICE EXAMINATIONS

A total of 9 candidates passed the CPE exams for December. Out of the 14 who sat for Audit, 5 passed and out of 12 who sat for Non-audit, 4 passed. For June, a total of 10 sat for Audit and 4 passed; Non-audit 7 candidates sat and 3 passed.

During the period under review, a total of 16 new licences were issued, 4 for Non-audit and 12 for Audit Practice.

ACCOUNTANTS FORUM

Ten (10) Accountants fora were held during the year on various topical issues. Six of these fora were held in Lusaka while three were held on the Copperbelt and one in North Western Province. Accountants fora were aimed at helping members meet their CPD requirements through attendance of free events.

The themes of the Accountants Fora discussions held in both Kitwe and Lusaka were as follows:

- Code of Ethics for Accountants in the Wake of Financial Mismanagement - Presented by Dr Chintu Y Mulendema - 31st January 2019 (Lusaka).
- Code of Ethics for Accountants in the Wake of Financial Mismanagement - Presented by Mr Paul Lwiindi FZICA – 1st March 2019 (Kitwe)
- 2019 Budget Highlights - Presented by Ms. Bridget Banda Chepeshi & Mr. Jacob Munjeli - 28th March 2019
- Accountants (Client fees) Regulations – Presented by Mr Bonna Kashinga ZICA CEO - 10th May 2019
- Financial modeling & Dashboard Reporting – Presented by Mr Fitzpatrick Kapepe – 25th July 2019
- Meet North Western Province Accountants – Presented by Mr Bonna Kashinga ZICA CEO – 6th September 2019
- Business Analytics and the Accountant – Presented

by Ms. Musonda Sakala – 31st October 2019

- Application of Business Analytics on Discounts and Extended Credit Terms – Presented by Mr Frank Chakubeba – 8th November 2019

- Pension Funds Application of IAS 26 – Presented by Mr. Kelvin Chungu – 28th November 2019

ANNUAL GENERAL MEETING (AGM) AND PRE- AGM WORKSHOP

One Thousand and Eighty Eight (1,088) participants attended the Pre-AGM workshop and AGM in 2019 under the theme: "Enhancing Professionalism in the Accountancy Profession" at the Avani Victoria Falls Resort in Livingstone compared to 1,002 participants who attended the event in the year 2018.

TECHNICAL UPDATES

TAX UPDATE WORKSHOPS

During the year under review, two Tax update workshops and two Sales Tax and Employment Act No.3 of 2019 breakfast meetings were held as scheduled in Lusaka and Kitwe. The workshops were aimed at updating

ZiCA Council Members attending the 34th Annual General Meeting held on 25th May 2019 at the Avani Victoria Falls Hotel Resort in Livingstone

members on the upcoming tax legislation and upskill their taxation knowhow to enable them apply 2019 tax legislation correctly. It also aimed at sensitizing the members on the new employment Act. 1,539 participants attended the workshops and breakfast meetings. One In-house Tax updates training was also held with NAPSA employees at the NAPSA sports complex.

IPSAS Workshop

The 2019 International Public Sector Accounting Standards (IPSAS) workshop was held on 11th - 12th April 2019, at Fresh View Homes in Siavonga. 140 participants attended the workshop. The event is intended to promote the implementation of accrual IPSAS in Zambia and update members in the public sector on the latest developments on IPSAS. The Conference featured Mr. George Higgins, Public Finance Management Consultant, Mr. Pius Maneno, CEO, National Board of Accountants and Auditors, Mr. Kafunti Chilambi, Chief Accountant, Ministry of Finance and Mr. John Sakala, Associate Director, PWC.

Parliamentary Submissions

In our quest to discharge the role of advising Government on matters of national and economic development, we submitted memoranda to Parliament on the ramifications of various bills presented for enactment. We also submitted comments on the proposed 2020 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 different subjects. During the year under review, submissions were made on the following:

1. The effects of Trade Balance Deficit and High Debt Stock on the performance of the Budget
2. The Review of Operations and Management of ZCCM Investment Holdings and Zamtel Limited Company
3. The ramifications of the proposed tax legislation
4. The Constitution of Zambia (Amendment) Bill, 2019
5. The Budget Estimates for the 2020 Fiscal Year
6. The Property Transfer Tax, Income Tax, Value Added Tax and the Customs and Excise Tax (Amendment bills)

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 Auditors Rotation Rules and revocation of the Accountants (client fees) regulations statutory instrument (SI 34 of 2018). Further, to ensure that no vacuum is created in the market and profession at large, the Institute in conjunction with the Ministry of Finance and Ministry of Justice set up a task force that will ensure that the matter is resolved and a new statutory instrument is issued.

For avoidance of doubt on charge out rates, the Ministry of Justice has advised that all fees and hours charged for work performed by the holder of a ZICA practicing certificate and their firms and contracts entered into up until the date of revocation of SI 34 on 5th February 2019 are valid because SI 34 was subsisting.

2019 IFRS Update Workshops

The Institute held two scheduled 2019 IFRS/ISA's Updates workshops in Lusaka and Ndola on the 18th to 19th November, 2019 and 21st and 22nd November, 2019 respectively with a combined attendance of 143 participants. One in-house training workshop was conducted for Multi-choice employees at Four Pillars Lodge. This event was designed to provide a platform for updating members on the latest developments in International Financial Reporting Standards and International Auditing Standards.

2019 Budget Submissions

During the year under review, one (1) Budget submission for the 2020 Tax and Non Tax Workshop was held on Thursday, 11th July 2019 at Intercontinental Hotel in Lusaka. The workshop was attended by 18 participants from various organizations.

2020 National Budget Analysis

The Institute held the 2020 National Budget Analysis Dinner on 27th September 2019 at Government Complex in Lusaka with an attendance of 718 participants. The Minister of Finance Honorable Dr. Bwalya Ng'andu 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 Instituted received and provided guidance to 12 technical queries from members.

Chief Finance Officers Forum

The Chief Finance Officers' Conference was held on 28th June 2019 at Radisson Blu Hotel in Lusaka with an attendance of 78 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 the network. The Conference featured Ms. Musonda Ulaya, Assistant Labour Commissioner-Legal, Ministry of Labour, Mr. Patrick Mawire, Tax Partner EY Zambia, Mr. Patrick D Chisanga –Managing Director, Dynamic Concepts Limited, Mr. Nchimunya Hachandi – Finance Director, Multi Choice Zambia Limited and Mr. Emmanuel Mbambiko - Director, EMM Chartered Accountants as keynote speakers.

Internal Auditors Conference

The Internal Auditors Conference was held from 29th – 30th August 2019 at David Livingstone Safari Lodge, Livingstone with an attendance of 110 participants.

2019 Corporate Insolvency Practitioners Workshop

The 2019 Corporate Insolvency Act No 9 of 2017 and Insolvency Practitioners Accreditation Regulations (SI 40 of 2019) Workshop was held on Tuesday 10th and Friday 13th September 2019 at Sarovar Premiere Hotel in Lusaka and Garden Court Hotel in Kitwe respectively with a total attendance of 106 Participants.

2019 Partners Forum

The 2019 Partners Forum was held on Tuesday 5th November 2019 at Radisson Blu Hotel in Lusaka. The workshop had 46 participants from various organizations.

ZiCA Practictioners attending the Practictioners Workshop at the Radisson Blu Hotel

MARKETING CAMPAIGNS AND QUALITY ASSURANCE

MARKETING CAMPAIGNS

The Institute carried out a number of brand awareness and recruitment activities in the year under review aimed at promoting the CA Zambia, Diploma in Accountancy, Diploma in Public Sector and Financial Management and the Taxation programme. The following were some of the activities that were undertaken:

Marketing of ZICA Professional Qualifications

The Institute visited Eastern and North-Western Provinces to sensitize selected Secondary School pupils on the CA Zambia and the Diploma in Accountancy qualifications. A total number of 15 Secondary Schools were visited in Eastern and North-Western provinces. During these visitations the Institute was able to meet a total number of 1, 393 grade 12 pupils and pre – registered them to pursue either the CA Zambia or Diploma in Accountancy in the 2020 calendar year.

In order to encourage the uptake of CA Zambia programme the Institute attended seven (7) University/ College graduation ceremonies where the best students in the Bachelor of Accountancy programmes were awarded CA Zambia Scholarships and membership application forms were given out to students who qualified to be members. The institute was able to stream live on Facebook the 13th graduation ceremony for the first time.

Adverts in Media and other platforms

The Institute continued to advertise in the print and electronic media, provincial radio stations in all the ten (10) Provinces of Zambia, social media and at University graduations. The Institute continued to sponsor the live broadcast of the National Budget presentation held at Parliament on ZNBC TV including the sponsorship of the live broadcast of the National Budget Analysis dinner on ZNBC TV.

Stakeholder Engagements

A stakeholder inclusive approach was key to the delivery of the Institute's mandate and achieving the strategic direction. It was from this background that the CEO, Education and Marketing team toured the Southern, Copperbelt and Lusaka Province and held courtesy call meetings with the institute's partners and students based in these provinces.

CA Zambia Ambassadors

The Institute launched the CA Zambia Ambassador's programme (CAZAP) which is a prestigious leadership opportunity for CA Zambia qualified graduates and students who are dedicated to serving and representing the Institute. CA Zambia Ambassadors (CAZA) will serve as the Institute's agents in recruiting students onto various ZICA qualifications and will perform restricted duties at various events related to the role.

Southern Province Expo

The Institute participated in the Southern Province Expo that was held in Livingstone from the 14th to 21st September 2019. The aim of attending was to seek for investment and financing for the SNICC. The Institute signed a letter of intent in the Presence of the Head of State and the President was requested to assist expedite the Institutes request for a Sovereign Guarantee.

