

HLB Zambia

Chartered Accountants

**LAKE ROAD PTA SCHOOL
REPORT AND FINANCIAL STATEMENTS**
For the year ended 31 December 2016

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LAKE ROAD PTA SCHOOL
FINANCIAL STATEMENTS
for the year ended 31 December 2016

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LAKE ROAD PTA SCHOOL
FINANCIAL STATEMENTS
for the year ended 31 December 2016

Country of registration	Zambia	
Date of registration	10 February 1994	
Nature of business	Provision of education	
Governors	Mr. Terence Muchengwa Mrs. Peggy Katontoka Mr. Daniel Chilekwa Mr. Fredrick Nabuzoka Mr. Saidon Mwandila Mr. Amon Muwowo Mrs. Catherine Lombe Phiri Mr. Mapenzi Hamatwi Mr. Stephen Katuta	Chairperson Vice Chairperson Secretary Treasurer & Finance Administration Projects Academic Audit 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 2nd Floor Saturnia House, Plot 6392 Dunduza Chisidza Crescent, Longacres Lusaka	
Secretary	Mr. Daniel Chilekwa	



LAKE ROAD PTA SCHOOL
GOVERNORS' REPORT
for the year ended 31 December 2016

The Governors present their report and the financial statements of Lake Road PTA School for the year ended 31 December 2016.

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.

2 Financial results	2016	2015
	K	K
The results for the year were:		
Revenue	13,379,483	13,370,975
Deficit for the year	(1,208,294)	(1,519,913)

3 Property, plant and equipment

During the year, the school acquired property, plant and equipment valued at **K24,285** (2015: K136,802). There were no disposals during the year (2015: nil).

4 Number of employees

The average number of staff during the year was **96** (2015: 99) and their gross remuneration was **K8,658,158** (2015: K9,192,577).

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:

Mr. Terence Muchengwa	Chairperson
Mrs. Peggy Katontoka	Vice Chairperson
Mr. Daniel Chilekwa	Secretary
Mr. Fredrick Nabuzoka	Treasurer & Finance
Mr. Saidon Mwandila	Administration
Mr. Amon Muwowo	Projects
Mrs. Catherine Lombe Phiri	Academic
Mr. Mapenzi Hamatwi	Audit
Mr. Stephen Katuta	Ex officio (DEBS Office)

The Governors were not remunerated during the year.

**LAKE ROAD PTA SCHOOL
GOVERNORS' REPORT**
for the year ended 31 December 2016

GOVERNORS' REPORT (Continued)

7 Gifts and donations

The Company did not make any donations during the year.

8 Research and development

The Company did not carry out any research and development activities during the year.

9 Health and safety of employees

The Directors are aware of their responsibilities towards the health and safety of employees and have,

10 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,

SECRETARY

**LAKE ROAD PTA SCHOOL
FINANCIAL STATEMENTS**

for the year ended 31 December 2016

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.

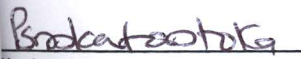
In accordance with the Education Act, we the Governors of Lake Road PTA School are of the opinion that:


- 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 2016;
- 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 2016;
- 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 26 were approved by the Board of Governors.


Chairperson


Treasurer

Date: 16/11/2017



REPORT OF THE INDEPENDENT AUDITORS

TO THE GOVERNORS OF LAKE ROAD PTA SCHOOL

Opinion

We have audited the financial statements of **Lake Road PTA School** ("the School"), which comprise the statement of financial position as at **31 December 2016**, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of **Lake Road PTA School** at **31 December 2016**, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act of Zambia.

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 Association in accordance with the International Ethics Standards Board for Accountants' *code of ethics for Professional Accountants* (IESBA Code) that are relevant to our audit of the financial statements and have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to Going Concern

We draw attention to the **note 20** in the financial statements which indicate that the School incurred a net deficit of **K1, 208,294** and a deficit in reserves of **K2, 473, 526** as at **31 December 2016**. Current liabilities exceeded current assets by **K3, 795,779**. This condition may cast significant doubt to the School's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the School was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Governors' Responsibilities

Governors are responsible for the preparation of the financial statements in accordance with the International Financial Reporting Standards (IFRSs), and for such internal control as the Governors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Plot 6392 Dunduza Chisidza Crescent Longacres, 2nd Floor Saturnia House, P.O Box 32232 Lusaka, Zambia

☎ Telephone: +260 211 294441. 📱 Mobile: +260 978 980558 ✉ E-mail: shuko@accamail.com shuko@hbl.co.zm Website: www.hlbi.com

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives 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.

