

HLB Reliance

Chartered Accountants

LAKE ROAD PTA SCHOOL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2015

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LAKE ROAD PTA SCHOOL
FINANCIAL STATEMENTS
for the year ended 31 December 2015

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LAKE ROAD PTA SCHOOL
FINANCIAL STATEMENTS
for the year ended 31 December 2015

Country of registration	Zambia
Date of registration	10 February 1994
Nature of business	Provision of education
Governors	Mrs. P Mpundu Chairperson (Resigned on the 15th December 2015) Mr. R Ng'uni V/Chairperson Mr. O Nyirenda Treasurer Mrs. B Shadunka Member Mr. B Musonda Member Mr. S Mwandila Member Mrs. R M Mubanga Member Mr. A Muwowo Member Mr. O Kangulu Ex officio (DEBS Office)
Registered office	Stand No 9004/9062 Lake Road Lusaka, Zambia
Postal address	P.O Box 320042 Lusaka
Bankers	Investrust Bank Plc Standard Chartered Bank Plc
Auditors	HLB Reliance Plot 228 Zambezi Road, Roma P.O Box 32232 Lusaka
Secretary	Mrs B Shadunka



LAKE ROAD PTA SCHOOL
GOVERNORS' REPORT
for the year ended 31 December 2015

The Governors present their report and the financial statements of Lake Road PTA School for the year ended 31 December 2015.

1. Business and operations

The principal activity of the school is the provision of education. The mission statement of the school is to provide education which develops innovative, creative and integrated learners equipped with skills to enable them contribute positively to society through effective delivery. The school vision is to be a leading provider of world class holistic education.

	2015	2014
	K	K
2. Financial results		
The results for the year were:		
Revenue	13,370,975	13,571,464
Deficit for the year	(1,519,913)	(741,162)

3. Property, plant and equipment

During the year, the school acquired property, plant and equipment valued at K136,802 (31 December 2014: K463,931). There were no disposals during the year (31 December 2014: K97,000).

4. Number of employees

The average number of staff during the year was 96 (31 December 2014: 99) and their gross remuneration was K9,192,577 (31 December 2014: K10,020,131).

5. Events subsequent to the year end

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

6. Governors

The Governors who held office during the year were as follows:

Mrs. P Mpundu	Chairperson (Resigned on the 15th December 2015)
Mr. R Ng'uni	V/Chairperson
Mr. O Nyirenda	Treasurer
Mrs. B Shadunka	Member
Mr. B Musonda	Member
Mr. S Mwandila	Member
Mrs. R M Mubanga	Member
Mr. A Muwowo	Member
Mr. O Kangulu	Ex officio (DEBS Office)

The Governors were not remunerated during the year.

LAKE ROAD PTA SCHOOL
GOVERNORS' REPORT
for the year ended 31 December 2015

GOVERNORS' REPORT (Continued)

7. Auditors

Having indicated their willingness to continue in office, a resolution proposing the re-appointment of HLB Reliance as auditors to the School will be put to the Annual General Meeting.

By order of the Board,

A handwritten signature in blue ink, appearing to read 'R. Baen', is written over the printed name 'SECRETARY'.

SECRETARY

LAKE ROAD PTA SCHOOL
FINANCIAL STATEMENTS
for the year ended 31 December 2015

Approval and statement of responsibility

The Education Act requires the Governors to prepare financial statements for each financial year that give a true and fair view of the state of the School and of the surplus or loss for that period. In preparing those financial statements, the Governors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed the applicable accounting standards. The Governors are responsible for ensuring that the School keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the School. The Governors are also responsible for safeguarding the assets of the School and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with the Education Act, we the Governors of Lake Road PTA School are of the opinion that:

- a) the statement of financial position is drawn up so as to give a true and fair view of the state of the affairs of the School as at 31 December 2015;
- b) the statement of comprehensive income is drawn up so as to give a true and fair view of the surplus/deficit of the School for the year ended 31 December 2015;
- c) there are reasonable grounds to believe that the School will be able to pay its debts as and when they fall due; and
- d) the financial statements have been prepared in accordance with the International Financial Reporting Standards and the Zambian Education Act.