ZiCA CEO Mr. Bonna Kashinga briefing the Southern Province Minister Mr. Edify Hamukale at the Southern Zambia Tourism and Investment Exposition held from 14th - 21st September 2019

QUALITY ASSURANCE

Graduation Ceremony

Programme	2019	2018
CA Zambia	8	7
Diploma in Accountancy	133	349
Diploma in Public Sector Financial Management PSFM	4	4
Certification in Taxation	19	22
Diploma in Taxation	8	8
Total	**172**	**390**

The ceremony was held at the New Government Complex, where 172 students graduated at various levels of the Accountancy and Taxation Programmes as indicated in the Table

Figure 4 - Membership Statistics for 2019 and 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 Programmatic Accreditation

The three (3) Diploma programmes offered by the Institute, namely Diploma in Accountancy, Diploma in Taxation, and Diploma in Public Sector Financial Management were registered and accredited by the Zambia Qualifications Authority (ZAQA) under level 6 of the Zambia Qualifications Framework (ZQF). Registration and accreditation of certificates under the CA Zambia programme were still under consideration at the close of the year.

The Institute continued to collaborate with various tuition providers offering accountancy studies as a means of enhancing the quality of the accountancy graduates. Five (5) tuition providers were accredited to offer tuition in ZiCA programmes under the block release approach during 2019.

The Institute continued to strengthen its partnership with various Universities and colleges offering programmes in Accountancy. One (1) accountancy programme was granted exemption accreditation in order to allow student graduates from the accredited programme to enrol for CA Zambia programme at Application level.

Administration of Examinations

PROGRAMME	JUNE 2019	DECEMBER 2019
CA Zambia		
CA –Knowledge	76.0%	69.0%
CA-Application	39.1%	43.5%
CA-Advisory	29.0%	26.0%
Diploma in Accountancy		
Diploma in Accountancy - 1	52.%	50.0%
Diploma in Accountancy - 2	38.0%	35.0%
Diploma in Public Sector Financial Management (PSFM)	56.0%	85.0%
Taxation		
Certificate	51.4%	71.7%
Diploma	59.7%	74.6%

The Institute held two examination sessions in June and December in 2019 as scheduled. The comparative average pass rates per level for the two sittings were as shown by the table:

Figure 5 - Comparative average pass rates per level

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 DA8 Financial Reporting Manual and Revision Kit in order to enhance the content and bring it to the level of CA2.1 Financial Reporting Manual.

NEW EMPLOYEES

During the year under review, the Institute recruited two new employees, Ms. Ngosa Chikaka, Marketing and Corporate Affairs Officer and Mr. Joe Chupa Nsokolo as Assistant Accountant.

Ms. Ngosa Chikaka
Marketing and Corporate Affairs Officer

Mr. Joe Chupa Nsokolo
Assistant Accountant

INFORMATION AND COMMUNICATION TECHNOLOGY

Make that application online

With the launching of the online-registration platform, both existing and new members can now make applications online for membership without having to physically come to the ZICA offices. Our online registration platform allows users to make applications for admission into membership, membership upgrades and applications for students studying other accountancy programmes. In addition to savings on time and money for members, we anticipate a saving on our printing costs too.

COLLABORATION WITH STAKEHOLDERS

STRATEGIC PARTNERSHIPS

Some of the notable strategic partnership the Institute signed in the year under review included:

- A Memorandum of Understanding with Financial Intelligence Centre (FIC) that commits the two organisations to increased collaboration.
- A Memorandum of Understanding with the Bank of Zambia (Central Bank) that allows the two institutions to collaborate on matters of common interest.
- A Mutual Recognition Agreement (MRA) between the competent authorities of professional accountants and auditors under the Accelerated Programme for Economic Integration (APEI).

Developing and Promoting Practice Standards

2019 Guidelines on Auditor Rotation Rules

The Institute issued a guidance note to the public and the general membership on auditor rotation rules. The guidance note was in line with the requirements of the Companies Act No. 10 of 2017, the Banking and Financial Services Act of 2017 and the Securities Act of 2016.

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 also collaborating with other membership bodies to finalise the practice & employment pathways for senior members who already hold professional qualifications.

Corporate Social Responsibility

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 integral to its existence. The responsibilities above are demonstrated through the policies and activities implemented by the Institute.

ZiCA women presenting assorted food items to Teresa Heart Foundation

SUPPORTING THE VULNERABLE IN SOCIETY

ZICA WOMEN DONATE TO THE TERESA HEART FOUNDATION

As a way of commemorating the 2019 International Women's Day, the Zambia Institute of Chartered Accountants (ZICA) Women, on Thursday 7th March, 2019 donated assorted items to the Teresa Heart Foundation in George Compound of Lusaka district.

Teresa Heart Foundation was founded in 2018 with a purpose of spreading the love of Jesus to the vulnerable Children in society, those who have been abandoned or rejected by their parents or have lost their parents through death. The foundation has collaborated with the school for disabled children, which accommodates over 80-orphaned pupils.

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.

The 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 a second term only.

The Vice President, who is also the Chairperson for the Finance and Administration Committee, assists the President. 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 membership and attendance of Council for the year 2019 are as shown below;

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

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's primary purpose is to ensure financial stability and enhance the long-term financial sustainability of the Institutes. 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 (Chairperson)	7	7	7
2	Lucy Z Mubanga (Vice Chairperson)	7	7	3
3	Kumoyo Wambulawae	7	7	7
4	Kennedy Mwila	7	7	4
5	Mirriam Chiyaba	7	7	1
6	Mundia Mundia	7	2	2

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 Zulu Mubanga (Chairperson)	3	3	3
2	Shadrick Phiri (Vice Chairperson)	3	3	2
3	Julius Mwanza	3	3	1
4	Caroline Bwalya Banda	3	3	2
5	Humphrey Himwaaba	3	3	1
6	Esther Haamaundu	3	3	2
7	Gregory Kabwe	3	3	0

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.

S/N	Name	Meetings Held	Meetings Eligible to Attend	Meetings Attended
1	Moonga Hamukale (Chairperson)	4	4	4
2	Yanga Kalaluka (Vice Chairperson)	4	4	2
3	Collina Halwampa	4	4	4
4	Gabriel Banda	4	4	3
5	George William Bester	4	4	2
6	Silvia Madawaki	4	4	4
7	Lyndon Lane Poole	4	4	3

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 Ethel Ngulube (Chairperson)	4	4	4
2	Chilala M Banda (Vice Chairperson)	4	4	4
3	Tinashe Jerahuni	4	4	2
4	Kennedy Bowa	4	4	1
5	Mwale M Tembo	4	4	4
6	Munsaka C Mabbolobbolo	4	4	3
7	Mwiche Mutale Banda	4	4	4
8	Dr. Michael M Mabenga	4	4	2

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 (Chairperson)	3	3	3
2	Moonga Hamukale (Vice Chairperson)	3	3	3
3	Gilbert Muyalwa	3	3	1
4	Brian C Musonda	3	3	0
5	Kampamba Mulenga	3	3	3
6	Kelvin Chungu	3	3	3
7	Alice Tembo	3	3	1

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 Zyambo (Chairperson)	7	6	7
2	Yanga Kalaluka (Vice Chairperson)	7	6	2
3	Michael Phiri	7	6	4
4	Moses Nkandu	7	6	3
5	George Chitwa	7	6	6
6	Patrick Mawire	7	6	4
7	Victor Muhundika	7	2	3
8	Nambwenga Kauseni	7	6	0
9	Jetty lungu	7	2	2
10	Victor Nyasulu	7	6	2

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 (Chairperson)	4	4	3
2	Patson Banda (Vice Chairperson)	4	4	4
3	Edward Kunda	4	4	3
4	Namakau Mundia Ntini	4	4	3
5	Abonny Munsaka	4	4	2

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:

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.

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.

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, Technical and Taxation Committees.

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.

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.

Minister of Finance Dr. Bwalya Ngándu arriving at Parliament for the 2020 National Budget presentation

Profiles of Council Members

JASON KAZILIMANI, JR
President

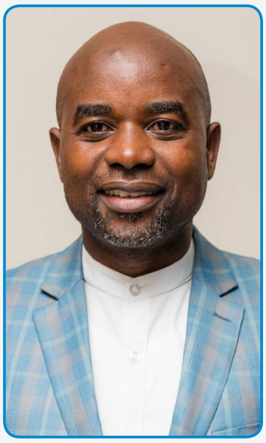
Jason Kazilimani, Jr is the President of the Zambia Institute of Chartered Accountants and immediate past president of the Zambia Golf Union.

He has gained vast audit, accounting, consulting and governance experience over his 26 years of experience with KPMG in Zambia, the United Kingdom (2 years) and Nigeria (over 4 years). Prior to joining KPMG, he worked for 2 years in the group accounting unit of Zambia Consolidated Copper Mines Limited. He is a Fellow of ZICA and the Association of Certified Chartered Accountants (ACCA) and is also an Associate of the Institute of Chartered Accountants of Nigeria (ICAN). He also holds an MBA in Financial Services from the London School of Business and Finance.

CECILIA ZIMBA
Vice President

Ms. Zimba is a Fellow of ZICA and ACCA with 22 years of practical experience with Statutory/public reporting, investor relations, Government & Public office relations, strategic negotiations and international business.

She is a Member of the University of Cambridge Institute for Sustainability Leadership. She holds a Post Graduate Diploma in Sustainable Leadership from the Swedish Institute, a Master Degree in Business Administration (MBA) from Heriot-Watt University, ACCA professional qualification (ZCAS) and a Diploma in Accountancy from Evelyn Hone College.