Report on Other Legal and Regulatory Requirements


The Education Act of Zambia requires that in carrying out our audit we consider whether Road PTA School has kept proper accounting records, other records and registers as required by the Act.

In our opinion, the School has maintained proper accounting records, other records and registers as required by the Education Act of Zambia, so far as it appears from our examination of these records.

Opere

Partner

Signed by:
HLB Reliance



Shuko Ndhlovu FCCA, FZICA
Partner
ZICA Certificate No: AUD/F002917



SHUKO NDHLOVU
CMAA, FCCA, FZICA
COMMISSIONER FOR OATHS
HLB RELIANCE
P.O. BOX 32232, LUSAKA

Global in Reach, Local in Touch

Plot 6392 Dunduza Chisidza Crescent Longacres, 2nd Floor Saturnia House, P.O Box 32232 Lusaka, Zambia

☎ Telephone: +260 211 294441. 📱 Mobile: +260 978 980558 ✉ E-mail: shuko@accamail.com shuko@hbl.co.zm Website: www.hlbi.com

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LAKE ROAD PTA SCHOOL
 STATEMENT OF COMPREHENSIVE INCOME
 for the year ended 31 December 2016


	Notes	2016 K	2015 K
Revenue		13,379,483	13,370,975
Administrative expenses	Sch I	<u>(13,763,296)</u>	<u>(14,053,779)</u>
Gross deficit		(383,813)	(682,803)
Other Income	Sch I	8,243	5,282
Finance charges	Sch I	(56,752)	(47,559)
Depreciation	Sch I	(530,303)	(528,549)
Other operating expenses	Sch I	<u>(245,670)</u>	<u>(266,283)</u>
Operating deficit		<u>(1,208,294)</u>	<u>(1,519,913)</u>
Deficit for the year		<u><u>(1,208,294)</u></u>	<u><u>(1,519,913)</u></u>

LAKE ROAD PTA SCHOOL
 STATEMENT OF FINANCIAL POSITION
 As at 31 December 2016

		2016 K	2015 K
ASSETS			
Non - current assets			
Property, plant and equipment	5	8,795,859	9,301,877
		<u>8,795,859</u>	<u>9,301,877</u>
Current assets			
Inventories	6	250,902	500,116
Trade and other receivables	7	397,246	552,117
Cash and bank balances	8	569,573	23,610
		<u>1,217,721</u>	<u>1,075,843</u>
Total assets		<u><u>10,013,580</u></u>	<u><u>10,377,721</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Revaluation reserve		7,473,607	7,473,607
Accumulated deficit		<u>(2,473,526)</u>	<u>(535,019)</u>
		<u>5,000,081</u>	<u>6,938,588</u>
Non - current liabilities			
Finance lease	9	-	66,961
Employee liabilities	10	-	509,523
		<u>-</u>	<u>576,484</u>
Current liabilities			
Trade and other payables	11	4,784,317	2,277,101
Bank overdraft	12	229,183	585,548
		<u>5,013,500</u>	<u>2,862,649</u>
Total liabilities		<u>5,013,500</u>	<u>3,439,133</u>
Total equity and liabilities		<u><u>10,013,580</u></u>	<u><u>10,377,721</u></u>

The financial statements on pages 7 to 26 were approved by the Board of Governors on 16/1/2017 and were signed on its behalf by:-

Boalefontoka
 Chairperson


 Treasurer

LAKE ROAD PTA SCHOOL
 STATEMENT OF CHANGES IN NET ASSETS
 for the year ended 31 December 2016