The Governors are also responsible for the school's system of internal financial control. These controls are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Governors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on a going concern basis, since the Governors have every reason to believe that the School has adequate resources in place to continue in operation for the foreseeable future.

The financial statements which appear on pages 7 to 29 were approved by the Board of Governors.



Chairperson



Treasurer

Date: 1.04.2016

REPORT OF THE INDEPENDENT AUDITORS TO THE BOARD OF GOVERNORS OF LAKE ROAD PTA SCHOOL

We have audited the accompanying financial statements of **Lake Road PTA School** set out on pages 7 to 29, which comprise the statement of financial position as at 31 December 2015, and the statement of income and expenditure, statement of changes in accumulated funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board Members responsibility for the financial statements

The Board of Governors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Education Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial performance and cashflows of **Lake Road PTA School** for the year ended 31 December 2015, in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Education Act.

Emphasis of matter

Without qualifying our opinion, we draw your attention to note 20 in the financial statements which indicates that the School incurred a deficit for the year of K1,519,912 and had a deficit in accumulated funds of K535,019 as at 31 December 2015. This condition, along with other matters as set forth in Note 20, indicate the existence of an uncertainty which may cast significant doubt about the School's ability to continue as a going concern should financial support from bank overdraft facilities no longer be available.

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Report on other legal and regulatory requirements

The Education Act requires that in carrying out our audit we consider whether an entity has kept the accounting records, other records and registers required by this Act. We confirm that in our opinion the accounting records, other records and registers required by the Act have been kept by the school, so far as it appears from our extermination of those records.

Signed by:
HLB Reliance



Shuko Ndhlovu FCCA, FZICA
Partner
ZICA Certificate No: AUD/F002912

Date:

SHUKO NDHLOVU
CMIIA, FCCA, FZICA
COMMISSIONER FOR OATHS
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LAKE ROAD PTA SCHOOL
 STATEMENT OF COMPREHENSIVE INCOME
 for the year ended 31 December 2015

	Notes	2015 K	2014 K
Revenue		13,370,975	13,571,464
Administrative expenses	Sch I	<u>(14,053,779)</u>	<u>(13,124,583)</u>
Gross (deficit)/surplus		(682,803)	446,881
Other Income	Sch I	5,282	28,000
Finance charges	Sch I	(47,559)	(7,549)
Depreciation	Sch I	(528,549)	(857,693)
Other operating expenses	Sch I	<u>(266,283)</u>	<u>(350,801)</u>
Operating deficit		<u>(1,519,913)</u>	<u>(741,162)</u>
Deficit for the year		<u><u>(1,519,913)</u></u>	<u><u>(741,162)</u></u>


LAKE ROAD PTA SCHOOL
STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

		2015 K	2014 K
ASSETS			
Non - current assets			
Property, plant and equipment	4	9,301,877	9,604,998
		<u>9,301,877</u>	<u>9,604,998</u>
Current assets			
Inventories	5	500,116	727,476
Trade and other receivables	6	552,117	2,441,483
Cash and bank balances	7	23,610	45,715
		<u>1,075,843</u>	<u>3,214,674</u>
Total assets		<u><u>10,377,721</u></u>	<u><u>12,819,673</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Revaluation reserve		7,473,607	7,473,607
Accumulated funds		(535,019)	2,124,992
		<u>6,938,588</u>	<u>9,598,599</u>
Non - current liabilities			
Finance lease	8	66,961	132,001
Employee liabilities	9	509,523	471,234
		<u>576,484</u>	<u>603,235</u>
Current liabilities			
Trade and other payables	10	2,277,101	2,184,941
Bank overdraft	11	585,548	432,898
		<u>2,862,649</u>	<u>2,617,839</u>
Total liabilities		<u>3,439,133</u>	<u>3,221,075</u>
Total equity and liabilities		<u><u>10,377,721</u></u>	<u><u>12,819,673</u></u>

The financial statements on pages 7 to 29 were approved by the Board of Governors on 01.09.2016 and were signed on its behalf by:-



Chairperson



Treasurer

LAKE ROAD PTA SCHOOL
 STATEMENT OF CHANGES IN NET ASSETS
 for the year ended 31 December 2015