BBENKELE HAACHITWE
Chairperson, Audit and Risk Management Committee

Mr. Haachitwe is a qualified Chartered Accountant and a Fellow member of both ZICA and ACCA – UK, he holds an MBA - Finance, BSc. (Hons) Applied Accounting, Diploma Project Management and a Certificate in Inter-Action Leadership program – British Council. He possesses more than 20 years of work experience in both Public and Private sector specialised in Assurance & Internal Audit, Risk Management, Monitoring & Evaluation, Project Management and Custom & Excise administration.

He represents members in Industry.

JULIUS ZGAMBO
Chairperson, Taxation Committee

Mr. Zgambo is a Fellow of ZICA and ACCA with over 13 years of experience in the profession. He holds ACCA professional qualification from Zambia Centre for Accountancy Studies (ZCAS). Board Member - Standards and Regulations Board at the Zambia Institute of Chartered Accountants.

He represents members in Industry.

PATRICK M HAMUKALE
Chairperson, Membership Committee

Mr. Hamukale is a Fellow of ZICA and ACCA with over 12 years of experience in Accounting and Auditing in Public and Private Sector Corporation.

He holds Natech, ACCA professional qualification (Zambia Centre for Accountancy Studies). He holds an MBA in Financial Services (London School of Business and Finance).

He represents members in practice.

PATSON BANDA
Vice Chairperson, Audit and Risk Management Committee

Mr. Banda is a Fellow of ZICA and ACCA with over 12 years of experience in internal audit, auditing and accounting standards, public procurement procedures, financial accounting and management accounting. He holds a Bachelor's Degree in Accountancy from Copperbelt University, ACCA and Master of Science in Economics and Finance, non-audit practicing certificate under PBIK corporate consultants.

He represents members in practice.

Profiles of Council Members

Ms. Banda is a Fellow of ZICA and ACCA with over 23 years of experience in audit of education institutions, insurance companies, non-profit organisations, Banking and Pensions Institutions among others.

She holds a Bachelor's degree in Accountancy, from the Copperbelt University and the ACCA professional qualification.

She represents members in practice.

CHILALA BANDA
Chairperson, Technical Committee

Ms. Kalaluka is a Fellow of ZICA with 13 years of experience in the profession. She holds a Master of Business Administration and CIMA professional qualification.

She represents members in practice.

YANGA CK KALALUKA
Vice Chairperson, Membership Committee

Ms. Mubanga is a Fellow of ZICA and ACCA with 20 years of working experience in Public sector and public practice.

She represents members in business.

LUCY ZULU - MUBANGA
Chairperson, Public Sector Committee

Mr. Musonda is the Accountant General for the Republic of Zambia. He is a Fellow of ZICA and ACCA and he has worked in the financial management function of the public sector for more than 26 years.

He has worked through different Government Ministries as Head of Accounting Units, and as Accountant General and Ex-Officio of the ZICA Council from 2008 to 2012.

KENNEDY MUSONDA
Accountant General

Ms. Muyaka Ethel Ngulube is a Fellow of ZICA and a Chartered Global Management Accountant. She has over 21 years experience in public, private and development aid sectors. She is a Certified Compliance Professional (CCP) with the American Institute of Business and Financial Management and also a Certified People and Teams Developer. She has an Honours Bachelors Degree in Accounting, a Master of Business Administration and a MSc in Strategic Planning.

She represents members in Business.

MUYAKA ETHEL NGULUBE
Chairperson, Education and Training Committee

Conceptual drawing for the development of the ultra-modern multi-purpose commercial property complex consisting of 6 - 8 office blocks at the Accountants Park.

Management Team

Management implements the Accountants Act and decisions of Council. The Secretary and Chief Executive heads management and is assisted by four Directors namely; Director of Finance, Investments and Administration, Director Education and Training, Director Standards and Regulation and Director Membership and Corporate Services. Management provides secretarial services to Council and its Committees.

PROFILES OF SENIOR MANAGEMENT TEAM

BONNA KASHINGA

Secretary and Chief Executive

Mr. Bonna Kashinga is the Chief Executive Officer of Zambia Institute of Chartered Accountants & Director of ZICA Properties Limited. He is a seasoned finance professional and former banker with over 20 years work experience and exposure in the accountancy services, property, financial services and central bank regulatory sectors covering business development & management, strategy formulation & execution, wealth & investment management, financial risk management, assurance services, business advisory, financial system regulation and supervision.

He previously held positions in industry and commerce including being Partner for Urban Africa Real Estate Group, Project Head of Quantum Home Loans Limited, Head Private & Executive Banking for Stanbic Bank Zambia, Compliance Manager also for Stanbic Bank Zambia, Inspector - Financial Analysis at Bank of Zambia and Audit Senior at Deloitte & Touché Zambia.

Mr. Bonna Kashinga is a holder of a Master in Public Administration degree from Harvard University and an Edward S. Mason Fellow in Public Policy & Management from Harvard University. He also holds a Master of Science in Development Finance from The University of Manchester and was a Bank of England Developing Country Fellow. Additionally, he holds a Bachelors (Honours) degree in Accounting & Finance and a Diploma in Professional Accounting both from Athlone Institute of Technology, Ireland.

CHARLES C MUTALE

Director Finance, Investments and Administration

Mr. Mutale is a Fellow of ZICA and the Chartered Institute of Management Accountants (CIMA) and holds a Master Degree in Business Administration specialising in Finance & Strategic Planning. He has 24 years of senior management experience in Commerce and Industry.

MODEST HAMALABBI

Director Education and Training

Mr. Hamalabbi is a Fellow of ZICA. He has 22 years of work experience in academia and corporate management. He holds a Master Degree in Business Administration (MBA) (Maastricht School of Management), Master of Arts Degree in Economic Policy Management (UNZA), ACCA, BSc in Applied Accounting (Oxford Brookes), Secondary School Teachers' Diploma (UNZA) and NATech.

PATRICIA M HANTUMBA SITALI

Director Membership and Corporate Services

Mrs. Sitali is a Fellow of ZICA with over 22 years of experience in the profession. She holds a Master Degree in Business Administration (MBA) (Herriot Watt University) a Bachelors of Arts Degree (UNZA), BSc in Applied Accounting (Oxford Brookes), ACCA, NATech, CIA.

MWELWA MWABA

Director Standards and Regulation

Mr. Mwaba is a Fellow of ZICA and ACCA. He has 18 years of work experience in accounting, banking and Central Bank Regulation. He holds a Master Degree in Business Administration (MBA) and Bachelor's Degree in Accounting and Finance.

Zambia Institute of Chartered Accountants
Competence, Integrity and Virtue

ANNUAL REPORT

FINANCIAL STATEMENTS

For the year ended 31st December 2019

GENERAL INFORMATION

Country of incorporation and domicile	Zambia
Nature of business and principal activities	The Zambia Institute of Chartered Accountants (ZICA, referred to as the “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 First National Bank Limited Stand number 22767 P.O Box 36187 Lusaka ABSA Bank Zambia Plc Addis Ababa Roundabout P.O Box 31936 Lusaka
Solicitors	BETAM Chambers Plot 6911 Addis Ababa Drive P. O. Box 50742 Lusaka AB and David Plot No. 3168 Independence Avenue P.O BOX 38704 Lusaka Sikaulu Lungu Mupeso Legal Practitioners 4 Matandani Close off Lubuto Road Rhodes Park Lusaka MUSA DUDHIA & CO 2nd Floor, ALN House P.O Box 31198 Lusaka P.M. Kamanga & Associates 3rd Floor, Premium House PO Box 31466 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 2019.

Activities

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

Financial results

Total income during the year was ZMW 48.301 million (2018: ZMW 45.343million). Total expenditure for the year was ZMW 44.373 million (2018: ZMW 41.031 million). The Institute recorded a surplus for the year of ZMW 3.928 million (2018: ZMW 4.311 million).

Operations

The Council approved the 2019-2023 strategic plan and its implementation. The strategic plan is based on the balanced score card framework with its four perspectives namely, customer and stakeholder, financial, internal process and organisational capacity. Under the finance perspective the Institute undertook initiatives related to increasing revenue and cost control. Under the internal processes the Institute undertook activities related to improving quality management, service delivery and internal business process. The Institute undertook activities related to improving regulation of the accountancy profession, marketing and communication, knowledge and skills under the organisational capacity perspective. The above activities will lead into the customer and stakeholder perspective with the result being improved customer and stakeholder satisfaction.

Events after the reporting period

Since December 2019, the spread of COVID-19 has negatively impacted operations of many companies. Some measures taken to stem the spread of the virus have been instituted by the relevant authorities and include among others, the closure of schools, entertainment spots, restaurants, travel bans, quarantines, social distancing which have resulted in a general economic downturn.

The Institute undertook a review of its operations and concluded that the COVID-19 effects are non –adjusting events and consequently the financial statements which comprise the financial position as at 31 December 2019, 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, have not been adjusted to reflect the impact of the effects of COVID 19.

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 (retired 2019)	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	Member
Mr. Kennedy Musonda (nominated 2019)	Member

Council Members interests

None of the Council Members had any material interest in any contracts awarded during the year. (2018: none).

Employees and their remuneration

The total remuneration of employees during the year amounted to ZMW 16.902 million (2018:15.763 million) and the average number of employees was 40 (2018:40).

Property, plant and equipment

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

	2019 ZMW	2018 ZMW
Computer equipment	105,278	401,867
Motor vehicles- owned and leased	-	1,788,961
Office equipment and machinery	60,193	30,235
Furniture and fittings	-	133,907
Total	**165,471**	**2,354,970**

Health and Safety

The Institute is committed to ensuring the health , safety and welfare at work of its employees and for protecting other persons against risks to health or safety arising out of, or in connection with, those activities at work of the employees.