	Revaluation reserves K	Revenue reserves K	Total K
At 1 January 2015	7,473,607	2,124,992	9,598,599
Deficit for the year	-	(1,519,913)	(1,519,913)
Restatement of revenue reserves	-	(1,140,098)	(1,140,098)
At 31 December 2015	7,473,607	(535,019)	6,938,588
Restatement of revenue reserves	-	(730,213)	(730,213)
Deficit for the year	-	(1,208,294)	(1,208,294)
At 31 December 2016	7,473,607	(2,473,526)	5,000,081

LAKE ROAD PTA SCHOOL
 STATEMENT OF CASH FLOWS
 for the year ended 31 December 2016

	Notes	2016 K	2015 K
Cash flow from operating activities			
Deficit for the year		(1,208,294)	(1,519,913)
Adjustments for:			
Depreciation	5	530,303	528,549
Prior year restatements		(730,213)	(1,140,098)
Adjustment for changes in working capital:			
Decrease in inventories	5	249,214	227,360
Decrease in trade and other receivables	7	154,871	1,889,366
(Decrease)/Increase in employee liabilities	10	(509,523)	38,289
Increase in trade and other payables	11	2,507,216	92,159
Net cash inflow from operating activities		993,574	115,713
Investing activities:			
Additions to property, plant and equipment	5	(24,285)	(136,802)
Revaluation on motor vehicles		-	(88,626)
		(24,285)	(225,428)
Financing activities:			
Net movement in finance lease		(66,961)	(65,040)
		(66,961)	(65,040)
Net increase/(decrease) in cash and cash equivalents		902,328	(174,755)
Cash and cash equivalents at the beginning of the year		(561,938)	(387,183)
Cash and cash equivalents at the end of the year		340,390	(561,938)
Cash and cash equivalents consist of:			
Cash and bank balances	8	569,573	23,610
Bank overdraft	12	(229,183)	(585,548)
Cash and bank balances		340,390	(561,938)

LAKE ROAD PTA SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

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. SUMMARY OF NEW AND REVISED IN ACCOUNTING POLICIES RELEVANT TO THE School

2.1 *New IFRSs and IFRICs adopted by the School during the year*

There were no IFRSs or IFRIC interpretations that are effective for the first time in the financial year that had a material impact on the School.

2.2 *New and revised IFRSs in issue that are not yet effective*

The following new and revised IFRSs were issue during the financial year but are not yet effective:

Title of IFRS	Brief overview of the changes	Impact on the School	Effective date
IFRS 9: Financial instruments	<p>IFRS 9 replaces the multiple classification and measurement models in IAS 39 <i>Financial instruments</i>: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.</p> <p>Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if:</p> <p><i>a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows; and</i></p> <p><i>b) the contractual cash flows under the instrument solely represent payments of principal and interest .</i></p> <p>All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.</p>	<p>The Governors are in the process of assessing the impact of the application of the new accounting standard, therefore it is not practicable to provide reasonable estimate of the impact of IFRS 9 on the financial statements of the School.</p>	1 January 2018

LAKE ROAD PTA SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

2.1 New IFRSs and IFRICs adopted by the School during the year

2.2 New and revised IFRSs in issue that are not yet effective (continued)

Title of IFRS	Brief overview of the changes	Impact on the School	Effective date
IFRS 9: Financial instruments (continued)	<p>The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.</p> <p>In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduce:</p> <ul style="list-style-type: none"> ▪ a third measurement category (FVOCI) for certain financial assets that are debt instruments ▪ a new expected credit loss (ECL) model which involves a three stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. 		