	Revaluation reserves K	Revenue reserves K	Total K
At 1 January 2014	7,473,607	2,866,154	10,339,761
Deficit for the year	-	(741,162)	(741,162)
At 31 December 2014	<u>7,473,607</u>	<u>2,124,992</u>	<u>9,598,599</u>
Restatement of revenue reserves	-	(1,140,098)	(1,140,098)
Deficit for the year	-	(1,519,913)	(1,519,913)
At 31 December 2015	<u><u>7,473,607</u></u>	<u><u>(535,019)</u></u>	<u><u>6,938,588</u></u>

LAKE ROAD PTA SCHOOL
STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

	Notes	2015 K	2014 K
Cash flow from operating activities			
Deficit for the year		(1,519,913)	(741,162)
Adjustments for:			
Depreciation	4	528,549	857,693
Prior year restatements		(1,140,098)	-
Adjustment for changes in working capital:			
Decrease/(increase) in inventories	5	227,360	(239,859)
Decrease/(increase) in trade and other receivables	6	1,889,366	(1,769,814)
Increase in employee liabilities	9	38,289	217,494
Increase in trade and other payables	10	92,159	1,668,852
Net cash inflow from operating activities		<u>115,713</u>	<u>(6,796)</u>
Investing activities:			
Additions to property, plant and equipment	4	(136,802)	(463,931)
Revaluation on motor vehicles		(88,626)	-
		<u>(225,428)</u>	<u>(463,931)</u>
Financing activities:			
Net movement in finance lease		(65,040)	132,001
		<u>(65,040)</u>	<u>132,001</u>
Net decrease in cash and cash equivalents		<u>(174,755)</u>	<u>(338,727)</u>
Cash and cash equivalents at the beginning of the year		<u>(387,183)</u>	<u>(48,457)</u>
Cash and cash equivalents at the end of the year		<u><u>(561,938)</u></u>	<u><u>(387,183)</u></u>
Cash and cash equivalents consist of:			
Cash and bank balances	7	23,610	45,715
Bank overdraft	11	(585,548)	(432,898)
Cash and bank balances		<u><u>(561,938)</u></u>	<u><u>(387,183)</u></u>

LAKE ROAD PTA SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

1 General information

Lake Road PTA School is a school registered in Zambia. The addresses of its registered office and principal place of business and principal activities are disclosed on the information sheet of the financial statements.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

Amendments to IFRSs and the new interpretation that are mandatorily effective for the current year
In the current year, the School has applied a number of amendments to the IFRSs and a new interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities

The School has applied amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specially, the amendments clarify the meaning of 'currently has a legally enforceable right to set off' and 'simultaneous realisation and settlement'.

As the School does not have any financial assets and financial liabilities that qualify for offset, the amendments has had no impact on the disclosures or the amounts recognised in the School's financial statements. The School has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the School's financial statements.

IFRIC 21 Levies

The School has applied IFRIC 21 *Levies* for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay levy imposed by a government. The interpretation defines a levy and, specifies that the obligating event that gives rise to the activity is the activity that triggers payment of levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that the entity has a present obligation to pay a levy that will be triggered by operating in future period.

IFRIC 21 has been applied retrospectively. The application of this interpretation has had no material impact on the disclosures or on the amounts recognised in the School's financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The School has applied the amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements*.

LAKE ROAD PTA SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

2 Application of new and revised International Financial Reporting Standards (IFRSs) *(Continued)*

Amendments to IFRSs and the new interpretation that are mandatorily effective for the current year (Continued)

The application of these amendments has had no material impact on the disclosures in the School's financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The School has applied the amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the School does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the School's financial statements.

New and revised IFRSs in issue but not yet effective

The School has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	<i>Financial Instruments</i> ⁵
IFRS 15	<i>Revenue from contracts with customers</i> ⁴
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ³
Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2010 - 2012 Cycle</i> ²
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2011 - 2013 Cycle</i> ¹

¹ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

2 Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

Amendments to IFRSs and the new interpretation that are mandatorily effective for the current year (Continued).