Auditors

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

Bonna Kashinga
Secretary and Chief Executive Officer
Date: 28th May 2020

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 1 June 2021 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 43. The financial statements set out on pages 44 to 86 as well as the appendix on page 87, which have been prepared on the going concern basis, were approved by the Council on 28th May 2020 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
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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 2019, 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 44 to 86.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Zambia Institute of Chartered Accountants as at 31 December 2019, 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
Impairment of capitalised Work In Progress	Impairment of capitalised work in progress	Capitalisation of costs of Investment property are areas of significant judgement by the Council. The main risk that we addressed in our audit is; • the risk that amounts that were capitalised in work in progress in prior periods are significantly impaired. Management have applied significant judgement on assessing the viability and probability of the projects commencing. Should the projects listed below not materialise, the amounts capitalised would be impaired as the recoverable amounts would be nil. Our work focused on the impairment of the capitalised costs for the; • Livingstone – Development project, and; • The Proposed Thabo Mbeki Office Park.	• We evaluated the design and tested the operating effectiveness of controls around the capitalised development costs. • We enquired if management performed an impairment assessment of the carrying value of its capitalised project to verify that the entity's assets are not carried at more than their recoverable amounts. • We enquired on the project status since last year. • We researched on the viability of the projects especially the Livingstone and Thabo Mbeki project. • We reviewed project fund mobilisation status since last year. • We reviewed the management write-up on the impairment. We tested the assumptions used. • We reviewed the technical and economic feasibility studies performed. • Disclosures of this item are included in note 4 of the financial statements.
Accounting policy changes	Changes in accounting policies (IFRS 16), which requires significant judgement.	IFRS 16 replaced the previous standard IAS 17 and specifies how entities will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Council did not choose early adoption IFRS 16 Leases effective January 1, 2019. The implementation of IFRS 16 is considered a key audit matter due to the judgments needed in establishing the underlying key assumptions. Significant judgement is applied in the determination of the incremental borrowing rate as well as the determination of the extension period of the leases with the lessor. In the current year, IFRS 16 'Leases' was implemented for the first time. The entity elected to employ the modified retrospective method of transitioning, this resulted in transition adjustments being recorded to retained earnings at the beginning of the current year.	• We have assessed the appropriateness of the assumptions applied in IFRS 16. • See note 1.3 detailing the impacts on the financial statements following changes in accounting principles and presentation at 1 January 2019. • We focused on the adequacy of the disclosures in the financial statements as required under IFRS 16. The disclosures are detailed in note 15 of the financial statements.

Topic	KAM Title	Description of Key Audit Matter	Description of Auditor's Response
Revaluation of Property, plant and equipment and Investment Property	Valuation of Investment Property, and Property plant and equipement.	The valuation of property, plant and equipment and investment property is important to our audit as it represents a significant judgement area and an important part of the total assets of the Institute. The valuation of the property, plant and equipment and investment property is highly dependent on significant estimates. We therefore identified the valuation of Property, plant and equipment and investment property as a significant risk. The Institute's policy is that property valuations are performed by external experts. The valuation of the Property, plant and equipment and investment property is performed once a year. These valuations are amongst others based on transactions, and market assumptions, such as historical knowledge.	• Amongst others, we considered the objectivity, independence and expertise of the external appraisers. • We furthermore assessed the accuracy 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 3 and 4 of the financial statements.
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 87 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

BDO Zambia Audit Services

T. Jerahuni
Partner
AUD/F008775
Date:

Statement of financial position

	Note	2019 ZMW	2018 ZMW
ASSETS			
Non-current assets			
Property, plant and equipment	3	14,211,090	34,074,761
Investment property under development	4	23,628,184	20,550,055
Intangible assets	6	9,555,115	10,763,273
Right of use assets	15.2	36,667,946	-
Equity investments at FVOCI	5	722,212	1,044,599
Staff loans and advances at amortised cost	9	203,771	343,826
		84,988,318	**66,776,514**
Current assets			
Inventories	8	2,054,269	1,424,142
Staff loans and advances at amortised cost	9	549,708	290,614
Other receivables	11	729,811	740,144
Investment securities at amortised cost	7	1,140,078	2,570,573
Cash and cash equivalents	12	2,798,795	2,000,274
		7,272,661	**7,025,747**
Total assets		**92,260,979**	**73,802,261**
MEMBERS' FUND AND LIABILITIES			
Accumulated fund		28,258,660	24,466,343
Revaluation reserve		41,742,573	24,982,800
Other reserves		(194,041)	113,648
		69,807,192	**49,562,791**
Non current liabilities			
Employee liabilities	13	1,436,729	1,540,510
Other payables	15.3	2,195,196	-
Finance lease obligations	15.3	-	950,279
Deferred Income	16	8,070,061	9,963,723
		11,701,986	**12,454,512**
Current liabilities			
Other payables	14	5,468,818	7,768,993
Lease Liabilities	15.3	374,068	-
Contract liabilities	17.1	4,908,915	3,744,457
Finance lease obligations	15.3	-	271,508
		10,751,801	**11,784,958**
Total members' fund and liabilities		**92,260,979**	**73,802,261**

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 44 to 86 were approved by the Council on 28th May 2020 and were signed on its behalf by:

Jason Kazilimani, Jr
President

Cecilia Zimba
Chairperson, Finance and Administration Committee

The notes on pages 48 to 86 are an integral part of these financial statements

Statement of profit or loss and other comprehensive income

	Note	2019 ZMW	2018 ZMW
Income			
Revenue from contracts with customers	17	42,392,658	38,842,281
Other income	18	3,572,136	4,051,672
Finance income	19.1	442,922	543,603
Capital grant amortised	16	1,893,662	1,905,187
Total income		**48,301,378**	**45,342,743**
Expenditure			
Finance cost	19.2	459,664	83,576
Operating expenses		21,877,493	20,761,407
Depreciation and amortisation		4,426,908	3,620,564
Employee benefits expenses	22	17,589,930	16,576,532
Expected credit losses	10	18,954	(10,735)
Total expenditure		**44,372,949**	**41,031,344**
Surplus for the year before tax		**3,928,429**	**4,311,399**
Income tax expense	20	-	-
Surplus for the year		**3,928,429**	**4,311,399**
Other comprehensive Income			
Items that will not be reclassified subsequently to profit or loss			
Loss)/gain on equity investments at FVOCI)	5	(322,387)	(40,833)
Gain on revaluation of property, plant and equipment	3	17,399,847	-
Other comprehensive income for the year		**17,077,460**	**(40,833)**
Total comprehensive income for the year		**21,005,889**	**4,270,566**

The notes on pages 48 to 86 are an integral part of these financial statements

Statement of cash flows

	Note	2019 ZMW	2018 ZMW
Cash flows from operating activities			
Surplus for the year		3,928,429	4,311,399
Adjustments to reconcile surplus to net cash flows:			
Depreciation of property, plant and equipment	21	1,384,385	1,419,772
Depreciation of right of use assets	15.4	427,289	148,559
Change in fair value of investment property under development	4	(3,043,000)	(3,026,000)
Amortisation of intangible assets	6	2,615,234	2,052,233
Exchange differences	15.3	95,346	-
Capital grant amortised	16	(1,893,662)	(1,905,187)
Interest received	19.1	(410,263)	(528,051)
Dividend received	19.1	(32,659)	(15,552)
Finance cost from obligations under finance leases	19.2	459,664	83,576
		3,530,762	**2,540,749**
Cash flow from operating activities			
(Increase) in inventories	8	(630,127)	(82,029)
(Increase)/decrease in staff loans and advances at amortised cost	9	(119,039)	76,430
Decrease)/(increase)decrease in other receivables	11	10,333	(177,939)
(Decrease)/increase in employee benefits	13	(103,781)	648,753
(Decrease) in other payables	14	(2,300,175)	(1,925,349)
(Decrease)/increase in finance lease obligations	15	-	1,221,787
Increase in contract liabilities	17.1	1,164,458	1,083,351
Net cash flows from operating activities		**1,552,431**	**3,385,753**
Cash flow from investing activities			
Purchase of property, plant and equipment	3	(165,471)	(2,354,970)
Profit on disposal of property, plant and equipment	18	(38,960)	(85,102)
Acquisition of investment property	4	(35,129)	(371,892)
Purchase of equity instruments designated at FVTOCI	5	-	(22,217)
Acquisition of intangible assets	6	(1,407,076)	(2,812,806)
Redemption of investment securities at amortised cost	7	1,430,495	2,150,653
Proceeds from disposal of property, plant and equipment	18	38,960	85,102
Dividend received	19.1	32,659	15,552
Interest received	19.1	410,263	528,051
Net cash flows utilised in investing activities		**265,740**	**(2,867,629)**
Cashflows from financing activities			
Interest paid	19.2	(459,664)	(83,576)
Payment of lease liabilities	15	(559,986)	-
Net cash used in financing activities		**(1,019,650)**	**(83,576)**
Increase/ (decrease) in cash and cash equivalents		**798,521**	**434,548**
Cash and cash equivalents at beginning of the year		2,000,274	1,565,726
Cash and cash equivalents at end of the year	12	**2,798,795**	**2,000,274**

The notes on pages 48 to 86 are an integral part of these financial statements

Statement of changes in members' funds

	Accumulated fund ZMW	Revaluation reserve ZMW	Equity Investments reserve ZMW	Whistle blower protection fund ZMW	Total ZMW
Balance at 1 January 2018	**19,553,593**	**25,622,874**	**32,666**	**107,117**	**45,316,250**
Effect of adoption of IFRS 9 and IFRS 15	(24,025)	-	-	-	(24,025)
Balance at 1 January 2018	**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**
Balance at 1 January 2019	**24,466,343**	**24,982,800**	**(8,167)**	**121,815**	**49,562,791**
Effect of adoption of new accounting (standard (note 1.3	(761,488)	-	-	-	(761,488)
Balance at 1 January 2019- Restated	**23,704,855**	**24,982,800**	**(8,167)**	**121,815**	**48,801,303**
Surplus for the year	3,928,429	17,399,847	(322,387)	-	21,005,889
Amortisation	640,074	(640,074)	-		-
Funds transfer	(14,698)	-	-	14,698	-
Balance at 31 December 2019	**28,258,660**	**41,742,573**	**(330,554)**	**136,513**	**69,807,192**

(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 48 to 86 are an integral part of these financial statements

Significant accounting policies

	2019	2018
	ZMW	ZMW

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 International Accounting Standards as issued by the International Accounting Standards Board(IASB) and Interpretations(collectively IFRSs)' 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

In the current year, the Institute has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Institute adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Institute elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Institute applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained.

