

REPUBLIC OF ZAMBIA

FINANCIAL INTELLIGENCE CENTRE

(ESTABLISHED UNDER THE FINANCIAL INTELLIGENCE CENTRE ACT NO. 46 OF 2010 (as Amended))

ANNUAL REPORT

FOR THE YEAR 2016

Financial Intelligence Centre
Tel: +260 211 220252
P.O Box 30481
Web: <http://www.fic.gov.zm>

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Acronyms

| | |
|------------------|--|
| ACC | Anti-Corruption Commission |
| AG | Auditor General |
| AML | Anti Money Laundering |
| BOZ | Bank of Zambia |
| CFT | Combating the Financing of Terrorism |
| CTR _s | Currency Transaction Reports |
| DNFBPs | Designated Non-Financial Businesses and Professions |
| DPP | Director of Public Prosecutions |
| FATF | Financial Action Task Force |
| FIC | Financial Intelligence Centre of Zambia |
| FIUs | Financial Intelligence Units |
| The Act | Financial Intelligence Centre Act No. 46 of 2010 (as amended by Act No. 4 of 2016) |
| FIs | Financial Institutions |
| LEA | Law Enforcement Agency |
| RE | Reporting Entity |
| SA | Supervisory Authorities |
| STR | Suspicious Transaction Report |
| ESAAMLG | Eastern and Southern Africa Anti Money Laundering Group |

1.0 ESTABLISHMENT AND MANDATE OF THE FINANCIAL INTELLIGENCE CENTRE

1.1 Establishment of the Centre

The Financial Intelligence Centre (‘the Centre’) is a body corporate established under the *Financial Intelligence Centre Act No 46 of 2010 (as amended by Act No. 4 of 2016)*. It is an independent and autonomous government institution.

1.2 Functions of the Centre

- i. Receive, request and analyse and evaluate suspicious transaction reports and information from other source authorized under any written law to make a suspicious transaction report including a foreign designated authority to determine whether there are reasonable grounds to disseminate reports to Law Enforcement Agencies (LEAs) and foreign competent authorities for investigations.
- ii. Disseminate information to the LEAs where there are reasonable grounds to suspect money laundering or financing of terrorism or proliferation.
- iii. Provide information relating to suspicious transactions to any foreign designated authority subject to any conditions as may be determine by the Director General.
- iv. Provide information, advice and instance to LEAs in furtherance of an investigation.
- v. Educate reporting entities and the public of their obligations and inform them of measures to detect, prevent, and deter money laundering and terrorist financing and other financial crimes.
- vi. Provide information to investigating authorities, supervisory bodies, law enforcement agencies and any other competent authorities to facilitate law enforcement for prevention of money laundering and financing of terrorism or proliferation activities.
- vii. Ensure compliance with the FIC Act and regulations, directives, determinations, notices and circulars issued by the Financial Intelligence Centre or Supervisory authorities.
- viii. Facilitate effective supervision and enforcement of the FIC Act by supervisory authorities
- ix. Supervise and enforce compliance with the FIC Act or any directive made in terms of the FIC Act by reporting entities that:
 - a. are not regulated or supervised by a supervisory authority in terms of the FIC Act or any other law or;

- b. are regulated or supervised by a supervisory authority in terms of the FIC Act or any other law, if that supervisory authority fails or neglects to enforce compliance

2.0 VISION, MISSION AND OBJECTIVES

The Centre developed a Strategic Plan which was approved for implementation for a period of three (3) years from 2014 to 2016. The 2014 to 2016 mainly focused on the operationalisation of the Centre. During the period under review, the Centre developed a new strategic plan for the period 2017-2019 whose focus is to make the Centre more effective in executing its mandate. To this effect, the Centre revised its Vision, Mission and the strategic objectives. Below we present the same:

VISION STATEMENT

A Zambia with a stable financial system free from financial crimes

MISSION STATEMENT

A sole statutory agency dedicated to providing timely, high quality, impartial and actionable financial intelligence to law enforcement agencies and foreign designated authorities in order to eliminate financial crimes in Zambia

STRATEGIC OBJECTIVES

| | | | | |
|---|--|---|--|--|
| Focus resources on high risk sectors to increase compliance by 10% by 2019 | 5% of disseminated reports leading to convictions and/or recovery of proceeds of crime by LEAs by 2019 | To increase the culture of compliance in the operations of the Centre by 2019 | To Increase effectiveness and efficiency in the FIC operations by 2019 | To increase the capacity of Financial Institutions and Designated Non-Financial Businesses and Professions to detect and prevent ML/TF and other financial crimes by 10% by 2019 |
| CORE VALUES | | | | |
| "I THE CIA" | | | | |
| Integrity, Transparency, Honesty, Excellence, Confidentiality, Impartiality, Accountability, | | | | |

3.0 GOVERNANCE

The operations of the Centre are governed by a board of directors whose functions are provided for in the Act. During the year under review, the Board of the Financial Intelligence Centre (the Centre) comprised the following.

3.1 Board of Directors



John M. Kasanga
Acting Board Chairperson

Mr. Kasanga has over 16 years of consulting work related to agriculture sector, private sector development, project evaluation and institutional capacity building. He is currently the Management Consultant for Independent Management Consulting Services Limited (IMCS). He is a member of a number of professional bodies and associations which include:

- Zambia Association of Arbitrators, and Chartered Institute of Arbitrators - UK
- Economics Association of Zambia
- Lusaka Chamber of Commerce and Industry
- Institute of Directors of Zambia

He also serves as Board Member on a number of other companies and organizations.



Samuel Mulafulafu
Board Member

Samuel Mulafulafu has a wealth of over 24 years of experience in programming & planning; institutional development and governance. He is currently the Executive Director of Caritas Zambia. He is also a Board Member of the other organizations such as, the Inaugural Legal Aid Board, Zambia Electoral Reform Technical Committee, Electoral Commission of Zambia, National Conflict Management Committee



Daniel M. Katongo

Chairman – Audit & Risk Committee

Currently the Managing Consultant and Partner Reeds Business Solutions. Mr Katongo comes in with over 10 years of audit; risk management, internal audit, auditing, corporate services, taxation, consulting and taxation experience. He also sits on the following Boards

- Knight Frank International
- Representative Member – Barclays Bank Staff Pension Trust Fund
- Rural Electrification Authority Audit Committee Board member
- Financial Intelligence Centre Audit and Risk Committee
- Lusaka Conference of the SDA Church
- Audit Committee member – Lusaka Conference of the SDA Church
- Financial Intelligence Centre



Rhoda Mwiinga

Chairperson – Finance & Administration

She is the Managing Partner at RM Mwiiga and Associates. Ms Mwiinga has over 30 years' experience in Audit and assurance, Accounting systems development, Technical advice on compliance to government instruments, Restructuring accounting systems and organizational structure for Civil Society organizations, Forensic audit, taxation advisor on individual and corporate taxes.

She also serves on the following Boards:

- Premium Medical Services Limited/chairperson audit and finance committee
- Zambia State General Insurance Limited- Audit committee member

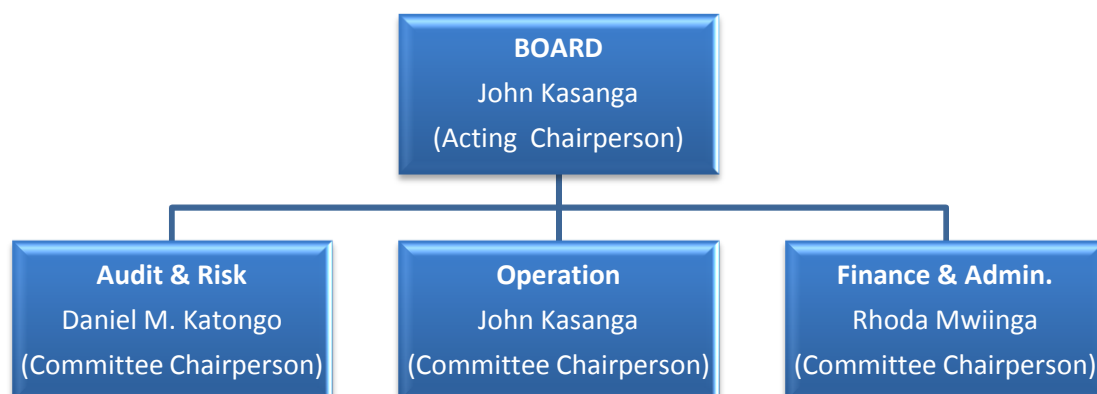


Mary Chirwa

Board Secretary/Director General

The Director General for the Centre is Ms. Mary Chirwa.. She has over 15 years of experience in the Financial Analysis and Investigations and Intelligence Gathering. She further holds an Advanced Certification as a Certified Anti Money Laundering Specialist-Financial Crimes Investigations. Prior to joining the Financial Intelligence Centre she was the Head of the Anti-Money Laundering Unit (AMLIU) under the Drug Enforcement Commission. At the regional level, she serves as the Chairperson of the Typologies Working Group of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)

The Board discharges its mandate through three committees which promotes the overall effectiveness of corporate governance and provides policy direction and oversight to the core functions of the Centre as illustrated below:



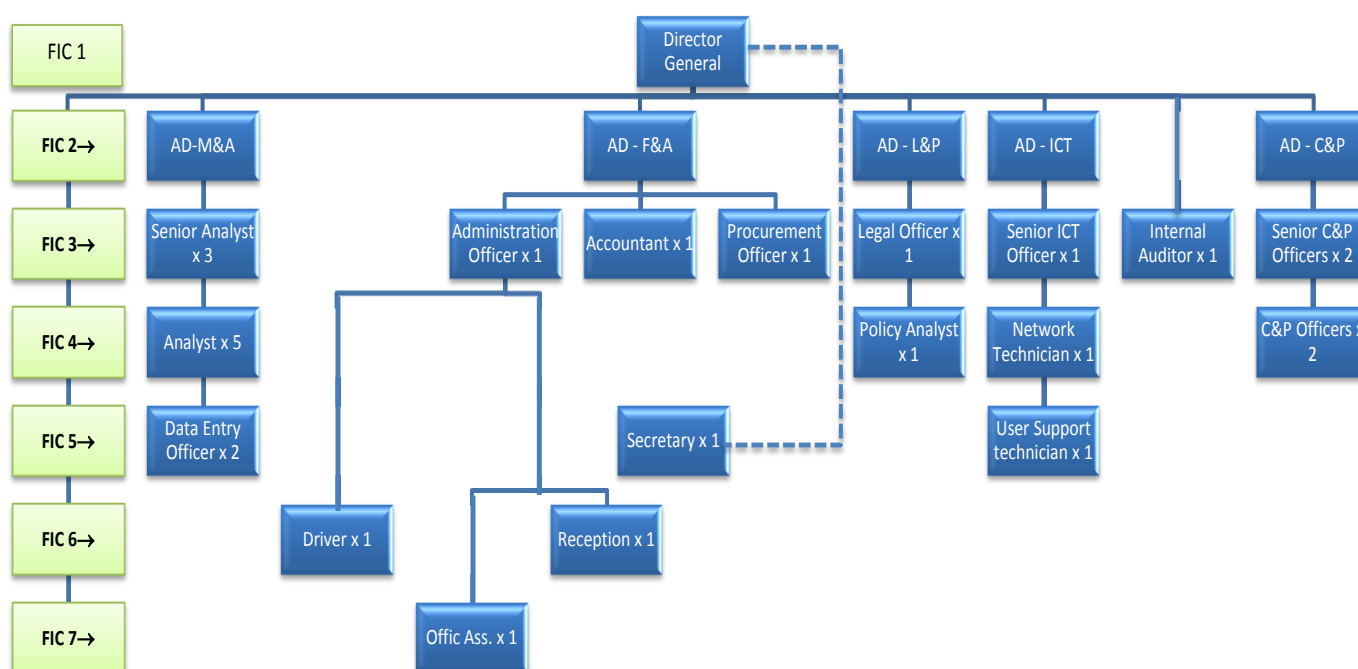
3.2 Organisation and Staff

The Director General is appointed by the Board subject to the Minister's approval. The Director General takes an oath or affirmation before the Chief Justice on appointment. The Management of the Centre was as follows:

- (i) Ms. Mary Chirwa – Director General
- (ii) Mr. Clement Kapalu – Assistant Director-Monitoring and Analysis
- (iii) Mr. Alinani Simutanda – Assistant Director-Information Technology
- (iv) Mrs. Liya Banda Tembo – Assistant Director – Legal & Policy
- (v) Mr. Victor Zimba – Assistant Director – Finance and Administration

During the period under consideration, the Centre had twenty (20) members of staff out of the approved structure of thirty three (33) staff. Below is the organogram:

ORGANIZATION CHART



4.0 CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it is my honour and privilege to present the 7th Annual Report of the Financial Intelligence Centre (the FIC) for the year ended 2016. The report highlights the successes and key challenges faced by the FIC during the period under review.

The Board of the FIC was reconstituted in January 2016, further strengthening its oversight capabilities. Internal operating policies and procedures have also been further strengthened, enabling the Centre to improve financial accountability and reporting. During the year, FIC implemented a number of initiatives aimed at enhancing compliance of reporting entities in support of Zambia's Anti-money Laundering and Countering the Financing of Terrorism (AML/CFT) efforts. This included automation of systems for the reporting of suspicious financial transactions and establishment of on-line interfaces with other statutory agencies, such as the Patents and Company Registration Agency (PACRA).

Despite operating with limited staff establishments the FIC increased its analysis and dissemination of Suspicious Transaction Reports (STRs). It also conducted a broader range of stakeholder awareness's programmes on AML/CFT that in turn, contributed to increased compliance and cooperation of reporting entities. During the period under review, the FIC Act No. 46 of 2010 was also amended. This was intended to ensure that the FIC not only conformed to international best practice standards but could act as "supervisor of last resort" for those economic sectors that are not under clearly structured regulatory supervision.

A major challenge that the FIC continued to face however, were the increasing levels of financial crimes. If Zambia is to achieve better results in its AML/CFT efforts, greater attention will need to be accorded to the disseminations provided by the FIC. Our belief as the FIC is that Zambia is capable of preventing and combating financial crimes if the general public, private and government institutions worked more closely together.

The above are not exhaustive but intended to highlight some of the developments that occurred during the year under review. More importantly, I am happy to report that the FIC has increasingly become a more efficient and effective national institution for fighting financial crimes.

The achievements made during the new year under review of the FIC could not have been possible without the dedication of our staff and support of the Government. The FIC also benefited tremendously from the support of both local and international AML/CFT partners.

On behalf of the Board of Directors, and staff of the FIC, I wish to thank the Government of the Republic of Zambia and all our partners for the support extended during the year and look forward to further strengthening these relationships.



John Kasanga
Acting Chairman of the Board

5.0 DIRECTOR GENERAL'S STATEMENT

I am proud to report on the work of the Financial Intelligence Centre carried out in 2016 to help protect Zambians and the integrity of Zambia's financial system.

The FIC contributes to the overall protection and integrity of the financial system which in turn anchors the country's economic stability. Through its work, the Centre has helped to strengthen the financial system as well as to identify proceeds of crime and combat money laundering and terrorist financing.

Being a Centre of financial intelligence, the FIC has the ability to establish links between individuals, groups and syndicates both locally and abroad who engage in ML and TF as well as the capacity to trace proceeds of crime.

Building on the achievements of 2015, the FIC continued to collaborate with local and foreign counterparts and stakeholders. Our financial intelligence has become increasingly valued by our partners.

The Centre has worked hard to increase compliance with the FIC Act through its Compliance and Prevention department by embarking on a robust awareness program.

The Centre through its AML/CFT awareness programs targeted both government and private sector to ensure they complied with the requirements of the FIC Act. This was achieved through the formulation and issuance of guidance notes as well as provision of compliance training. Compliance brings greater accountability, transparency and stability in the financial system.

In this reporting period, the FIC continued to undertake tactical, operational and strategic analysis on suspicious transaction reports (STRs) and spontaneous disclosure reports (SDRs) received. A total of 719 STRs and SDRs were received by the Centre from various institutions mandated to submit reports. There was a 6% decline in the number of reports received, compared to the previous year, which recorded 767 reports. A total of 114 intelligence reports were disseminated to local LEAs and Financial Intelligence Units in foreign jurisdictions.

The results of the analysis enabled the Centre to identify the prevalent predicate offences, as well as the trends and money laundering methods used by individuals and corporate entities in the period under review. As in previous years, the majority of cases (46%) were disseminated on the grounds of tax evasion. Cases relating to money laundering consisted of 26% of the disseminations. Although the number of reports received on the grounds of suspected corruption only represented 6% of the total number of reports received in 2016, the value of transactions in relation to corruption was significantly high, and accounted for 76% of the total value of cases analysed.

In the period under review, major developments in the legal framework included the amendment of the FIC Act to include administrative sanctions and the role of the FIC as supervisor of last resort on reporting entities. In addition, it introduced inspection powers for the Centre on AML/CFT matters in reporting entities. Further, the issuance of the Financial Intelligence Centre (Prescribed Thresholds), Regulations, 2016 made it mandatory for reporting entities to report to the FIC any currency transactions of an amount equal to or above US\$10,000. Currency Transaction Reports (CTRs) will serve as an important source of information in the Centre's tactical and strategic analysis.

To enhance cooperation, the Centre signed a number of Memoranda of Understanding (MOUs) with various stakeholders both local and international. These mechanisms assisted the Centre to obtain additional financial intelligence information used to analyse STRs and other disclosures submitted to the Centre.

In recognition of the critical role within the AML/CFT framework for detection of criminal activities, during the year, the FIC intensified its effort to provide support to local and foreign competent authorities through focused training, increased dissemination of intelligence and participation in Anti-Money Laundering Authority (AMLA) and AML/CFT National Task Force of Senior Officials meetings. As the AML/CFT National Task Force of Senior Officials Secretariat, the FIC successfully organised and coordinated all activities related to the AML/CFT National Task Force as well as those pertaining to the regional and international fora.