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cashflows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in fair value of an equity investments (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit model under IAS 39. The expected credit loss model requires an entity to account for the expected credit loss and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary to a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedge instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an 'economic relationship'. Retrospective assessment of the hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2 Application of new and revised International Financial Reporting Standards (IFRSs) (*Continued*)

Amendments to IFRSs and the new interpretation that are mandatorily effective for the current year (Continued)

The Governors of the School anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the School's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the School undertakes a detailed review.

IFRS 15 Revenue from contracts with customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principal of IFRS 15 is that an entity should recognise revenue to depict the transfer of the promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specially, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Governors of the School anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the School's financial statements. However, it is not practicable to provide reasonable estimate of the effect of IFRS 15 until the School performs a detailed review.

Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation

The amendments to IAS 16 prohibit entities from using a revenue based depreciation method for the items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible assets are highly correlated.

2 Application of new and revised International Financial Reporting Standards (IFRSs) (*Continued*)

Amendments to IFRSs and the new interpretation that are mandatorily effective for the current year (*Continued*)

The amendments apply prospectively for the annual periods beginning on or after 1 January 2016. Currently, the School uses the straight line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Governors of the School believe that the straight line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Governors of the School do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the School's financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Governors of the School do not anticipate that the application of these amendments will have a significant impact on the School's financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The annual improvements to IFRSs 2011-2013 cycle include the amendments to IFRS 13 that clarify that the scope of the portfolio exception for measuring the fair value of a School's financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The Governors of the School do not anticipate that the application of these amendments will have a significant impact on the School's financial statements.

3 Significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of accounting and preparation of the financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

The financial statements are prepared in Zambian Kwacha under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced for estimated customers returns, rebates and other similar allowances.

Taxation

The School is exempted from taxation under the Income Tax Act second schedule part III .

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in equity to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to income statement to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued assets is charged to the income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the School's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Motor vehicles, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

3 Significant Accounting Policies (*Continued*)

Property, plant and equipment (*Continued*)

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method. 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter the term of relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the School reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3 Significant Accounting Policies (*Continued*)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investment property

Investment property which is held to earn rentals and / or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are recognised in the profit or loss for the period in which they arise.

Leases

Property, plant and equipment held under finance lease are capitalised at the fair value of the asset at the inception of the lease with an equivalent liability categorised as appropriate under creditors. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a proportion of the balance of the capital repayments outstanding.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Revaluation reserve

The surplus arising on revaluation of property, plant and equipment is credited to a non distributable reserve. A transfer is made from this reserve to the revenue reserve each year equivalent to the difference between the actual depreciation charge for the year and the depreciation charge based on historical values.

Inventories

Inventories are carried at lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to completion and disposal.

Provisions

Provisions are recognised when the School has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3 Significant Accounting Policies (*Continued*)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Zambian Kwacha (K).

Transactions and balances

In preparing the financial statements, transactions in currencies other than the entity's functional currency (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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Retirement benefits

On 1 February 2000, the National Pension Authority (NAPSA) came into effect. The School also contributes NAPSA for its eligible employees as provided for by law. Membership is compulsory and monthly contributions by both employer and employees are made.

For employees on fixed term contracts, provision is made for end of contract gratuity on an accruals basis for the period in employment.

Financial instruments

Financial assets and financial liabilities are recognised on the School's balance sheet when the School becomes a part to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3 Significant Accounting Policies (*Continued*)

Financial instruments (*Continued*)

Financial assets

The principal financial assets of the School are trade and other receivables, amounts due from related parties and cash and cash equivalents.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial asset at FVTPL

Financial assets are classified as at FVTPL where the financial assets is held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- it is been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the School manages together and has a recent actual pattern of short-term profit taking
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of the School's financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the School's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial asset at FVTPL (Continued)

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in income statement. The net gain or loss recognised in income statement incorporates any dividend or interest earned on the financial asset.

3 Significant Accounting Policies (*Continued*)

Financial instruments (*Continued*)

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the School has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available for sale (AFS) financial assets

Unlisted shares and listed redeemable notes held by the School that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described above. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in income statement when the School's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where 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 impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3 Significant Accounting Policies (*Continued*)

Financial instruments (*Continued*)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in statement of comprehensive income.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had impairment not been recognised.