Transition method and practical expedients utilised IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Institute applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

Significant accounting policies

	2019	2018
	ZMW	ZMW

1.3 Adoption of new and revised standards (continued)

(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) USD rate 13 percent and Kwacha rate 25.5 percent.

(c) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;

(d) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under.

The effect of the adoption is as follows:

		2019
		ZMW
Assets		
Right-of-use assets	15.2	36,993,133
Property plant and equipment	3	(36,193,164)
Total assets		799,969
Liabilities		
Lease liability	15.3	1,221,787
Total liabilities		1,221,787
Accumulated Fund		(761,488)
Total		1,260,269

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 an 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. These amendments had no impact on the financial statements of the Institute.

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.

The Institute applies the 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. These amendments had no impact on the financial statements of the Institute.

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.

Significant accounting policies

	2019	2018
	ZMW	ZMW

2 Significant accounting policies (continued)

2.1 Property, plant and equipment (continued)

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.

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	**25%**
Furniture, fittings, machinery, office equipment and computers	**20%**
Library books are not depreciated.	**Nil**

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.

2.2 Investment property under development

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee. Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Institute considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Significant accounting policies

	2019	2018
	ZMW	ZMW

2.2 Investment property under development (continued)

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner- occupied property becomes an investment property, the Institute accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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:

- 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).

Significant accounting policies

	2019	2018
	ZMW	ZMW

2.5 Revenue from contracts with customers (continued)

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.

Other 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.

Finance income

i) Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information. In its Interest income/expense calculated using the effective interest method. Other interest income/expense includes interest on and all financial assets/liabilities, using the contractual interest rate.

The Institute calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Institute calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Institute reverts to calculating interest income on a gross basis.

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.

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.

The year end rates used during the year are as follows:	**2019**	**2018**
1USD to ZMW	14.01	11.81
1GBP to ZMW	18.49	15.19

Significant accounting policies

	2019	2018
	ZMW	ZMW

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 – initial recognition

Date of recognition

Financial assets and liabilities 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 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

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;

Significant accounting policies

	2019	2018
	ZMW	ZMW

2.10 Financial instruments – initial recognition (continued)

- 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 measurements it's financial assets held for investment purposes at FVOCI.

Financial assets and liabilities

Due from staff loans and advances and bank financial investments at amortised cost (fixed deposits)

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.
- 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.

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 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).

Significant accounting policies

	2019	2018
	ZMW	ZMW

2.10 Financial instruments(continued)

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 minimise 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

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 product line. Financial liabilities are never reclassified.

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
- 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.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Institute can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Institute benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Institute elected to classify irrevocably its listed equity investments under this category.

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:

Significant accounting policies

	2019	2018
	ZMW	ZMW

2.10 Financial instruments (continued)

- 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 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.

Impairment of financial assets

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

Significant accounting policies

	2019	2018
	ZMW	ZMW

2.10 Financial instruments(continued)

an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Institute's policy for grouping financial assets measured on a collective basis.

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 debit instruments are first recognised, the Institute recognises an allowance based on 12 months ECLs. Stage 1 debit instruments also include facilities where the credit risk has improved and the debit instrument 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: Debit instruments 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.

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 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.

Significant accounting policies

	2019	2018
	ZMW	ZMW

2.10 Financial instruments (continued)

Impairment of financial assets 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.
- 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, 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 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
- Default spread, country risk premiums

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 25.10

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 collateralvalues, and the effect on PDs, EADs and LGDs

Significant accounting policies

	2019	2018
	ZMW	ZMW

2.10 Financial instruments (continued)

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.

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 AFS financial assets, 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.

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:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Significant accounting policies

	2019	2018
	ZMW	ZMW

2.12 Current versus non-current classification (continued)

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

2.13 Investment securities

a) Fixed deposits

Investments 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 Member's Fund

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. If any instrument reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

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 were 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.

2.15 Leases

The Institute has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately
below.

Policies applicable from 1 January 2019

The Institute as a lessee

The Institute assesses whether a contract is or contains a lease, at inception of the contract. The Institute recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Institute recognises the lease payments as an operating expense on a straight- line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Significant accounting policies

	2019	2018
	ZMW	ZMW

2.15 Leases (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Institute remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right of use will be amortised per class as follows:	2019	2018
Right of use- land	years 99	-
Right of use- Building	years 6	-

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Institute incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right- of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Institute expects to exercise a purchase option, the related right- of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Right- of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the right-of-use assets are presented as a separate line in the statement of financial position.

Significant accounting policies

	2019	2018
	ZMW	ZMW

2.15 Leases (continued)

The Institute applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Institute has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Institute allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Policies applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Institute at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Institute's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.16 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

Significant accounting policies

	2019	2018
	ZMW	ZMW

2.16 Significant accounting judgements, estimates and assumptions (continued)

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

Subscriptions, Insurance and Magazine services

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 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.

	December 31 2019	December 31 2018
	ZMW	ZMW
Magazines	**43**	**43**
Insurance	**360**	**340**

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 and 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.

Significant accounting policies

	2019	2018
	ZMW	ZMW

2.16 Significant accounting judgements, estimates and assumptions (continued)

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

Determining the lease term of contracts with renewal and termination options – Institute as lessee

The Institute determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Institute has several lease contracts that include extension and termination options. The Institute applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Institute reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Institute included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). The Institute typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Institute typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases - Estimating the incremental borrowing rate

The Institute cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Institute would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Institute 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Institute estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

2.17 Standards issued but not yet effective

The new and amended 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 new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 3: Definition of a business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements fora business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Significant accounting policies

	2019	2018
	ZMW	ZMW

2.17 Standards issued but not yet effective (continued)

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Institute will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS8: Definition of material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Institute's financial statements.

Notes to the financial statements

3. Property, plant and equipment

2019	Buildings	Motor vehicles owned	Motor Vehicles leased	Furniture, fitting Equipment	Office equipment	Computers	Library books	Total
	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW
Cost								
At 01 January 2019	32,284,000	1,537,057	1,426,164	1,727,776	1,090,476	2,517,341	87,722	40,670,536
Additions	-	-	-	-	60,193	105,278	-	165,471
Net revaluation gain	15,568,000	-	-	-	-	-	-	15,568,000
Transfer to right of use assets	(34,767,000)	-	(1,426,164)	-	-	-	-	(36,193,164)
Disposal	-	-	-	(1,830)	-	-	-	(1,830)
At 31 December 2019	**13,085,000**	**1,537,057**	**-**	**1,725,946**	**1,150,669**	**2,622,619**	**87,722**	**20,209,013**
Depreciation								
At 01 January 2019	921,676	971,792	148,559	1,486,790	1,004,107	2,062,851	-	6,595,775
Charge for the period	910,171	204,431	356,541	94,588	35,404	139,791	-	1,740,925
Write-back on transfer to right of use	(1,831,847)	-	(505,100)	-	-	-	-	(2,336,947)
Write-back on disposal	-	-	-	(1,830)	-			(1,830)
At 31 December 2019	**-**	**1,176,223**	**-**	**1,579,548**	**1,039,511**	**2,202,641**	**-**	**5,997,923**
Net book value as at 31 December 2019	**13,085,000**	**360,834**	**-**	**146,398**	**111,158**	**419,977**	**87,722**	**14,211,090**

3 Property, plant and equipment

2018	Leasehold land and buildings	Motor vehicles	Motor Vehicles leased	Furniture, fitting Equipment	Office equipment	Computers	Library books	Total
	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW
Cost								
At 01 January 2018	32,284,000	1,756,283	-	1,593,869	1,060,241	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**	**1,090,476**	**2,517,341**	**87,722**	**40,670,536**
Depreciation								
At 01 January 2018	-	1,386,654	-	1,343,573	958,695	1,920,545	-	5,609,467
Charge for the period	921,676	167,161	148,559	143,217	45,412	142,306	-	1,568,331
Disposal	-	(582,023)	-	-	-	-	-	(582,023)
At 31 December 2018	**921,676**	**971,792**	**148,559**	**1,486,790**	**1,004,107**	**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**

Notes to the financial statements

	2019	2018
	ZMW	ZMW

3 Property, plant and equipment (continued)

The leasehold buildings were valued at 31 December 2019 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 7,131,264 (2018: ZMW 7,390,368).

Assumption of the valuation

The subject property was assessed using the market comparable method. Under this approach the first step is to consider the prices for transactions of identical or similar assets that have occurred recently in the market. If few recent transactions have occurred, it may also be appropriate to consider the prices of identical or similar assets that are listed or offered for sale provided the relevance of this information is clearly established and critically analysed. It may be necessary to adjust the price information from other transactions to reflect any differences in terms of the actual transaction and the basis of value and any assumptions to be adopted in the legal, economic or physical characteristics of the assets in other transactions and the asset being valued.