2. SUMMARY OF NEW AND REVISED IN ACCOUNTING POLICIES RELEVANT TO THE School (continued)

2.2 New and revised IFRSs in issue that are not yet effective (continued)

Title of IFRS	Brief overview of the changes	Impact on the School	Effective date
IFRS 15: Revenue Recognition	<p>IFRS 15 introduces new accounting rules for revenue recognition.</p> <p>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 satisfied and not when the risks and rewards of ownership of goods are transferred to the customer as required by IAS 18.</p> <p>The core principal of IFRS 15 is that it requires an Entity to recognise revenue to depict the transfer of 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. The standard also introduces a 5-step approach to revenue recognition:</p> <ul style="list-style-type: none"> ▪ 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. 	<p>The Governors are in the process of assessing the impact of the application of the new accounting standard, therefore it is not practicable to provide reasonable estimate of the effect of IFRS 15 until this detailed assessment is completed.</p>	1 January 2018

LAKE ROAD PTA SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

2. SUMMARY OF NEW AND REVISED IN ACCOUNTING POLICIES RELEVANT TO THE School (continued)

2.2 New and revised IFRSs in issue that are not yet effective (continued)

Name of IFRSs	Brief overview of the changes	Impact on the School	Effective date
IFRS 16: <i>Leases</i>	<p>IFRS 16 introduces a comprehensive model for identification and accounting for lease arrangements by both the lessors and lessees.</p> <p>IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by the customer, the standard removes the distinctions of operating lease (off balance sheet) and finance lease (on balance sheet) model and it is replaced with a model where the right of use of the asset and a corresponding liability are recognised for all leases except for short term low value leases.</p> <p>Right of use of the asset is initially measured at costs and subsequently measured at cost less accumulated depreciation and any impairment losses, adjusted for any remeasurement of the liability.</p>	<p>The requirement to recognise a right of use asset and a related lease liability is expected to have significant impact on amounts recognised in the financial statements. However it is not practicable to provide a reasonable estimate of the financial effect until the Governors complete their assessment.</p>	1 January 2019
Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12	<p>Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:</p> <ul style="list-style-type: none"> ▪ A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period. ▪ An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit. 	<p>The Governors do not anticipate that the application of these changes will have a material impact on the School's financial statements.</p>	1 January 2017

LAKE ROAD PTA SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

2. SUMMARY OF NEW AND REVISED IN ACCOUNTING POLICIES RELEVANT TO THE School (continued)

2.2 New and revised IFRSs in issue that are not yet effective (continued)

Name of IFRSs	Brief overview of the changes	Impact on the School	Effective date
Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (continued)	<ul style="list-style-type: none"> ▪ Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. 		

3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE SCHOOL

3.1 Basis of financial statements preparation

The financial statements of the School have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are measured at fair values. The financial statements are presented in Zambian Kwacha ("ZMW" or "K") rounded to the nearest kwacha. The financial statements were approved for issue by the Board of Governors.

The financial statements have been prepared on the going concern basis which assumes the School will continue in operational existence for the foreseeable future.

3.2 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable excluding of Value-Added Taxes (VAT) collected on behalf of the Government. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

a). Sale of goods

Revenue from the sale of goods is recognised when goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

b). Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the obligations in a contract to provide services.

LAKE ROAD PTA SCHOOL

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE SCHOOL (continued)

3.2 Revenue recognition (continued)

c). Interest income

Interest income from financial assets is recognised when it is paid to the School on a cash basis and not when it is earned on effective interest basis.

3.3 Foreign currencies

a). Functional and presentation currency translation

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

b). Transactions and balances

Transactions in foreign currencies during the year were converted into Zambian Kwacha at rates prevailing at transaction dates. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at the year end are recognised in profit or loss.

3.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and includes all expenditure incurred in bringing the inventories to their present location and condition. Net realisable value is the price at which inventory can be realised in the normal course of business and takes into account all directly related costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving and defective inventories.

3.5 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred. However, 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. The 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.

3.6 Income and deferred tax

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

3.7 Property, plant and equipment

Items of property, plant and equipment are measured at their carrying amounts which is the valuation of the assets less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment 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 end of each reporting period.