During the period under review, the FIC as a lead Agency in conducting the ML/TF National Risk Assessment (NRA) coordinated all the activities associated with the NRA. The ML/TF NRA which commenced in October 2015 was completed on 22nd November, 2016 following the adoption of the Report by the NRA Working Groups and AMLA on 5th January, 2017.

The notable successes highlighted above were achieved through the cooperation and coordination efforts with all our stakeholders and support from the Board of Directors and the Government of the Republic of Zambia.

Nevertheless, the Centre continues to face some challenges such as slow actioning of our reports by LEAs, limited financial and human resources. This has continued to pose a challenge on the execution of the mandate. Following the amendment of the FIC Act, additional responsibilities have been added and looking into the year 2017, Government need to provide the FIC with sufficient resources to ensure that the FIC undertakes its functions adequately and effectively. The Centre further faces a challenge with office space.

2017 OUTLOOK

The Centre will endeavour to enhance its strategies in intelligence gathering as it is the backbone of its core activity. Following the issuance of the FIC (Prescribed thresholds) regulations, 2016, ICT infrastructure development is another critical priority for the Centre to enable the receipt of cash transaction reports (CTRs). The Centre will further use the risk based supervision of reporting entities such as DNFBPs. The Centre will further embark on a review of organisation structure to enhance its performance and increase its strategic position through its participation in regional and international foras.

Finally, I wish to thank the Board of Directors for their valuable and insightful guidance in the year under consideration and salute my staff for their continued commitment and diligence and hard work.

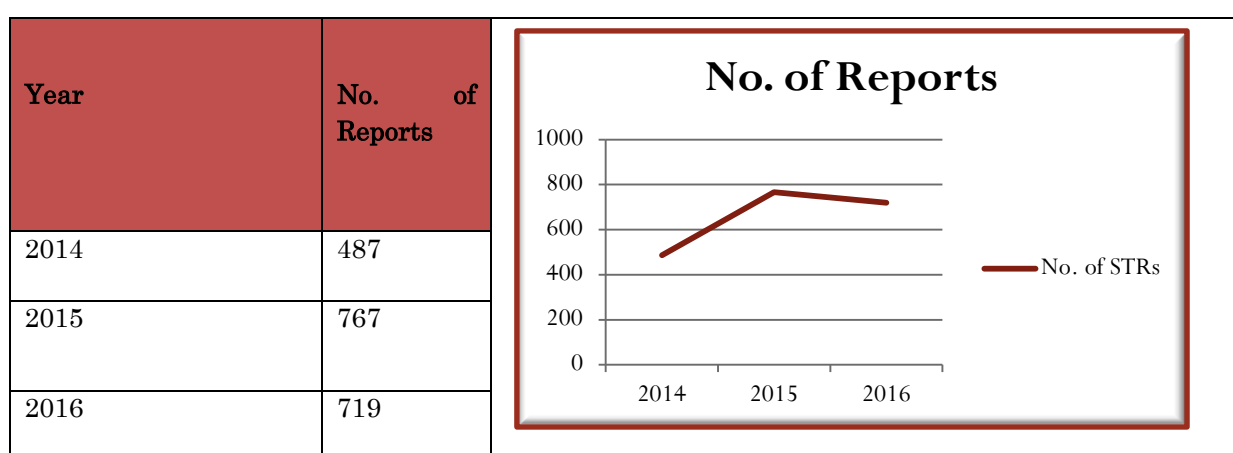


Mary Chirwa (Ms)
Director General

6.0 PERFORMANCE REVIEW OF 2016**6.1 Monitoring & Analysis**

In 2016, a total of 719 suspicious transaction and spontaneous disclosure reports were received by the Centre from various institutions mandated to submit reports. There was a 6% decline in the number of reports received, compared to the previous year, which recorded 767 reports. As observed in previous years, nearly all the STRs received in 2016 originated from the banking sector (92%). There were 661 suspicious transaction reports, while 58 were spontaneous disclosure reports. The number of reports received over the last three years is shown in the chart below.

STRs & SDRs received in the period 2014 – 2016



The table below shows the number of STRs and range of values associated with the STRs for the period under review:

| Value of STR | <K100,000 | K100,000 - K499,999 | K500,000 - K999,999 | K1,000,000 - K4,999,999 | K5,000,000 - K9,999,999 | ≥K10,000,000 |
|--------------|-----------|---------------------|---------------------|-------------------------|-------------------------|--------------|
| Number | 147 | 232 | 94 | 134 | 20 | 16 |
| Percentage | 23 | 36 | 15 | 21 | 3 | 2 |

Figure 4: STRs by transaction value

During the period under review the Centre disseminated 102 intelligence reports to local and foreign competent authorities for investigation. The table below outline the number of reports disseminated to competent authorities:

Table

| Law Enforcement Agencies | No. of Disseminations | Type of violations | Feedback from Competent Authorities |
|-------------------------------------|------------------------------|--|---|
| Zambia Police | 3 | Penal code | <ul style="list-style-type: none"> One case progressed to court 2 cases under investigation |
| Zambia Revenue Authority | 46 | Possible violations under the customs Act, VAT Act and the Income Tax Act. | <ul style="list-style-type: none"> An assessment of ZMW 102 Million made An amount of ZMW 11 Million collected Other cases under investigation |
| Anti-Corruption Commission | 8 | Anti-Corruption Act and Forfeiture and Proceeds of Crime Act | <ul style="list-style-type: none"> Under investigation |
| Department of Immigration | 7 | Possible violations under the Immigration and Deportation Act | <ul style="list-style-type: none"> No feedback |
| Drug Enforcement Commission – AMLIU | 28 | Possible violations under the Prohibition and Prevention of Money Laundering Act | <ul style="list-style-type: none"> Under Investigation |
| Office of the President | 2 | Possible violations under the Anti-Corruption Act | <ul style="list-style-type: none"> Under investigation |
| Foreign FIUs | 6 | Unsolicited financing proposals | <ul style="list-style-type: none"> No feedback |
| Totals | 102 | | |

As can be noted from the table above, most of the cases are under investigations. However, some cases relating to suspected tax evasion have been concluded by the Zambia Revenue Authority. In this regard assessments worth ZMW 102 million were made as at 31st December, 2016.

6.2 Money Laundering Trends-2016

Below is a catalogue of trends most observed in 2016.

- Private individuals using Politically Exposed Persons continue to obtain government contracts. Proceeds from the contracts are invested mainly in real estate. Further, those were made to the re-invoicing centres in Mauritius and Dubai.
- Assets being bought using suspected proceeds of crime held by proxies. There is need, using the Proceeds of Crime Act to prosecute the proxies in order to get to the beneficial owners.
- Illicit financial flows in the mining sectors using contractors

- iv. Apparent use of personal account for business purposes. Financial activity on the account not matching stated occupation.
- v. In the procurement of oil, the country dealt with sanctioned entities, individuals or their associates. In one instance payment for supplies was blocked by the United States Government.
- vi. The use of law firms to disguise beneficial owners has continued.
- vii. False invoices created for services not rendered
- viii. Combining proceeds of crime with legitimate business takings.

6.3 Compliance and Prevention

During the period under consideration, the focus of the AML/CFT awareness programmes was to enhance reporting entities' understanding on the requirements of the Act. In this regard the Centre conducted AML/CFT awareness programmes with one hundred and twelve (112) reporting entities largely in the financial sector. The sub-sectors included the banking, insurance, securities and Designated Non-Financial Businesses and Professions (DNFBPs). Most of the reporting entities have since developed AML/CFT compliance programmes as required by the FIC Act.

During the period under review, the National Risk Assessment (NRA) of Money Laundering/ Terrorist Financing was finalized. The Centre was designated as a lead Agency to coordinate the process. In January 2017 the Anti-Money Laundering Authority (AMLA) adopted the NRA report and recommended it for approval by Cabinet.

6.4 Legal and Policy

In the period under review, major developments in the legal framework included the amendment of the FIC Act to include administrative sanctions and the role of the FIC as supervisor of last resort on reporting entities. In addition, it introduced inspection powers for the Centre on AML/CFT matters in reporting entities. Further, the issuance of the Financial Intelligence Centre (Prescribed Thresholds), Regulations, 2016 made it mandatory for reporting entities to report to the FIC any currency transactions of an amount equal to or above US\$10,000. Currency Transaction Reports (CTRs) will serve as an important source of information in the Centre's tactical and strategic analysis.

6.5 Information Communication Technology

The Centre has continued to invest in information communication technologies to support the core mandate. In this regard, the Centre achieved electronic connectivity with some supervisory authorities in order to facility the electronic exchange of information. Further, during the period under review the Centre successfully enrolled all insurance companies on an electronic portal to facilitate the electronic submission of suspicious transaction reports.

6.6 Finance and Administration

The Government of the Republic of Zambia has continued to fund the operations of the Centre. During the period under review the Government disbursed an amount of K15.2 million.

The Centre is committed to ensuring that its members of staff have the necessary competences to execute its mandate. In this regard, capacity building programmes were undertaken in typologies, monitoring, analysis, terrorist financing and information technology.