4 Investment property under development

	Livingstone		Thabo Mbeki		Consolidated Total	
	2019	2018	2019	2018	2019	2018
	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW
Opening balance	14,408,340	11,012,835	6,141,715	6,139,328	20,550,055	17,152,163
WIP additions	-	369,505	35,129	2,387	35,129	371,892
(Change in fair value of Investment Property (note 18	3,043,000	3,026,000	-	-	3,043,000	3,026,000
Closing balance	**17,451,340**	**14,408,340**	**6,176,844**	**6,141,715**	**23,628,184**	**20,550,055**

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.

Assumption of the valuation

The subject property was assessed using the market comparable method. The key unobservable input for this method is the price for comparable properties. This is a method whereby comparable sales data of properties within the vicinity of the subject property are collected and analysed to arrive at appropriate rates to apply to the subject property being valued. In so doing, consideration of both the local market within close proximity to the property being valued and on a wider view within the entire city. When applying this method, it may be necessary to adjust the price information from other transactions to reflect any differences in the terms of the actual transaction and the basis of value and any assumptions to be adopted in the legal, economic or physical characteristics of the assets in other transactions and the asset being valued.

Notes to the financial statements

5 Equity investments

Company	No. of shares	Share price as at 31 December 2019	Market value as at 31 December 2018	Addition	Capital /appreciation (depreciation)	Market value as at 31 December 2019
		ZMW	ZMW	ZMW	ZMW	ZMW
Zambia National Commercial Bank Plc	250,000	0.50	210,000	-	(85,000)	125,000
Standard Chartered Bank Plc	87,949	1.63	231,306	-	(87,949)	143,357
Zambeef Products Plc	50,000	0.90	150,000	-	(105,000)	45,000
Zambia Sugar Plc	100,000	2.50	270,000	-	(20,000)	250,000
CEC Africa	111,087	0.18	22,217	-	(2,221)	19,996
Copperbelt Energy Corporation Plc	111,087	1.25	161,076	-	(22,217)	138,859
			1,044,599	-	**(322,387)**	**722,212**

Company	No. of shares	Share price as at 31 December 2018	Market value as at 31 December 2017	Addition	Capital /appreciation (depreciation)	Market value as at 31 December 2018
		ZMW	ZMW	ZMW	ZMW	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**

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 2019	Carrying value at beginning of year	Additions	Amortisation	Impairment	Carrying value at end of year
	ZMW	ZMW	ZMW	ZMW	ZMW
Software costs	1,118,920	227,000	(372,680)	-	973,240
Development costs	9,644,353	1,180,076	(2,242,554)	-	8,581,875
	10,763,273	**1,407,076**	**(2,615,234)**	-	**9,555,115**

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**

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 at 20% per annum on a straight line basis.

Notes to the financial statements

	2019	2018
	ZMW	ZMW

7. Investment securities at amortised cost

Fixed deposits	1,146,747	2,588,627
ECL- IFRS 9 provision	**(6,669)**	**(18,054)**
Closing balance	**1,140,078**	**2,570,573**

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 2019

Internal Rating Grade	Stage 1	Stage 2	Stage 3	Total
Performing high Grade	(6,669)	-	-	(6,669)
Standard grade	-	-	-	-
Sub-standard grade	-	-	-	-
Not performing individually impaired	-	-	-	-
Total	**(6,669)**	-	-	**(6,669)**

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)**

The outstanding balance of investment securities at amortised cost decreased by ZMW 1,430,495 (2018: ZMW 2,150,653). The decrease was as a result of ZMW 1,562,990 assets disposed off. The ECL allowance as at the 31 December 2019 ECL being ZMW 6,669 (2018: 18,054) Movements over the year were minor mostly driven by the movements in the corresponding gross figures in 2019.

A reconciliation of the ECL as at 31 December 2019 is shown below:

	31 December 2019	31 December 2018
Fixed deposits	18,054	19,351
(Expected Credit Loss (ECL	(11,385)	(1,297)
Total ECL- IFRS 9 provision adjustment	**6,669**	**18,054**

Notes to the financial statements

	2019 ZMW	2018 ZMW
7 Investment securities at amortised cost (continued)		
Average annual rates		
Institution		
First National Bank Zambia Limited fixed deposit	17.4%	17.4%
Stanbic Bank Zambia Limited fixed deposit	-	15.5%
8 Inventories		
Study manuals	**2,054,269**	**1,424,142**

The cost of inventories recognised as an expense during the year was ZMW 565,527 (2018: ZMW 635,567).

9 Staff loans and advances at amortised cost		
Staff advances	122,511	138,245
Staff loans	656,543	491,431
ECL- IFRS 9 provision	(25,575)	4,764
Closing balance	**753,479**	**634,440**

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 2019

Internal Rating Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing high Grade	(25,575)	-	-	(25,575)
Standard grade	-	-	-	-
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Not performing individually impaired	-	-	-	-
Total	**(25,575)**	-	-	**(25,575)**

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**

Notes to the financial statements

	2019 ZMW	2018 ZMW
9. Staff loans and advances at amortised cost (continued)		
A reconciliation of the ECL as at 31 December 2019 is shown below:		
Staff loans and advances	(4,764)	4,674
Expected Credit Loss (ECL) credit	30,339	(9,438)
Total ECL- IFRS 9 provision adjustment	**25,575**	**(4,764)**
Current asset		
Staff loans and advances (short term component)	549,708	290,614
	549,708	**290,614**
Non current asset		
Staff loans and advances (long term component)	203,771	343,826
	753,479	**634,440**
Average annual rates		
Staff loans and advances	15%	15%
10 Expected credit losses		
Opening expected credit loss 1 January 2019	13,290	24,025
Total expected credit losses (credit)/charge (note 7 & 9)	18,954	(10,735)
Closing expected credit loss	**32,244**	**13,290**

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

As at 31 December 2019	**Stage 1**		**Stage 2 and 3**		**Total**
	Individual	**Collective**	**Individual**	**Collective**	
	ZMW	**ZMW**	**ZMW**	**ZMW**	**ZMW**
Cash and cash equivalents	-	-	-	-	-
Staff loans and advances	25,575	-	-	-	25,575
Investment Securities	6,669	-	-	-	6,669
Total Impairment loss	**32,244**	-	-	-	**32,244**

As at 31 December 2018	**Stage 1**		**Stage 2 and 3**		**Total**
	Individual	**Collective**	**Individual**	**Collective**	
	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 increased during the year due to disbursements of loans and advances to staff and the decrease in the PV of security.

Notes to the financial statements

	2019	2018
	ZMW	ZMW
11 Other receivables		
Sundry debtors	601,615	384,823
Prepayments	128,196	355,321
	729,811	**740,144**
12 Cash and cash equivalents		
Cash at bank	2,797,731	1,999,215
Cash on hand	1,064	1,059
	2,798,795	**2,000,274**
13 Employee liabilities		
Balance at 31 December	2,016,367	2,581,490
Less Short term portion (note 14)	(579,638)	(1,040,980)
Long term portion	**1,436,729**	**1,540,510**
14 Other payables		
Accruals	2,494,486	3,871,363
Benevolent fund	26,933	21,444
Employee liabilities (note 13)	579,638	1,040,980
Sundry creditors	2,367,761	2,835,206
	5,468,818	**7,768,993**

Other payables

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 obligation relating to the purchase of the land in Livingstone was extinguished during the year and the liability relating to the design of the office complex will be fully discharged during 2020. The overall total assets less total liabilities position remains adequately covered.

15 Leases

15.1 Institute as a lessee

The Institute has lease contracts for buildings, vehicles and land used in its operations. Leases of buildings and Land generally have lease terms between 3 and 99 years respectively, while motor vehicles generally have lease terms of 5 years. The Institute's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Institute is restricted from assigning and subleasing the leased assets. There are lease contracts that include extension and termination options.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

15.2 Right of use assets	**ROU Buildings**	**ROU Land**	**Finance Lease - Motor Vehicle**	**Total**
	ZMW	ZMW	ZMW	ZMW
Net book value 1 January 2019	-	-	1,277,605	1,277,605
Transfer from PPE	-	34,767,000	-	34,767,000
Additions	948,528	-	-	948,528
At 01 January 2019-Restated	948,528	34,767,000	1,277,605	36,993,133
Translation gain	102,102	-	-	102,102
Depreciation charge for the year	(70,748)	-	(356,541)	(427,289)
At 31 December 2019	**979,882**	**34,767,000**	**921,064**	**36,667,946**

Notes to the financial statements

	2019	2018
	ZMW	ZMW

15 Leases (continued)

15.3 Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	ROU Buildings	ROU Land	Finance Lease - Motor Vehicle	Total
	ZMW	ZMW	ZMW	ZMW
Net book value 1 January 2019	-	-	1,221,787	1,221,787
Additions	1,109,169	600,846	-	1,710,015
At 01 January 2019 Restated	1,109,169	600,846	1,221,787	2,931,802
Additions	-	-	-	-
Payments made during the year	(168,840)	(145,357)	(705,453)	(1,019,650)
Accretion of interest	167,994	138,298	153,372	459,664
Translation difference	197,448	-	-	197,448
	1,305,771	**593,787**	**669,706**	**2,569,264**

Assumptions used to determine the right of use asset

The Institute applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Institute reassesses the lease term (99 years) if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset). The effective interest rate applied was USD:13 percent and ZMW:22.5 percent.