Items of property, plant and equipment are measured at their carrying amounts which is the valuation of the assets less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment 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 end of each reporting period.

for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE SCHOOL (continued)

3.7 Property, plant and equipment (continued)

Depreciation is charged so as to allocate the valuation of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property and equipment:

<i>Asset class</i>	<i>Percentage</i>
Buildings	4%
Leasehold properties	Nil
Motor vehicles	25%
Furniture & fittings	25%
Office equipment	25%

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

3.8 Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

3.9 Impairment of assets

At each reporting date, property and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.10 Leasing

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

Rights to assets held under finance leases are recognised as assets of the School at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

LAKE ROAD PTA SCHOOL

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE SCHOOL *(continued)*

3.10 Leasing

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

Rights to assets held under finance leases are recognised as assets of the School at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

3.11 Employee benefits—long-service payment

For employees on fixed term contracts, provision is made for end of contract gratuity on an accruals basis for the period in employment. Membership of the statutory National Pension Scheme ("NAPSA") is compulsory and monthly contributions by both employer and employees are made. The employer's contribution is accounted for in profit or loss as it arises.

3.12 Provisions

Provisions are recognised when the School has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the School expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset to one entity and a financial liability or equity instrument to another entity. The School recognises a financial instrument when it becomes a party to the provisions of the instrument.

a). Financial asset

The School classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and held-to-maturity. The Governors determine the classification of its financial assets at initial recognition.

(i). Financial assets at fair value through profit or loss

The School designates certain financial assets upon initial recognition at fair value through profit or loss (fair value option), when the entity makes an irrevocable election to recognise the financial assets at fair value or when the acquired principally for trading .

LAKE ROAD PTA SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE SCHOOL (continued)

3.13 *Financial instruments* (continued)

a). *Financial asset* (continued)

A financial asset may be recognised at fair value through profit or loss if:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise; or
- the financial assets are part of a portfolio of financial instruments on which risk is managed and reported to senior management on a fair value basis or
- the financial assets consist of debt host and an embedded derivatives that must be separated.

A financial asset may be recognised at fair value through profit or loss when it is held for trading if the following conditions are met:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is part of a portfolio of identified 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.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

(ii). *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the School intends to sell immediately or in the short term, which are classified as held for trading, and those that the School upon initial recognition designates as at fair value through profit or
- those that the School upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment because of credit deterioration.

Loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction costs and subsequently measured at amortised cost.

(iii). *Held to maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the School has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

b). *Impairment of financial statements*

The School assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets are impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

LAKE ROAD PTA SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE SCHOOL (continued)

3.13 *Financial instruments* (continued)

a). *Financial asset* (continued)

c). *Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired.
- The School has transferred substantially all the risks and rewards of the asset and/or has transferred control of the asset.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of comprehensive income.

On derecognition of a financial asset that is classified as FVTPL, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

d). *Financial liabilities and equity instruments*

(i). *Financial liabilities*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The School's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, amounts due to related parties and other derivative financial instruments.

▪ *Bank borrowings and overdrafts*

Interest bearing and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the terms of the borrowings in accordance with School's accounting policy for borrowing costs.

▪ *Trade payables*

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into Zambian Kwacha using the exchange rate at the reporting date. Foreign exchange gains or losses are included in net exchange gains (losses) reported in the statement of profit or loss.

▪ *Other financial liabilities*

Other financial liabilities 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.

LAKE ROAD PTA SCHOOL

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE SCHOOL *(continued)*

d). *Financial liabilities and equity instruments (continued)*

(ii). *Equity instruments*

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

e). *Derecognition of financial liabilities and equity instrument*

The School derecognises financial liabilities when, and only when, the School's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 *Key accounting estimates*

a). *Estimates of asset lives, residual values and depreciation methods*

The School reviewed the residual values, useful lives and carrying amount of its equipment and other moveable assets to determine the appropriate level of depreciation and whether there is any indication that those assets have suffered an impairment loss. The School judged a residual value of zero as a result of the fact that equipment and other moveable assets are not held for trading and are normally scrapped.

4.2 *Key Judgements in applying these accounting policies*

a). *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.