In respect of AFS securities, impairment losses previously recognised through income statement are not reversed through income statement. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of financial assets

The School derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the School neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the School recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the School retains substantially all the risks and rewards of ownership of a transferred financial asset, the School continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the School

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the School are recorded at the proceeds received, net of direct issue costs.

3 Significant Accounting Policies (*Continued*)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the School are recorded at the proceeds received, net of direct issue costs.

Compound instruments

The component parts of compound instruments issued by the School are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the School manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

3 Significant Accounting Policies (*Continued*)

Financial liabilities and equity instruments issued by the School (*Continued*)

Financial liabilities at FVTPL (Continued)

- the financial liability forms part of a School's financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the School's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described above.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

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

Critical management accounting judgments and key sources of estimation

There were no significant accounting judgments or key sources of estimation uncertainty made by management in the process of applying the School's accounting policies, which are described above, other than the following:

Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The School recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the period in which such determination is made.

Useful lives of property, plant and equipment

The School reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year the Governors determined that the useful life of the property, plant and equipment have not significantly changed. The rates applied during the year were as

Buildings	4%
Leasehold properties	Nil
Motor vehicles	25%
Furniture & fittings	25%
Office equipment	25%

LAKE ROAD PTA SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

4 Property, plant and equipment

	2015			2014		
	Cost /	Accumulated	Carrying	Cost /	Accumulated	Carrying
	valuation	depreciation	value	valuation	depreciation	value
	K	K	K	K	K	K
Buildings	9,444,188	(3,365,960)	6,078,228	9,444,188	(2,988,194)	6,455,994
Leasehold property	2,960,000	-	2,960,000	2,960,000	-	2,960,000
Motor vehicles	435,484	(326,463)	109,022	346,858	(266,440)	80,418
Furniture & fittings	730,777	(580,238)	150,540	599,425	(527,823)	71,603
Office equipment	965,843	(965,843)	-	965,843	(928,860)	36,983
Other equipment	5,450	(1,363)	4,088	-	-	-
Total assets	14,541,743	(5,239,866)	9,301,877	14,316,315	(4,711,317)	9,604,998

The carrying amounts of property, plant and equipment can be reconciled as follows:

2014	Carrying	Additions	Disposals/ Transfers	Revaluation	Depreciation write back	Write back / depreciation	Carrying
	value at beginning of year						value at end of year
	K	K	K	K	K	K	K
Buildings	6,728,217	105,545	-	-	-	(377,768)	6,455,994
Leasehold property	2,960,000	-	-	-	-	-	2,960,000
Motor vehicles	20,225	190,543	(97,000)	-	97,000	(130,351)	80,418
Furniture & fittings	164,441	66,264	-	-	-	(159,102)	71,603
Office equipment	125,877	101,579	-	-	-	(190,473)	36,983
Total assets	9,998,760	463,931	(97,000)	-	97,000	(857,693)	9,604,998

2015	Carrying	Additions	Disposal/ Transfers	Revaluation	Depreciation write back	Write back / depreciation	Carrying
	value at beginning of year						value at end of year
	K	K	K	K	K	K	K
Buildings	6,455,994	-	-	-	-	(377,766)	6,078,228
Leasehold property	2,960,000	-	-	-	-	-	2,960,000
Motor vehicles	80,418	-	-	88,626	-	(60,022)	109,022
Furniture & fittings	71,603	131,352	-	-	-	(52,415)	150,540
Office equipment	36,983	-	-	-	-	(36,983)	-
Other equipment	-	5,450	-	-	-	(1,363)	4,088
Total assets	9,604,998	136,802	-	88,626	-	(528,549)	9,301,877