	2019	2018
Current	374,068	271,508
Non-current	2,195,196	950,279
	2,569,264	**1,221,787**

The maturity analysis of lease liabilities are disclosed below in 15.6

15.4 The following are the amounts recognised in profit or loss:

	2019	2018
Depreciation expense of right-of-use assets	427,289	148,559
Interest expense on lease liabilities	459,664	83,576
Exchange difference	95,346	-
Total amount recognised in profit or loss	**982,299**	**232,135**

The following provides information on the Institute's fixed and variable payments:

	Fixed Payments	Variable Payments	Total
2019	ZMW	ZMW	ZMW
Fixed rent	**312,383**	-	**312,383**

Notes to the financial statements

	2019	2018
	ZMW	ZMW

15 Leases (continued)

The Institute has lease contracts that include extension and termination options. Set out below are undiscounted potential future rental payments relating to period following the exercised date of extension and termination options not included in the lease term:

	Within five years ZMW	More than five years ZMW	Total ZMW
Extension options expected to be exercised	870,090	5,039,404	5,909,495
	870,090	5,039,404	5,909,495

The Institute recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of- use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application.

16 Deferred Income

	2019	2018
Non current	ZMW	ZMW
Grants (i) and (ii)		
Opening balance	9,963,723	11,868,910
Amortisation	(1,893,662)	(1,905,187)
Closing balance	**8,070,061**	**9,963,723**

16.1 Deferred Income

(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.

Notes to the financial statements

	2019	2018
	ZMW	ZMW

17 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 2019

Segments	Subscriptions	Seminars	Examinations	Certification	Manuals	Total
	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW
Types of goods and services:						
Annual Subscriptions:						
• Membership fees	11,226,196	-	-	-	-	11,226,196
• Life insurance cover	2,413,522	-	-	-	-	2,413,522
• Magazines fees	318,886	-	-	-	-	318,886
Subscription arrears	907,055	-	-	-	-	907,055
Registration fees	2,898,504	-	-	-	-	2,898,504
Competence exams	-	-	111,340	-	-	111,340
Firm registrations fees	-	-	-	95,270	-	95,270
Practicing certificate fees	-	-	-	1,734,617	-	1,734,617
Exemption fees	-	-	284,428	-	-	284,428
Examination fees	-	-	10,499,598	-	-	10,499,598
Entry fees	-	-	756,030	-	-	756,030
Seminars & workshops	-	9,692,973	-	-	-	9,692,973
Manuals sales	-	-	-	-	1,454,239	1,454,239
Total revenue from contracts with customers	**17,764,163**	**9,692,973**	**11,651,396**	**1,829,887**	**1,454,239**	**42,392,658**
Timing of revenue recognition						
Transferred at a point in time	3,805,559	9,692,973	11,651,396	-		25,149,928
Services transferred over time	13,958,604	-	-	1,829,887	1,454,239	17,242,730
Total revenue from contracts with customers	**17,764,163**	**9,692,973**	**11,651,396**	**1,829,887**	**1,454,239**	**42,392,658**
Geographical markets						
Zambia	17,674,500	9,692,973	11,651,396	1,829,887	1,454,239	42,302,995
Zimbabwe	89,663	-	-	-	-	89,663
	17,764,163	**9,692,973**	**11,651,396**	**1,829,887**	**1,454,239**	**42,392,658**

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 examination fees	-	-	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

	2019	2018
	ZMW	ZMW

17 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**

17.1 Contract liabilities

Contract liabilities	4,908,915	3,744,457
	4,908,915	**3,744,457**

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 (2018: Nil).

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

Set out below is the amount of revenue recognised from:	-	-
Amounts included in contract liabilities at the beginning of the year	3,744,457	-
Performance obligations satisfied in previous years	(3,744,457)	-
	-	-

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:

Within one year	4,908,915	3,744,457
	4,908,915	**3,744,457**

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

Notes to the financial statements

	2019 ZMW	2018 ZMW
18 Other income		
Sundry income	466,341	878,894
Gain on disposal of PPE	38,960	85,102
Advertising income	23,835	17,000
Exchange gain	-	44,676
Gain on fair value of Investment property under development (note 4)	3,043,000	3,026,000
	3,572,136	**4,051,672**
19 Finance Income		
19.1 Finance Income		
Income from financial instruments measured at amortised cost:		
Bank deposits	335,361	466,228
Interest on staff loans and advances	74,902	61,823
	410,263	528,051
Income from financial instruments designated at FVOCI		
Dividends received from equity investments	32,659	15,552
	442,922	**543,603**
19.2 Finance cost		
Right of use asset	306,292	-
Motor vehicle	153,372	83,576
Interest on obligations under finance leases	**459,664**	**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):

	2019 ZMW	2018 ZMW
Exchange gain	95,346	(44,676)
Gain on fair value of Investment property under development	(3,043,000)	(3,026,000)
Gain on disposal of property, plant and equipment	(38,960)	(85,102)
Expected credit losses	18,054	(10,735)
Finance income	(442,922)	(543,603)
Depreciation of Property, plant and equipment	1,384,385	1,568,331
Amortisation of intangible assets	2,615,234	2,052,233
Cost of inventories recognised as manuals expense	565,527	635,567
Employee benefits expense	17,589,930	16,576,532
Finance cost	459,664	83,576
	19,203,258	**17,206,123**

Notes to the financial statements

	2019 ZMW	2018 ZMW
22 Employee benefit expenses		
Salaries	13,345,419	12,284,009
NAPSA contributions	785,621	679,006
Gratuity	2,771,016	2,799,858
Other employee benefits	687,874	813,659
	17,589,930	**16,576,532**

23 Related party transactions

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

	2019 ZMW	2018 ZMW
Short term benefits	6,252,448	5,881,776
Post employment benefits	1,563,112	1,470,444
	7,815,560	7,352,220
Loans to key management personnel	117,500	280,941
Council and Committees expenses	281,061	142,097

Council and Committee members receive an honorarium of ZMW 400 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 2019, 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.

Notes to the financial statements

	2019	2018
	ZMW	ZMW

24 Financial instruments (continued)

Categories of financial instruments

31 December 2019

Financial assets	Amortised Cost	Fair value through OCI	Total
	ZMW	ZMW	ZMW
Cash and bank balances	2,798,795	-	2,798,795
Staff loans and advances	753,479	-	753,479
Investment securities	1,140,078	-	1,140,078
Equity investments	-	722,212	722,212
	4,692,352	722,212	5,414,564
Financial liabilities			
Lease Liabilities	2,569,264	-	2,569,264
Accounts payable	5,468,818	-	5,468,818
	8,038,082	-	8,038,082

31 December 2018

Financial assets	Amortised Cost	Fair value through OCI	Total
	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			
Lease Liabilities	1,221,787	-	1,221,787
Accounts payable	7,768,993	-	7,768,993
	8,990,780	-	8,990,780

25 Risk management

25.1 Impairment assessment

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.

25.2 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 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:

- Internal rating of the borrower indicating default or near-default
- The borrower having past due liabilities

Notes to the financial statements

	2019	2018
	ZMW	ZMW

25 Risk management (continued)

- 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.

25.3 The Institute's internal rating and PD estimation process

The Institute independently operates its internal rating models. 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.

25.4 Interbank relationships

The Institute's treasury, relationships and counterparties comprise financial services institutions. 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.

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

2019

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

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

25.6 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.

Notes to the financial statements

	2019	2018
	ZMW	ZMW

25 Risk management (continued)

To calculate the EAD for a Stage 1 instrument, the Institute assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 instrument 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.

25.7 Loss given default (LGD)

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.

25.8 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.

25.9 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

Notes to the financial statements

	2019	2018
	ZMW	ZMW

25 Risk management (continued)

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

25.10 IFRS 9 sensitivity analysis

The sensitivity analysis of the significant input in the IFRS 9 model are analysed below as at 31 December 2019:

Sensitivity of key inputs	**Changes in key inputs**	**Impact on profit for the year**
Probability of default	+10%	101,028
Recovery rate	-0.05%	410
Loss given default	-50%	(3,458)
Effective interest rate	+3%	52,031
Tenor	+6 months	(996)
	-6 months	996

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%	111,332
Recovery rate	-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

25.11 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 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:

Investment securities	1,140,078	2,570,573
Staff loans and advances	753,479	634,440
Lease liabilities	2,569,264	1,221,787

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

Notes to the financial statements

	2019	2018
	ZMW	ZMW

25 Risk management (continued)

25.12 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 2019	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	2,569,264	-	374,067	167,734	1,633,666	394,642
Accounts payables	5,468,818	-	5,468,818	-	-	-
	8,038,082	-	5,842,885	167,734	1,633,666	394,642
Financial assets						
Cash and bank balances	2,798,795	-	2,798,795	-	-	-
Accounts receivable	753,479	-	549,708	203,771	-	-
Investment securities	1,140,078	-	1,140,078	-	-	-
Equity investments	722,212	-	-	-	722,212	-
	5,414,564	-	4,488,581	203,771	722,212	-
Gap	-	-	1,354,304	(36,037)	911,454	394,642
Cumulative gap	-	-	1,354,304	1,318,267	2,229,721	2,624,363

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	-
Gap	-	-	3,179,040	(343,826)	(94,320)	-
Cumulative gap	-	-	3,179,040	2,835,214	2,740,894	2,740,894

Notes to the financial statements

	2019	2018
	ZMW	ZMW

25 Risk management (continued)

25.13 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 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 2019	Assets	Liabilities
Total foreign exposure in USD	15,430	36,160
Change in USD rate	+0.2	+0.2
Effect on profit	3,086	(7,232)
Effect on equity	3,086	(7,232)

Sensitivity analysis 2018	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.

25.14 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 2019 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 2019 would decrease by ZMW 322,387, 2018: ZMW (40,833) as a result of changes in fair value of available for sale shares. The Institutes sensitivity to equity prices has not changed significantly from the prior year.

25.15 Fair value measurement hierarchy for assets as at 31 December 2019

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.