6.7 International Cooperation

The Centre interacts with international stakeholders in the execution of its mandate. Among its key international stakeholders are the Financial Action Task Force, Egmont Group of FIUs, Eastern and Southern Africa Anti-Money Laundering Group and foreign FIUs.

One of the critical success factors for the Centre is the exchange of information with other FIUs. To facilitate the exchange of information there is an international requirement for an FIU to be a member of the Egmont Group of FIUs. The Centre has applied for membership and during the period under review an assessment was done to determine eligibility for membership. It is anticipated that the Centre will be admitted to this venerated group of FIUs in 2018.

7.0 CHALLENGES

During the period under review, the Centre faced operational challenges as outlined below:

- i) Insufficient funding to fully execute planned programme;
- ii) Insufficient human resource;
- iii) Inadequate cooperation and coordination with local LEAs;
- iv) Inadequate Office Space.

8.0 OUTLOOK

Following the amendment of the FIC Act in the period under review, the Centre has additional responsibilities such as conducting AML/CFT inspections. Further, the amendment Act has designated the Centre as supervisor of last resort for entities that are not/or insufficiently supervised. Commencing 2017, the Centre shall be inspecting reporting entities for compliance with the Act. The Centre will use the risk based approach to the supervision of reporting entities such as the DNFPBs.

In the period under review Statutory Instrument No. 52 of 2016 was issued. The S.I requires reporting entities to submit currency transaction reports of amounts equal to/or

above US\$10,000 to the Centre. The Centre expects the number of reports submitted to significantly increase. As a result ICT infrastructure development is another critical priority for the Centre to enable receipt and processing of all the transactions.

The additional responsibilities of inspections and requirements for reporting shall necessitate an increase in the human resource and changes to the organisational structure. Further, the Centre will require additional floor space for staff.

During 2017 the Centre will commence the review of the Act in order to align it with international standards and as well as to enhance enforcement capacity.

9.0 Appendix ii: Audited 2016 Financial Statements

FINANCIAL INTELLIGENCE CENTRE

*(ESTABLISHED UNDER THE FINANCIAL INTELLIGENCE CENTRE
ACT NO. 46 OF 2010) (AS AMENDED)*

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2016

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submits its report together with the financial statements of the Financial Intelligence Centre for the year ended 31st December 2016.

1. Establishment and Functions

The Financial Intelligence Centre is a body corporate established under the *Financial Intelligence Centre Act No 46 of 2010 (As amended)*. The Centre is charged with the responsibility of receiving, analysing and disseminating suspicious transaction reports. The Centre became operational in 2013 with the recruitment of the Director and other management staff in the last quarter of 2013.

2. Principal Activity

The principal activity of the Centre is to be the sole designated agency responsible for the receipt, requesting, analysing and disseminating of the disclosure of suspicious transaction reports. Its principal location is at number 50L Kudu Road, Kabulonga, Lusaka.

3. Activities and Services

The functions of the Centre are to:

- (a). Receive, request and analyse suspicious transaction reports required to be made under this Act or any other written law, including information from any foreign designated authority;
- (b). Analyse and evaluate suspicious transaction reports and information so as to determine whether there is sufficient basis to transmit reports for investigation by the law enforcement agencies or a foreign designated authority;
- (c). Disseminate information to law enforcement agencies, where there are reasonable grounds to suspect money laundering or financing of terrorism;
- (d). Provide information relating to suspicious transactions in accordance with this Act to any foreign designated authority, subject to such conditions as the Director may determine;
- (e). Provide information, advice and assistance to law enforcement agencies in furtherance of an investigation;
- (f). Enter into any agreement or arrangement, in writing, with a foreign designated authority which the Board considers necessary or desirable for the discharge or performance of its functions;
- (g). Conduct inquiries on behalf of foreign designated authorities and notify them of the outcome;
- (h). Inform the public and reporting entities of their obligations and measures that have been or might be taken to detect, prevent and deter money laundering and financing of terrorism;
- (i). Access directly or indirectly, on a timely basis financial, administrative or law enforcement information, required for the better carrying out of its functions under this act; and
- (j). Perform such other functions as are necessary to give effect to this Act.

4. Capital and Resources

(a). Capital

The Centre has no subscription capital; its capital resources comprise accumulated funds and unamortised deferred credits relating to capital and deferred revenue grants.

(b). Resources

The Centre is a grant aided body, fully funded by the Government of the Republic Of Zambia. In addition to Government funding, the Act permits the Centre to seek funding from donors and other multilateral institutions.

5. Financial and Operational Highlights

(a) Operating Results

The operating deficit for the year amounted to **K0.911million** (2015 (Restated): K0.489million).

(b) Income

Total incoming resources for the year amounted to **K20.000million** (2015: K17.542million). The main income for the year was revenue grants received from GRZ of **K15.220million** (2015: K14.870million).

(c) Expenditure

Expenditure totalled **K20.912million** (2015 (Restated) K18.031million). The main operating costs were costs of personnel **K10.102million** (2015: K8.905million) and recurrent expenditures **K8.180million** (2015 Restated: K6.973million).

(d) Capital Expenditure

Capital expenditure amounted to **K0.788million** (2015: K2.288million).

6. Risk Factors

(a) Operational Risk

Operational risk is the risk of losses from inadequate or failed internal processes and systems, caused by human error or external events. It has a broad scope and includes *transaction authorisation and processing; completeness of income recording; payments processing and the management of information, data quality and records*. The following are the main risks noted under this classification:

- (i). ***Financial Crime Risk*** - Financial crime risk is the risk that the Centre suffers losses as a result of internal and external fraud or intentional damage, loss or harm to people, premises or its moveable assets. The risk in FIC is directly attributable to its *people risk* and *remote site location risks*.

- (ii). **Technology Risk** - Technology is a key business enabler in FIC and requires an appropriate level of control to ensure that the most significant technology risks are effectively managed.
- (iii). **People Risk** - People risk arises from failures of the Centre to manage its key risks as an employer, including lack of appropriate people resource, failure to manage performance and reward, unauthorised or inappropriate employee activity and failure to comply with employment related requirements.

(b) Legal Risk

The FIC is subject to a comprehensive range of legal obligations, mostly covered by the *Financial Intelligence Centre Act No. 46 of 2010 (As amended)*. As a result, it is exposed to many forms of legal risk, which may arise in a number of ways: its business may not be conducted in accordance with requirements of the *Act*; contractual obligations may either not be enforceable as intended or may be enforced against the Centre in an adverse way; the Centre may face risk where legal proceedings are brought against it, in the course of carrying out its mandate, etc. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered, even if the Centre is successful. However, the likely legal risk for the centre's activities is likely freezing order of accounts. At the year end, the Centre was involved in one pending litigation, whose outcome could not be determined. Based on representations from the Centre's legal counsel, no contingent liabilities have been identified for disclosure.

(c) Reporting Risk

- (i). **Financial Reporting Risk** - Financial reporting risk arises from a failure or inability to comply fully with regulations or codes in relation to the preparation, presentation or disclosure of financial information. Non-compliance could lead to damage to reputation or, in extreme cases, withdrawal of external funding.
- (ii). **Accounting Risks** - The Centre's future performance and results could be materially different from expected results depending on the outcome of certain potential risks and uncertainties, details of which are discussed above. The reported results of the Centre are also sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. Details of its critical accounting policies and key sources of accounting judgments are included on pages 15 to 21.
- (iii). **Financial Risks** - FIC through its normal operations is exposed to a number of risks on its financial instruments, the most significant of which are *credit and liquidity. Market (currency and interest) risks* are generally low. The two main risks on its financial instruments are generally deemed to be within manageable limits. The Centre's financial risk exposures are discussed on pages 25 to 27 in Note 10 to the financial statements.

7. Risk Management and Control

As explained on Statement 6 above, the Centre through its normal operations is exposed to a number of risks, the most significant of which are *operational*, *legal* and *financial risks*. The Board is responsible for establishing and ensuring maintenance of adequate internal controls over financial reporting. However, all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

8. The Board

(a) Composition

- (i) The operations of the Centre are governed by a board of directors. The membership of this Board is as provided in *Section 7 of the FIC Act*.
- (ii) The Board works through its committees, the Finance & Administration, Operations Committee and the Audit & Risk Committee, which promote the overall effectiveness of corporate governance and provide policy direction and oversight to the core functions of the Centre.

(b) Members

The Financial Intelligence Centre is administered by the Board of Directors appointed by the Republican President. The Board consists of a Chairperson and four other members. To be appointed as a member of the Board, a person should not have less than 10 years of experience in a field connected with financial analysis, law, accounting, forensic auditing, financial investigation or law enforcement.

The overall function of the Board is to provide an oversight policy direction regarding the operations of the Centre.

9. Executive Management

| | | |
|-----------------------|---|---|
| Ms. Mary Chirwa | - | Director General |
| Mr. Clement Kapalu | - | Assistant Director Monitoring and Analysis |
| Mr. Alinani Simutanda | - | Assistant Director Information Communications |
| Ms. Liya Banda Tembo | - | Assistant Director Legal & Policy |
| Mr. Victor Zimba | - | Assistant Director Finance |
| Ms. Bless Nzemba | - | Accountant |

10. Related Party Transactions

The Centre has a common enterprise relationship with Government of the Republic of Zambia (“GRZ”) and its departments. Other related party relationships and material balances that the Centre has with its related parties are listed in Note 11 to the financial statements.