LAKE ROAD PTA SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

	2015 K	2014 K
5. Inventories		
Inventory	223,612	446,422
School books	136,239	134,139
Science equipment	114,037	112,137
Gowns	16,500	26,900
Teaching aids	9,728	7,878
	<u>500,116</u>	<u>727,476</u>
6. Trade and other receivables		
Trade receivables	1,097,400	1,973,173
Provision for bad debts	(780,636)	-
	<u>316,764</u>	<u>1,973,173</u>
Staff receivables	135,088	144,846
Prepayments & other receivables	100,265	323,464
	<u>552,117</u>	<u>2,441,483</u>
7. Cash and bank balances		
SCB Management account - Standard Chartered Bank	18,722	40,318
Cash on hand	4,888	5,397
	<u>23,610</u>	<u>45,715</u>
8. Finance lease		
Opening balance	132,001	-
Introduced during the year	-	190,543
Transfer from current liabilities	51,139	-
Paid during the year	(51,326)	(7,403)
Transfer to current liabilities	(64,853)	(51,139)
	<u>66,961</u>	<u>132,001</u>
Balance at 31 December	66,961	132,001
The lease liability is due to Investrust Bank Plc for the purchase of a Motor Vehicle and is running for a period of three years starting from October 2014 to September 2017.		
9. Employee liabilities		
Balance at the beginning of the year	471,234	253,740
Additions during the year	1,274,581	1,574,752
Less payable within 12 months (note 10)	(1,236,292)	(1,357,258)
	<u>509,523</u>	<u>471,234</u>

The employee liabilities comprise provisions for gratuity and leave pay.

LAKE ROAD PTA SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 2015

	2015 K	2014 K
10. Trade and other payables		
Employee liabilities (note 9)	1,236,292	1,357,258
Statutory liabilities	447,420	372,935
Provision for penalties	143,487	-
Other third party payables (note 18)	182,337	384,440
Tuition fees received in advance	115,340	4,171
Provisions & accruals	75,870	14,999
Transfer from long term liabilities (note 8)	64,853	51,139
Student deposits	11,501	-
	<u>2,277,101</u>	<u>2,184,941</u>
11. Bank overdraft		
Investrust bank	585,548	311,336
Management account - Stanchart	-	121,562
	<u>585,548</u>	<u>432,898</u>
<p>The bank overdraft is due to Investrust Bank Plc and is secured with all Lake Road PTA School's assets. The terms include interest rate at 29% per annum. The overdraft is payable 12 months after the date of disbursement.</p>		
12. Taxation		
<p>The School is exempted from taxation under the Income Tax Act second schedule part III .</p>		
13 Capital commitments		
Approved and /or contracted by the Governors	-	-
14 Contingent liabilities		
<p>There were no known contingent liabilities during the year under review (2014: nil).</p>		
15. Gross revenue		
<p>Gross revenue comprises turnover, which excludes Value Added Tax and represents the invoiced value of tuition fees, enrolment fees and assessment fees.</p>		
16. Deficit for the year		
<p>Deficit for the year is stated after charging: -</p>		
Accountancy fees	56,454	26,398
Audit fees	24,000	18,000
Depreciation	528,549	857,693
Interest expense	47,559	7,549
	<u>656,562</u>	<u>1,759,640</u>
<p>and after crediting: -</p>		
Profit on disposal of property, plant and equipment	-	17,000
Interest received	5,282	11,000
	<u>5,282</u>	<u>11,000</u>

LAKE ROAD PTA SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 2015

2015
K

2014
K

17. Financial instruments

Capital risk management

The school manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the school consists cash and cash equivalents and equity attributable to equity holders, comprising issued and fully paid share capital and retained earnings .

The Board of Governors reviews the capital structure of the school on an annual basis. During such reviews the Board considers the cost of funding and the risks associated with each source. The school's target debt ratio is 1:2.

The gearing ratio at 31 December 2015 was as follows:

Debt (i)	717,362	616,038
Cash and bank	23,610	45,715
Net debt	<u>693,752</u>	<u>570,323</u>
Total assets (ii)	<u>10,354,111</u>	<u>12,773,958</u>
	7%	4%

Debt ratio

(i) Includes short and long term debt .

(ii) Excludes cash and bank.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed on pages 10 to 23 together with other accounting policies.

Classification of financial instruments

Financial assets

Receivables	552,117	2,441,483
Cash and cash equivalents	23,610	45,715

Financial liabilities

Trade and other payables	2,277,101	2,184,941
Term borrowings	585,548	432,898

17. Financial instruments (continued)

Financial risk management objectives

The Governors and management are primarily responsible for managing the financial risks. These risks include foreign currency risks, interest rate risks and liquidity risks.