Notes to the financial statements

	2019	2018
	ZMW	ZMW

25 Risk management (continued)

31 December 2019	Level 1	Level 2	Level 3	Total
	ZMW	ZMW	ZMW	ZMW
Equity investment	722,212	-	-	722,212
Investment property under development	-	23,628,184	-	23,628,184
Property plant and equipment	-	17,052,081	-	17,052,081
Right of use asset	-	43,620,946	-	43,620,946
	722,212	**84,301,211**	-	**85,023,423**

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
Property plant and equipment		34,074,761		34,074,761
	1,044,599	**54,624,816**	-	**55,669,415**

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.

The fair value of the Institute's properties are categorised into the level 2 of the fair value hierarchy.

25.16 Set out below is a comparison, by class, of the carrying amounts and fair values of the Institute financial instruments, other than those with carrying amounts that are reasonable approximations of values:

	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
	ZMW	ZMW	ZMW	ZMW
Equity investment	722,212	722,212	1,044,599	1,044,599
Staff loans and advances	753,479	753,479	634,440	634,440
Other receivables	729,811	729,811	740,144	740,144
Investment and securities	1,140,078	1,140,078	2,570,573	2,570,573
Cash and cash equivalents	2,798,795	2,798,795	2,000,274	2,000,274
Total	**6,144,375**	**6,144,375**	**6,990,030**	**6,990,030**

26. Capital commitments

The capital commitments approved by the Council as at 31 December 2019 were ZMW 1,400,000 (2018: ZMW 425,000). 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.

Notes to the financial statements

	2019	2018
	ZMW	ZMW

27. Contingent liabilities

There were no contingent liabilities as at 31 December 2019 (2018: Nil).

28. Events after the reporting period

Impact of Covid-19

Since December 2019, the spread of COVID-19 has negatively impacted operations of many companies. Some measures taken to stem the spread of the virus have been instituted by the relevant authorities and include among others, the closure of schools, entertainment spots, restaurants, travel bans, quarantines, social distancing which have resulted in a general economic downturn.

The Institute undertook a review of its operations and concluded that the COVID-19 effects are non –adjusting events and consequently the financial statements which comprise the financial position as at 31 December 2019, 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, have not been adjusted to reflect their impact.

The Institute's major sources of income include subscriptions from members and students, Registration fees, Examination and Exemptions, Seminars and Workshops and sale of study manuals.

In line with the Accountants Act, it is a legal requirement for accountants working and practicing in the country to register with the Institute. The Institute has in place policies and mechanisms to ensure that accountants working in Zambia do not come in conflict with the law. In view of the Covid-19 pandemic, the Institute has granted waivers of penalties for late payments of subscriptions and examination fees in order to encourage compliance and increase examination entries respectively.

The Institute introduced quarterly examination sittings commencing March 2020. The March examinations were held and the turnout was good. It is anticipated that the remaining three examinations would be held during the year. Consequently, the sale of manuals has continued as the examinations have not been rescheduled.

Since the outbreak of COVID-19, the health authorities have banned gatherings of more than 50 people. Consequently, the Institute will only be able to hold seminars and workshops when the situation returns to normality or under new guidelines from the Ministry of Health (MoH). The workshops contribute an average of 23 % to income. While some workshops were held before the pandemic escalated, some are expected to be held when the situation subsides or when new guidelines are issued by MoH which allow for the holding of gatherings.

In the downside scenario analysis performed, the impact of a total loss of examination and seminars and workshop income was considered. If this was to occur, contractual obligations would be impacted. However, this downside scenario is considered unlikely as the Institute is exploring the possibilities of migrating to digital platforms before the end of the year.

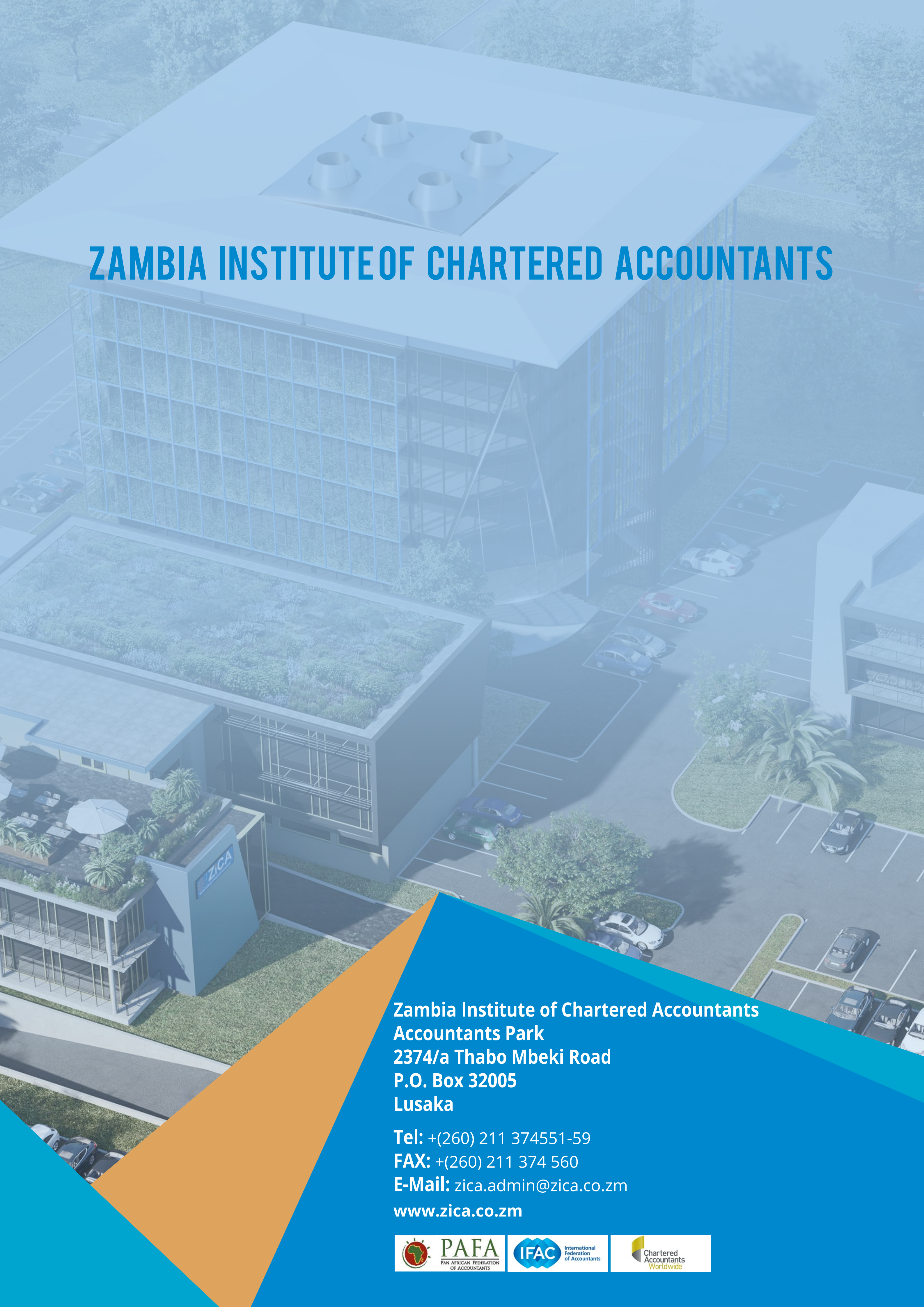
The Institute is exploring the introduction of on-line examinations as part of its resilience plan in response to the disruption brought about by Covid-19. Should the pandemic prolong, the Institute is optimistic of holding on-line examinations before the end of the year. The Institute has converted all its study manuals and revision kits to e-books and the sales of manuals would commence during the 3rd quarter of 2020.

The seminars and workshops, which have been impacted the most by the disruption because of the restriction of gatherings of more than 50 people, have also been migrated on to the digital platforms. Trials conducted so far on e-workshops have been successful and the roll out is expected during the third quarter of 2020.

Detailed expenses

	2019 ZMW	2018 ZMW
Operating expenses		
Advertising and publicity	1,604,202	1,639,588
AGM expenses	1,020,106	550,316
Internal audit fee	69,600	69,600
External audit fee	475,554	448,689
Bank charges	440,661	471,190
Competence exams	40,050	39,879
Council and committee expenses	281,061	266,352
Exchange loss	58,397	-
Donations	9,980	10,000
Electricity and water	159,882	116,266
Examination expenses	2,601,033	2,888,025
Graduation expenses	114,835	88,338
ICT expenses	592,625	799,778
Insurance	1,066,109	1,108,109
Manuals	565,527	635,567
Motor vehicle expenses	864,774	801,590
Office expenses	521,981	293,352
Office rent	-	145,357
Postage	192,274	399,111
Printing and stationery	713,593	790,202
Professional fees	447,547	164,680
Publication costs of Accountant Magazine	384,320	358,872
Rates and taxes	37,029	114,174
Repairs and maintenance	429,183	402,625
Security expenses	171,150	145,812
Seminars and workshops	6,285,853	5,812,559
Subscription	737,933	445,350
Telephone	239,299	265,988
Travel - local	591,731	371,300
Travel - foreign	1,001,655	782,822
Travel - foreign - IFAC meetings	156,094	335,916
	3,455	-
	21,877,493	**20,761,407**
Depreciation, amortisation and impairment		
Amortisation of development costs	2,615,234	2,052,233
Depreciation of assets	1,384,385	1,419,772
Depreciation of right of use assets	427,289	148,559
	4,426,908	**3,620,564**
Employee benefits expense		
Gratuity	2,771,016	2,799,858
Salaries	14,131,040	12,963,015
Staff training and development	159,145	329,227
Staff welfare	528,729	484,432
	17,589,930	**16,576,532**
Finance cost	459,664	83,576
Expected credit losses	18,954	(10 735)
	44,372,949	**41 031 344**

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



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