11. Post Balance Sheet Events

There have been no significant events between the year-end and the date of approval of these financial statements.

12. Auditors

EMM Corporate Partners

Signed By:



Board Secretary

30/3/17

Date

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Auditors' report on page 7, is made with a view to distinguishing the respective responsibilities of the Board of Directors ("the Board") and of the auditors in relation to the financial statements for the year to 31st December 2016.

Statement of Responsibility for Financial Statements

In conformity with the *Financial Intelligence Centre Act No. 46 of 2010 (As amended)* and *International Financial Reporting Standards ("IFRSs")*, the Board is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Centre and of the operating result for that year. *IFRSs* provide, in relation to such accounts, that references to accounts giving a true and fair view are references to fair presentation. The Board considers that, in preparing the financial statements on pages 11 to 14, and the additional information contained on pages 15 to 30, the Centre has used appropriate accounting policies, supported by reasonable judgements and estimates, and all accounting standards which it considers to be applicable.

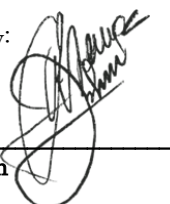
The Board has responsibility for ensuring that the Centre keeps accounting records which disclose with reasonable accuracy the financial position of the Centre and which enable it to ensure that the financial statements comply with generally accepted reporting standards and the *Financial Intelligence Centre Act No. 46 of 2010 (As amended)*. The Board has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Centre and to prevent and detect fraud and other irregularities. The Board accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with *IFRSs* and in line with the *Financial Intelligence Centre Act No. 46 of 2010 (As amended)*. In preparing such financial statements, the Board is required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether the applicable accounting standards have been followed; and comply with *IFRSs*.

In the opinion of the Board:

1. The statement of comprehensive income is drawn up so as to give a true and fair view of the result of the Centre for the year ended 31st December 2016;
2. Based on current records that it holds:
 - (a) The statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Centre as at 31st December 2016; and
 - (b) There are reasonable grounds to believe that the Centre will be able to pay its debts as and when they fall due.

Signed by:

Chairman



Board Secretary



**CPAAI**

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CPA Associates International (CPA AI) is a worldwide Association of accounting and consulting firms with its head office in New York, USA. EMM is a proud CPA Associate of the Europe, Middle East and Africa (EMEA) region of CPA AI.

5868 Kasiya Crescent
Kalundu
P.O. Box 31296
Lusaka
Tel: (260) 211 291 550
Cell: (260) 955 433 710
Fax: (260) 211 291 550
E-mail: emmcs@zamnet.zm

REPORT OF THE INDEPENDENT AUDITORS TO THE MINISTER OF FINANCE

Opinion on Financial Statements

We have audited the financial statements of the Financial Intelligence Centre ('the Centre'), which comprise the statement of financial position as at 31st December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation are *International Financial Reporting Standards ("IFRS")* as issued by the *International Accounting Standards Board ("IASB")*.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Financial Intelligence Centre ('the Centre') as at 31st December 2016, and its financial performance and their cash flows for the year then ended.

Separate Opinion in relation to IFRS as issued by the IASB

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with those charged with governance, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole.

Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

1. Restatement of Prior Years' Financial Statements

During the year errors relating to exchange differences of K0.237million were discovered in the financial statements of the Centre of and for the years ended 31st December 2015. Required adjustments were effected and the related corresponding figures for the statements of financial position as at each of those dates have been restated accordingly, and three statements of financial position presented in these financial statements as per paragraph 39 of International Accounting Standard 1 ("IAS 1.39").

2. Deferred Revenue and Revenue Grant Accounting

Grants are not recognised until there is reasonable assurance that the Centre will comply with the conditions attaching to them and that the grants will be received. Grants are recognised as deferred revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

The amounts reclassified from capital to revenue grants amounting to K1.586million represents revenue expenditure items. These items are part of the ICT budget which was only approved by the previous Board in the second quarter of 2016. The initial funding for the ICT budget was classified as deferred capital grants. After the Board approval, it was then clear which items from the budget were of a revenue expenditure nature and which ones were capital. Our audit procedures also included, among others, testing management's controls related to the classification of and disclosure of grants and confirming that management had determined it was not necessary to make any adjustments to the reported amount to reflect the assumptions that similar entities would use in similar circumstances.

3. Valuation of Intangible Assets

The Centre is a grant aided body, fully funded by the Government of the Republic Of Zambia. In addition to Government funding, the Act permits the Centre to seek funding from donors and other multilateral institutions. In this respect, the Centre was funded by the Norwegian Government with a grant used to purchase Information Technology hardware and software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years). Our audit procedures also included, among others, testing management's controls related to the ownership, valuation and fair presentation of the software. Our audit procedures determined it was not necessary to make any adjustments to the reported amount to reflect the assumptions that similar entities would use in similar circumstances.

4. Inventory

Prior to 2014, all consumables (office stationery and printing materials) had been expended. In 2014, consumables were maintained as inventory and reflected on the statement of financial position at the lower of cost and net realisable value.

During the year, the Centre reverted to the policy of expending Consumables. This resulted in the need to restate the last two comparative positions, both in cost expending and in grant amortisation. Thus, although our year-end audit procedures included physical stock count attendance, testing of cost against net realisable values, and testing of potential impairment of damaged inventories our audit procedures determined it was not necessary to make any adjustments to change in accounting policies reflect the assumptions that similar entities would use in similar circumstances.

Going Concern

The financial statements of the entity have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the entity's financial statements is appropriate. Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the entity. Based on our audit of the financial statements of the entity, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the entity's ability to continue as a going concern.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

3. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
4. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the entity audit. We remain solely responsible for our audit opinion.
7. We are required to communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
8. We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

In carrying out our audit we are required to consider whether the Centre has kept the accounting and other records, and has issued all reports in such form and manner as required by the *Financial Intelligence Centre Act No. 46 of 2010 ("the Act") (As Amended)*. We are also required to confirm compliance with the *Public Financial Regulations Act, 2006*. We confirm that, in our opinion, the Centre has complied with the record-keeping and reporting requirements, so far as appears from our examination of those records and reports.

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


Elasto Mambo
PC/MPC: 000236


EMM CORPORATE PARTNERS
Chartered Accountants and Management Consultants

30/3/17

Date

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF COMPREHENSIVE INCOME

Amounts in Zambian Kwacha

| | Note | 2016 | 2015 |
|--|------|-------------------|-------------------|
| INCOMING RESOURCES | | | |
| Income from Operating Activities | | | |
| Grant Income | 1. | 19,609,464 | 16,714,203 |
| Non-Operating Income | | | |
| Other Income | 2. | 391,167 | 579,304 |
| Change in Estimate on Prior Year Grants | 1. | - | 249,054 |
| Total Incoming Resources | | 20,000,631 | 17,542,561 |
| RESOURCES EXPENDED | | | |
| Amortisation | 4. | 1,051,967 | 810,862 |
| Depreciation | 3. | 1,576,838 | 1,341,607 |
| Employee Costs and Gratuity provision expensed | | 10,102,411 | 8,905,537 |
| Recurrent Expenditure | | 8,180,642 | 6,973,876 |
| | | 20,911,857 | 18,031,882 |
| Net Income | | (911,226) | (489,321) |
| <u>Other Comprehensive Income:</u> | | - | - |
| Total Comprehensive Income | | (911,226) | (489,321) |
| <i>Total net income attributable to:</i> | | | |
| Controlling interests | | (911,226) | (489,321) |
| Non-controlling interests | | - | - |
| | | (911,226) | (489,321) |

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF CHANGES IN FUNDS

Amounts in Zambian Kwacha

| | Income Funds 2016 | Income Funds 2015 |
|----------------------|----------------------------------|----------------------------------|
| At 1 January | <u>8,139,407</u> | <u>8,628,728</u> |
| Comprehensive Income | <u>(911,226)</u> | <u>(489,321)</u> |
| At 31 December | <u><u>7,228,181</u></u> | <u><u>8,139,407</u></u> |