The School seeks to minimise these risks through the following:

Denominating all transactions in Zambian Kwacha as much as possible. Where forex is used the US dollars have been considered a stable and predictable environment in the medium to long term.

18. Other third party liabilities

Staff members at Lake Road PTA School enjoy credit facilities from suppliers of goods and services and also loan facilities from banks and other lending institutions. Lake Road recovers these funds through payroll and remits on behalf of staff to the concerned third parties. Below is a list of those third parties:

Name of third party	Nature of business
1) PADBRO	Staff get household goods on credit.
2) Madison Insurance	Insurance premiums.
3) ZAMTEL	Staff access airtime and phones on credit.
4) Investrust Bank	Personal loans for staff.
5) Secondary credit	This is inhouse staff Association, staff access short term loans.
6) HIV/AIDS Work Place	This is inhouse staff Association, staff access short term loans.
7) BETUZ Union	Membership fees.

However, other than the Investrust Bank, the school has no MOU with the rest of these third parties.

19. Prior year adjustments

The 2014 statement of net assets have been restated by a net amount of K1,140,098. This figure arose as a result of inventory and trade receivables which were written off prior to the opening of 2015 financial year. The inventory and trade receivables balances have not been restated as this figure has been taken direct to statement of changes in net assets.

20. Going Concern

The financial statements have been prepared on a going concern basis, which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Company recorded a deficit of K1,519,912 (2014: K741,161) and has deficit in accumulated funds of K535,019.

The Company meets its day to day working capital requirements through operational funds. The continued existence of the Company is dependent upon a continuing overdraft facility with a commercial bank and future income streams.

On the basis of cash flow information, the Directors consider that the Company will continue to operate for the foreseeable future within the available financial resources. Accordingly, the Directors are of the opinion that the preparation of these financial statements on the going concern basis is appropriate.

		2015 K	2014 K
INCOME			
Tuition fees		12,741,991	12,738,397
Sale of uniforms		182,224	226,747
Enrolment fees		114,600	138,700
Sundry income		107,462	262,719
Grant		101,898	-
Building Fund		79,400	163,030
Assessment fees		21,700	22,100
Examination centre fees		21,700	19,771
		<u>13,370,975</u>	<u>13,571,464</u>
SCHOOL OPERATING EXPENSES			
Salaries and wages	Schedule II	9,192,577	10,020,131
School administration expenses	Schedule II	2,644,026	1,738,745
Education scholarships		1,215,485	608,227
Napsa		332,436	386,578
Leave pay		212,953	18,549
Legal and professional fees		155,000	80,372
Telephone and postage		135,930	106,366
Accountancy fees		56,454	26,398
Audit fees		24,000	18,000
Electricity and water		36,363	48,165
Insurance		33,014	71,622
Discount allowed		15,540	1,430
		<u>14,053,779</u>	<u>13,124,583</u>
Finance Charges			
Finance charges		<u>47,559</u>	<u>7,549</u>
Other operating expenses			
Depreciation		528,549	857,693
Fuel and oils		110,408	96,316
Concert and related expenses		61,886	74,701
Motor vehicle expenses		52,183	72,344
Repairs and maintenance - land & buildings		41,806	107,440
		<u>794,832</u>	<u>1,208,494</u>
Other Income			
Interest income from bank		5,282	11,000
Disposal of a motor vehicle		-	17,000
		<u>5,282</u>	<u>28,000</u>
Deficit for the year		<u>(1,519,913)</u>	<u>(741,162)</u>

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Workers compensation	110,582	45,000
Bank Charges	105,926	101,484
Group life assurance	101,177	98,020
Security charges	95,654	64,311
Sports expenses	82,140	113,502
Refreshments and beverages	44,146	58,706
Cleaning expenses	38,126	51,656
Software license	35,964	-
Funeral grant	28,470	98,607
Annual subscriptions and professional fees	24,119	6,025
Advertising and promotions	10,848	38,208
First aid materials	7,900	13,870
Protective clothing	-	5,155
	<u>2,644,026</u>	<u>1,738,745</u>

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