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF CASH FLOWS

Amounts in Zambian Kwacha

| | Notes | 2016 | 2015 |
|---|-------|--------------------|--------------------|
| Cash Inflow From Operating Activities | | | |
| Operating Result | | (911,226) | (489,321) |
| Depreciation and amortisation | 3. 4 | 2,628,805 | 2,152,469 |
| Deferred Revenue Grant Amortisation | | (2,763,090) | (743,218) |
| Capital Grant Amortisation | | (1,626,118) | (1,100,719) |
| Profit on Disposal | | (181,415) | - |
| Change in Estimate on Prior Year Grants | | - | (249,054) |
| Effect of Grant Restatements | | 237,687 | - |
| Transfer to Capital Grants | | - | (322,104) |
| (Decrease)/Increase in Accounts Receivable | | (1,358,821) | (179,437) |
| Increase in Accounts Payables | | 116,438 | 79,899 |
| (Decrease)/Increase in Employee Benefit | | (55,736) | 157,932 |
| Net Cash Inflow From Operating Activities | | (3,913,476) | (693,553) |
| Investing Activities | | | |
| Payments to Acquire Tangible Fixed Assets | 3. | (788,746) | (2,237,614) |
| Payments to Acquire Intangible Fixed Assets | 4. | - | (49,900) |
| Proceeds from Disposals | | 181,415 | - |
| Net Cash Outflow on Investing Activities | | (607,331) | (2,287,514) |
| Financing Activities | | | |
| Capital Grants Repaid | 1 | - | 6,034,153 |
| Transfer to Capital Grants | | 1,586,946 | - |
| Capital Grants Reclassified | 1 | (1,586,946) | - |
| Revenue Grants Received | 1 | - | 2,500,000 |
| Net Cash Outflow on Financing | | - | 8,534,153 |
| Changes in Cash and Cash Equivalents | | (4,520,807) | 5,553,086 |
| Cash and Cash Equivalents at start of year | | 8,694,824 | 3,141,738 |
| Cash and Cash Equivalents at end of year | | 4,174,017 | 8,694,824 |
| Represented By: | | | |
| Bank Balances | 7. | 4,174,017 | 8,694,824 |

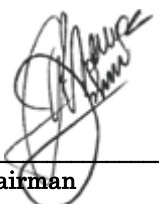
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF FINANCIAL POSITION


Amounts in Zambian Kwacha

| | Notes | 2016 | 2015 <i>Restated</i> | 2014 <i>Restated</i> |
|------------------------------------|-------|-------------------|-------------------------|-------------------------|
| ASSETS | | | | |
| Non-Current Assets | | | | |
| Property, Plant and Equipment | 3. | 7,898,922 | 8,687,015 | 7,791,009 |
| Intangible Assets | 4. | 447,396 | 1,499,362 | 2,260,324 |
| | | 8,346,318 | 10,186,377 | 10,051,333 |
| Current Assets | | | | |
| Accounts Receivables | 6. | 1,774,764 | 415,942 | 236,506 |
| Cash and Cash Equivalents | 7. | 4,174,017 | 8,694,824 | 3,141,736 |
| | | 5,948,781 | 9,110,766 | 3,378,242 |
| Total Assets | | 14,295,099 | 19,297,143 | 13,429,575 |
| FUNDS AND LIABILITIES | | | | |
| Funds | | | | |
| Income Funds | | 7,228,181 | 8,139,407 | 8,628,728 |
| Non-Current Liabilities | | | | |
| Deferred Income | 1. | 818,325 | 1,756,782 | 571,158 |
| Capital Grants | 1. | 4,622,528 | 7,835,592 | 2,902,158 |
| | | 5,440,853 | 9,592,374 | 3,473,316 |
| Current Liabilities | | | | |
| Payables, Accruals & Provisions | 8. | 650,817 | 534,379 | 454,480 |
| Employee Benefits | 9. | 975,246 | 1,030,982 | 873,050 |
| | | 1,626,064 | 1,565,362 | 1,327,530 |
| Total Funds and Liabilities | | 14,294,599 | 19,297,143 | 13,429,575 |

The financial statements on pages 11 to 15 were approved by the following:



 Chairman



 Board Secretary

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of preparation and accounting policies used in preparing the financial statements for the year ended 31st December 2016 are set out below:

1. Basis of Preparation

The financial statements for the year ended 31st December 2016 are prepared on a going concern basis and in accordance with *International Financial Reporting Standards* issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the *International Financial Reporting Interpretations Committee (“IFRIC”)* of the IASB. The financial statements have also been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2. Statement of Compliance

As explained above, the financial statements have been prepared in accordance with *International Financial Reporting Standards* applicable for the reporting period to 31st December 2016.

3. Adoption of New and Revised International Financial Reporting Standards (“IFRSs”)**(a) *New and Amended Standards Adopted by the Centre***

The Centre has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2016:

- (i). *Accounting For Acquisitions Of Interests In Joint Operations – Amendments to IFRS 11*
- (ii). *Clarification Of Acceptable Methods Of Depreciation And Amortisation – Amendments to IAS 16 and IAS 38*
- (iii). *Annual Improvements To IFRSs 2012 – 2014 cycle*, and
- (iv). *Disclosure Initiative – Amendments to IAS 1.*
- (v). *Disclosure Initiative: Amendments to IAS 7.* -This amendment requires disclosure of changes in liabilities arising from financing activities

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods. The Centre also elected to adopt the following amendments early:

(b) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Centre.

(c) 1 January 2016

-
- (i). *IFRS 14 Regulatory Deferral Accounts*
 - (ii). *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)*
 - (iii). *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)*
 - (iv). *Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)*
 - (v). *Equity Method in Separate Financial Statements (Amendments to IAS 27)*
 - (vi). *Annual Improvements to IFRSs 2012–2014 Cycle –various standards*
 - (vii). *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*
 - (viii). *Disclosure Initiative (Amendments to IAS 1)*

The Centre has no transactions that would be affected by these new amendments.

(d) 1 January 2017

-
- (i). *Disclosure Initiative (Amendments to IAS 7)*
 - (ii). *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*

(e) 1 January 2018

-
- (i). *IFRS 15 Revenue from Contracts with Customers*
 - (ii). *IFRS 9 Financial Instruments*
 - (iii). *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*

(f) 1 January 2019

-
- (i). *IFRS 16 Leases - Early application of IFRS 16 is permitted only for companies that also apply IFRS 15.*
 - (ii). *To be determined - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*
- (g) The Centre's assessment of the impact of these new standards and interpretations is set out below.

(i). IFRS 9 *Financial Instruments*

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Centre does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the Centre's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Centre does not have any such liabilities. The derecognition rules have been transferred from IAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

(ii). IFRS 15 *Revenue from Contracts with Customers*

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Centre's financial statements. Mandatory for financial years commencing on or after 1 January 2018.

(iii). IFRS 16 *Leases*

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Centre's operating leases. As at the reporting date, the Centre has no non-cancellable operating lease commitments. The standard is Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Centre does not intend to adopt the standard before its effective date.

There are no other *IFRSs* or *IFRIC interpretations* are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. Foreign Currencies

In preparing the financial statements, transactions in foreign currencies are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise.

5. Property, Plant and Equipment**(a) Cost and Valuation**

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

(b) Subsequent Expenditure

The Centre recognises, in the carrying amount of a tangible fixed asset, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Centre and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(c) Depreciation

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

| | | |
|------------------------------|---|-----|
| (i). Land and Buildings | - | 2% |
| (ii). Fittings and Equipment | - | 25% |
| (iii). Motor vehicles | - | 25% |
| (iv). Intangibles | - | 25% |

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

(d) De-recognition

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

(e) Impairment

At each reporting date, the Centre assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Centre makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

6. Financial Instruments*(a) Financial Assets**(i). Classification*

The Centre's principal financial assets are cash and cash equivalents and accounts receivable from administrative advances, prepayments and deposits:

- **Cash and cash equivalents** include cash in hand and deposits held at call with banks, including bank overdrafts. Bank overdrafts are shown within current liabilities on the statement of financial position.
- **Accounts receivables and sundry receivables** are stated in the balance sheet at original amount less an allowance for any uncollectible amounts. An estimate for impairment is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(ii). Impairment

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(iii). De-recognition

The Centre derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset.

*(b) Financial Liabilities**(i). Classification and Measurement*

Financial liabilities are classified according to the substance of the contractual arrangements entered into:

- **Payables and accruals** are stated at their nominal value.
- **Provisions** are recognised when the Centre has a present legal or constructive obligation as a result of a past event, and it is probable that the Centre will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.
- **Retirement Benefit Obligations:** The Centre's staff, predominantly part time in the year, were not registered for contributions to the National Pension Scheme Authority. The employer has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.
- **Other Employee Benefits** - The estimated monetary liability for accrued gratuity pay entitlement at the balance sheet date is recognised as an expense accrual.
- **Contingent Liabilities** Contingent liabilities are initially measured at fair value. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with *IAS 18 Revenue*.

(ii). De-recognition

The Centre derecognises financial liabilities when, and only when, the Centre's obligations are discharged, cancelled or they expire.

(c) Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset and net amounts reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Fair Values of Financial Assets and Liabilities

The carrying amounts of financial assets and liabilities are, in the opinion of the Board, not significantly different from their respective fair values due to generally short periods to maturity dates.

7. Grants

Grants are not recognised until there is reasonable assurance that the Centre will comply with the conditions attaching to them and that the grants will be received. Grants whose primary condition is that the Centre should purchase, or otherwise acquire non-current assets are recognised as capital grants in the statement of financial position and transferred to income on a systematic and rational basis over the useful lives of the related assets. Other grants are recognised as deferred revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a

systematic basis. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Centre with no future related costs are recognised in income in the period in which they become receivable.

8. Taxation

No allowance is made for income or deferred taxes as the Centre is exempt from taxation.

9. Capital Management

Capital resources comprise accumulated funds and unamortised portions of grant balances. The Centre's objectives for the management of capital are to safeguard its ability to continue as a going concern. The Centre considers its cash and cash equivalents to be the manageable capital from its financial resources. The Centre's policy is to maintain sufficient cash balances to cover operating and administration costs over a reasonable future period. The Centre currently has no externally-imposed capital requirements except to maintain sufficient cash balances.

10. Revenue

- (a). **Principal revenue** comprises revenue grants and amortised portions of deferred revenue. The Centre is a grant aided body, fully funded by the Government of the Republic Of Zambia. In addition to Government funding, the Act permits the Centre to seek funding from donors and other multilateral institutions.
- (b). **Other income** comprises mostly non-operating income.

11. Administrative Costs

Operating and administrative costs are accrued as incurred.

12. Financial Risks

The Centre's activities expose it to a variety of financial risks. The most important types of risk are *credit risk*, and *liquidity risk*. Policies and exposures on risks and financial instruments are discussed in Note 10 to the financial statements.

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

- (a). **Key Areas of judgement made in the financial statements are:**
 - (i) *Grant accounting and amortisation*
 - (ii) *Estimation of asset lives and carrying values*
 - (iii) *Provisions and contingencies*
- (b). **Key sources of estimation uncertainty that may have an impact on the next financial period are:**
 - (i) *Review of asset carrying values and impairment charges and reversals*
 - (ii) *Estimation of employee related provisions and post-retirement benefits*

14. Comparatives

Where necessary, comparatives have been reclassified to fit with presentations in the current period.

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS

Amounts in Zambian Kwacha

| | 2016 | 2015 <i>Restated</i> |
|--|--------------------------|--------------------------|
| 1. Grant Income | | |
| (a) Summary of Revenue Grants | | |
| Revenue Grants from GRZ | 15,220,257 | 14,870,265 |
| Amortisation of Deferred Income (Note 1 (c)(iii)) | <u>4,389,208</u> | <u>1,843,938</u> |
| | <u>19,609,464</u> | <u>16,714,203</u> |
| (b) Revenue Grants | | |
| Revenue grants from Government of the Republic of Zambia ("GRZ") represents grant funding received from Zambian government on a monthly basis with no future related costs, and charged to income when the Centre becomes entitled to receive it. | | |
| (c) Movements in Deferred Revenue | | |
| Amortised grant income represents capital asset grants, grant funds received from government and cooperating partners for the acquisition of assets, or for specific non-capital expenditures and charged to income over the period necessary to match them with the costs for which they are intended to compensate, on a systematic basis. | | |
| (i) Movements in Deferred Revenue | | |
| Opening Balance as originally Presented | 1,994,469 | 571,158 |
| Change in Accounting Estimates | <u>(237,687)</u> | <u>(249,054)</u> |
| Restated Opening Balances | 1,756,782 | 322,104 |
| Reversing Effects of Restatements | 237,687 | - |
| Received during the year | - | 2,500,000 |
| Transferred to Income | <u>(2,763,090)</u> | <u>(743,218)</u> |
| Transferred From/(to) Capital Grants | <u>1,586,946</u> | <u>(322,104)</u> |
| Balance at End of Year | <u>818,325</u> | <u>1,756,782</u> |
| (ii) Movements in Capital Grants | | |
| Balance at Start of Year | 7,835,592 | 2,902,158 |
| Received during the year | - | 5,712,049 |
| Reclassified During the Year | <u>(1,586,946)</u> | <u>-</u> |
| Transferred from Revenue Grants | - | 322,104 |
| Transferred to Income | <u>(1,626,118)</u> | <u>(1,100,719)</u> |
| Balance at End of Year | <u>4,622,528</u> | <u>7,835,592</u> |
| (iii) Total Amortisation | | |
| Deferred Revenue | 2,763,090 | 743,218 |
| Capital Grant Amortisation | <u>1,626,118</u> | <u>1,100,719</u> |
| | <u>4,389,208</u> | <u>1,843,938</u> |
| 2. Other Income | | |
| Exchange Gain | 151,381 | 538,183 |
| Profit on Disposal | 181,415 | - |
| Other Income | <u>58,371</u> | <u>41,121</u> |
| | <u>391,167</u> | <u>579,304</u> |

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS

Amounts in Zambian Kwacha

3. Property, Plant and Equipment

| | Work in Progress | Land and Buildings | Motor Vehicles | Office Equipment | Furniture & Fittings | Total |
|----------------------------|---------------------|-----------------------|-------------------|---------------------|----------------------------|-------------------|
| <u>Cost/Valuation</u> | | | | | | |
| At 1 January 2016 | - | 4,871,245 | 3,912,152 | 3,118,130 | 491,202 | 12,392,730 |
| Additions | 359,017 | 34,792 | - | 394,937 | - | 788,746 |
| Disposals | - | - | (334,150) | (94,611) | (43,136) | (471,897) |
| At 31 December 2016 | 359,017 | 4,906,037 | 3,578,002 | 3,418,456 | 448,066 | 12,709,578 |
| <u>Depreciation</u> | | | | | | |
| At 1 January 2016 | - | 180,537 | 1,542,899 | 1,696,850 | 285,430 | 3,705,715 |
| Charge for the year | - | 97,623 | 665,589 | 741,171 | 72,455 | 1,576,838 |
| Disposals | - | - | (334,150) | (94,611) | (43,136) | (471,897) |
| At 31 December 2016 | - | 278,160 | 1,874,337 | 2,343,410 | 314,749 | 4,810,656 |
| <u>Carrying Amounts</u> | | | | | | |
| At 31 December 2016 | 359,017 | 4,627,877 | 1,491,316 | 1,287,395 | 133,317 | 7,898,922 |
| At 31 December 2015 | - | 4,690,708 | 2,369,254 | 1,421,281 | 205,772 | 8,687,015 |

Note 3 (Cont'd)

| | Land and Buildings | Motor Vehicles | Office Equipment | Furniture & Fittings | Total |
|----------------------------|-----------------------|-------------------|---------------------|-------------------------|-------------------|
| <u>Cost</u> | | | | | |
| At 1 January 2015 | 4,776,394 | 2,119,967 | 2,956,575 | 302,180 | 10,155,116 |
| Additions | 94,851 | 1,792,185 | 161,555 | 189,022 | 2,237,614 |
| At 31 December 2015 | 4,871,245 | 3,912,152 | 3,118,130 | 491,202 | 12,392,730 |
| <u>Depreciation</u> | | | | | |
| At 1 January 2015 | 84,951 | 1,065,376 | 996,663 | 217,117 | 2,364,108 |
| Charge for the year | 95,586 | 477,522 | 700,186 | 68,313 | 1,341,607 |
| At 31 December 2015 | 180,537 | 1,542,899 | 1,696,850 | 285,430 | 3,705,715 |
| <u>Carrying Amounts</u> | | | | | |
| At 31 December 2015 | 4,690,708 | 2,369,254 | 1,421,281 | 205,772 | 8,687,015 |
| At 31 December 2014 | 4,691,443 | 1,054,591 | 1,959,911 | 85,063 | 7,791,008 |

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS

Amounts in *Zambian Kwacha*

| | 2016 | 2015 <i>Restated</i> |
|---|-----------|-------------------------|
| 4. Intangible Assets | | |
| <u>Cost</u> | | |
| At Start of Period | 4,078,703 | 4,028,803 |
| Additions | - | 49,900 |
| At End of Period | 4,078,703 | 4,078,703 |
| <u>Amortisation</u> | | |
| At Start of Period | 2,579,341 | 1,768,479 |
| Charge for the Period | 1,051,967 | 810,862 |
| At End of Period | 3,631,308 | 2,579,341 |
| <u>Carrying Amounts</u> | 447,396 | 1,499,362 |
| Intangible assets relate to specialized software used in operations of the Centre. It is amortised over a five year period. | | |
| 5. Inventory | | |
| Inventory | 78,597 | 89,318 |
| Impairment Adjustment | 5,525 | (17,697) |
| Reclassified to Office Expenses | (84,122) | (71,622) |
| | - | - |
| 6. Accounts Receivable | | |
| Government Grants Receivable | 1,239,186 | - |
| Prepayments | 146,143 | 60,610 |
| Staff Receivables | 389,435 | 355,332 |
| | 1,774,764 | 415,942 |
| 7. Cash and Cash Equivalents | | |
| (a) <u>Bank and Cash Balances</u> | | |
| Investrust Bank-Mirror Account | 400,987 | 3,419,973 |
| Bank of Zambia ZMK | 5 | - |
| Zanaco USD (Exchange Rate: K9.61/(2015: K10.97)) | 2,923,017 | 4,303,038 |
| Zanaco Operations | 841,621 | - |
| Zanaco ZMK | - | 971,813 |
| Cash on hand | 8,387 | - |
| Net Cash and Equivalents | 4,174,017 | 8,694,824 |

(b) The Centre had no overdrafts or other bank-financed facilities.

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS

Amounts in *Zambian Kwacha*

| | 2016 | 2015 <i>Restated</i> |
|---|----------------|-------------------------|
| 8. Payables, Accruals and Provisions | | |
| Audit Fees | 45,000 | 40,000 |
| NAPSA | 27,907 | - |
| PSPF | 4,788 | - |
| PAYE Payable | 150,370 | - |
| Sundry Payables | 422,752 | 494,379 |
| | <u>650,817</u> | <u>534,379</u> |
| 9. Employee Benefits | | |
| (a) Gross Balances | | |
| Gratuity and Leave Pay | <u>975,246</u> | <u>1,030,982</u> |
| (b) Maturity Profiles | | |
| Current Portion | <u>975,246</u> | <u>1,030,982</u> |

10 Financial Instruments

The Centre faces exposure to the following financial risks:

(a). Total Financial Instruments

| 31 December 2016 | | | | |
|---|------------------|---|---|------------------|
| | Receivables | Assets at Fair Value through P & L | Assets at Amortised Cost | Total |
| Assets as per statement of financial position | | | | |
| Loans and Receivables: | | | | |
| -Trade and Other receivables | 389,435 | - | - | 389,435 |
| -Cash and Equivalents | 4,174,017 | - | - | 4,174,017 |
| Total | <u>4,563,452</u> | - | - | <u>4,563,452</u> |
| | | Liabilities at Fair Value through P & L | Other Financial Liabilities at Amortised Cost | Total |
| Liabilities as per statement of financial position | | | | |
| Other Financial Liabilities | - | - | 975,246 | 975,246 |
| Trade and Other Payables | - | - | 650,817 | 650,817 |
| Total | - | - | <u>1,626,064</u> | <u>1,626,064</u> |

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS

Amounts in *Zambian Kwacha*

Noted 10 Cont'd:

| 31 December 2015 | | | | |
|--|-------------|---|---|-----------|
| | Receivables | Assets at Fair Value through P & L | Assets at Amortised Cost | Total |
| Assets as per statement of financial position | | | | |
| Loans and Receivables: | | | | |
| -Trade and Other receivables | 355,332 | - | - | 355,332 |
| -Cash and Equivalents | 8,694,824 | - | - | 8,694,824 |
| Total | 9,050,156 | - | - | 9,050,156 |
| | | Liabilities at Fair Value through P & L | Other Financial Liabilities at Amortised Cost | Total |
| Liabilities as per statement of financial position | | | | |
| Other Financial Liabilities | | - | 1,030,982 | 1,030,982 |
| Trade and Other Payables | | - | 494,379 | 494,379 |
| Total | | - | 1,525,362 | 1,525,362 |

(b). Credit Risk

The Centre takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Centre by failing to pay amounts in full when due. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. As shown below, exposure to credit risk is represented by cash balances and amounts due on accounts receivables:

| | 2016 | 2015 |
|------------------------|------------------|------------------|
| Cash and bank balances | 4,174,017 | 8,694,824 |
| Receivables | 1,774,764 | 415,942 |
| | <u>5,948,781</u> | <u>9,110,766</u> |

The Centre's primary credit exposure from illiquidity of cash and cash equivalents amounted to **K4.174million** (2015: K8.864million). Liquidity risk is the risk that the Centre is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

At the reporting date, other significant concentrations of credit risks lay in cash and equivalents. Other receivables consist of staff and sundry advances and prepayments. The nature of services offered by the Centre means it does not have significant credit risk exposure to a single counterparty.

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS

Amounts in *Zambian Kwacha***(c). Currency risk**

The Centre takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates, mostly the US Dollar on its financial position and cash flows. Currency risk is not hedged. The table below summarises its exposure to US Dollar exchange rate risk at 31st December:

| | 2016 | 2015 |
|---|------------------|------------------|
| Assets | | |
| Cash and Cash Equivalents | <u>2,923,017</u> | 4,303,038 |
| Net on-balance sheet position | <u>2,923,017</u> | <u>4,303,038</u> |
| Assets and Overall open position | <u>2,923,017</u> | <u>4,303,038</u> |

There were no liabilities in foreign currency on the statement of financial position, and no off-balance sheet items held at year end.

(d). Liquidity Risk and Interest Rate Risk

The Centre's activities expose it to a variety of financial risk: market risk (including interest and liquidity risk). This is monitored on a daily basis by management and controlled as far as reasonably possible to minimise the risk of mismatches between current liabilities and current assets. The table below summarises the Centre's interest and liquidity risks:

| | Up to 1 Month | 1-3 Months | 4-12 Months | 1-5 Years | Total |
|-----------------------------------|------------------|----------------|------------------|--------------|------------------|
| <u>At 31 December 2016</u> | | | | | |
| Non-Interest Bearing | <u>183,065</u> | <u>467,752</u> | <u>975,246</u> | - | <u>1,626,064</u> |
| <u>At 31 December 2015</u> | | | | | |
| Non-Interest Bearing | <u>40,000</u> | <u>494,379</u> | <u>1,030,982</u> | - | <u>1,565,362</u> |

(e) Fair Value Estimation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

*Amounts in Zambian Kwacha***11. Related Parties****(a) Identity of Related Parties**

The Centre has a common enterprise relationship with Government of the Republic of Zambia. Other related parties include members of the Board and the Centre's key management team (Page 4).

(b) Control and Governance of the Centre

The Centre was established by *Act No. 10 of 2010* (as Amended). As a result it has a common enterprise relationship with Government of the Republic of Zambia ("GRZ") and falls under the auspices of the Ministry of Finance. Internal supervision of its management and control of the affairs of the Centre, however, is vested in the Board.

(c) Key Management of the Centre

The key executives of the Centre i.e. officers other than Board members with the ability, directly or indirectly, to control or exercise significant influence over the Centre in making financial and operating decisions, are listed on Page 4.

(d) Transactions with Related Parties

None of the Board Members, key executives or parties related to them has undertaken any material transactions with the Centre. However, the GRZ and its departments are regarded as a single related party. The list of related party transactions in these financial statements is summarised below:

| | 2016 | 2015 |
|---|--------------------------|--------------------------|
| (i) Revenue Grants received from GRZ | <u>15,220,257</u> | <u>14,870,265</u> |
| (ii) Key Management Remuneration | <u>2,527,500</u> | <u>2,527,500</u> |
| (ii) Board Expenses and Remuneration | <u>602,407</u> | <u>426,852</u> |

12. Capital Management

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

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS

Amounts in Zambian Kwacha

| | 2016 | 2015 |
|--------------------------|------------------|------------------|
| Cash | <u>4,174,017</u> | <u>8,694,824</u> |
| Accumulated Funds | <u>7,228,181</u> | <u>7,973,342</u> |
| Net debt to equity ratio | <u>57.75%</u> | <u>109.05%</u> |

13. Capital Commitments

The Centre had no capital commitments as at the year-end (2015: Nil).

14. Contingent Liabilities

At the year end, the Centre was involved in several pending litigations, whose outcomes could not be determined. However, based on representations from the Centre's legal counsel, no contingent liabilities have been identified for disclosure (2015: Nil).

15. Events Subsequent to Balance Sheet Date

The Centre has evaluated events subsequent to the reporting date. Based on this evaluation, management has determined that there has not arisen since the end of the period any transaction or event of a material and unusual nature likely, in the opinion of management, to affect substantially the operations of the Centre, the results of those operations or the state of affairs of the Centre in subsequent financial periods.

**ANNUAL REPORT AND FINANCIAL STATEMENTS
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APPENDIX I – RECURRENT COSTS
Amounts in Zambian Kwacha

| | 2016 | 2015 Restated |
|---|------------------|--------------------|
| <u>Revenue Grant Expenses</u> | | |
| Accounting Fees | - | 3,745 |
| Advertising and Promotion | 33,887 | 48,582 |
| Audit Fees | 45,000 | 40,000 |
| Bank Charges | 17,763 | 17,517 |
| Board Fees | 602,407 | 426,852 |
| Box Rentals | 4,500 | 4,110 |
| Computer Expenses | 741,138 | 726,626 |
| Consultancy | 15,000 | - |
| Electricity & Water | 15,000 | 60,500 |
| Exchange Loss | 6,262 | - |
| Ground Rent & Rates | 38,280 | 89,320 |
| In-country Travel | 17,400 | 453,203 |
| Insurance | 421,192 | 355,051 |
| International Travel | 2,115,486 | 778,944 |
| Legal Fees | 2,215 | 20,673 |
| Meeting Expenses | 760,030 | 220,106 |
| Motor Vehicle Expenses | 889,244 | 484,028 |
| Office Expenses | 206,051 | 242,613 |
| Out of Pocket Allowances | - | 25,796 |
| Professional Subscription | 58,023 | 85,563 |
| Repairs & Maintenance | 143,373 | 185,553 |
| Security Expenses | 247,900 | 113,459 |
| Stationery and Printing | 127,401 | 109,248 |
| Sundry | 20,433 | 26,075 |
| Telephone & communication | 166,128 | 224,134 |
| Training | 90,544 | 590,406 |
| Transport expenses | 63,249 | 30,075 |
| TV Subscriptions | 1,276 | - |
| Workshop expenses | 567,860 | 1,064,723 |
| Budgetary Support for Administration Expenses | 763,600 | 546,976 |
| | <u>8,180,642</u> | - <u>6,973,876</u> |