LAKE ROAD PTA SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 2016

5 Property, plant and equipment

	2016			2015		
	Cost / valuation K	Accumulated depreciation K	Carrying value K	Cost / valuation K	Accumulated depreciation K	Carrying value K
Buildings	9,444,188	(3,743,726)	5,700,462	9,444,188	(3,365,960)	6,078,228
Leasehold property	2,960,000	-	2,960,000	2,960,000	-	2,960,000
Motor vehicles	421,543	(375,657)	45,886	421,543	(312,521)	109,022
Furniture & fittings	742,672	(666,864)	75,808	730,777	(580,238)	150,540
Office equipment	972,343	(967,468)	4,875	965,843	(965,843)	-
Other equipment	11,340	(2,513)	8,828	5,450	(1,363)	4,088
Total assets	14,552,087	(5,756,227)	8,795,859	14,527,802	(5,225,924)	9,301,877

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

2015	Carrying value at beginning of year K	Additions K	Disposals/ Transfers K	Revaluation K	Depreciation write back K	Write back / depreciation K	Carrying value at end of year 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

2016	Carrying value at beginning of year K	Additions K	Disposal/ Transfers K	Revaluation K	Depreciation write back K	Write back / depreciation K	Carrying value at end of year K
Buildings	6,078,228	-	-	-	-	(377,766)	5,700,462
Leasehold property	2,960,000	-	-	-	-	-	2,960,000
Motor vehicles	109,022	-	-	-	-	(63,136)	45,886
Furniture & fitting:	150,540	11,895	-	-	-	(86,626)	75,808
Office equipment	-	6,500	-	-	-	(1,625)	4,875
Other equipment	4,088	5,890	-	-	-	(1,150)	8,828
Total assets	9,301,877	24,285	-	-	-	(530,303)	8,795,859

LAKE ROAD PTA SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

	2016 K	2015 K
6 Inventories		
Inventory	250,902	223,612
School books	-	136,239
Science equipment	-	114,037
Gowns	-	16,500
Teaching aids	-	9,728
	<u>250,902</u>	<u>500,116</u>
7 Trade and other receivables		
Trade receivables	151,540	1,097,400
Provision for bad debts	-	(780,636)
	<u>151,540</u>	<u>316,764</u>
Staff receivables	176,091	135,088
Prepayments & other receivables	69,615	100,265
	<u>397,246</u>	<u>552,117</u>
<i>Movement in trade and other receivables</i>		
Gross trade receivables during the year	1,171,192	1,097,400
Provision for bad debts during the year	-	(780,636)
Bad debts written off during the year	(1,019,652)	-
At end of year	<u>151,540</u>	<u>316,764</u>
8 Cash and bank balances		
SCB Management account - Standard Chartered Bank	568,085	18,722
Cash on hand	1,488	4,888
	<u>569,573</u>	<u>23,610</u>
9 Finance lease - Long term		
Opening balance	66,961	132,001
Transfer from current liabilities	64,853	51,139
Paid during the year	(46,754)	(51,326)
Transfer to current liabilities	(85,060)	(64,853)
Balance at 31 December	<u>-</u>	<u>66,961</u>
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.		
10 Employee liabilities		
Balance at the beginning of the year	509,523	471,234
Additions during the year	475,296	1,274,581
Less payable within 12 months (note 10)	(984,820)	(1,236,292)
	<u>-</u>	<u>509,523</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 2016

	2016 K	2015 K
11 Trade and other payables		
Statutory liabilities	1,614,839	447,420
Provision for penalties	1,336,390	143,487
Employee liabilities (note 9)	984,820	1,236,292
Other third party payables (note 18)	291,974	182,337
Trade payables	268,360	-
Student deposits	120,499	11,501
Transfer from long term liabilities (note 8) finance lease obligation	85,060	64,853
Tuition fees received in advance	41,847	115,340
Provisions & accruals	27,738	75,870
GRN Accrual Account	11,900	-
Other payables	891	-
	<u>4,784,317</u>	<u>2,277,101</u>
12 Bank overdraft		
Investrust bank	<u>229,183</u>	<u>585,548</u>
	<u>229,183</u>	<u>585,548</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>		
13 Taxation		
<p>The School is exempted from taxation under the Income Tax Act second schedule part III .</p>		
14 Capital commitments		
Approved and /or contracted by the Governors	<u>-</u>	<u>-</u>
15 Contingent liabilities		
<p>There were no known contingent liabilities during the year under review (2015: nil).</p>		
16 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>		
17 Surplus for the year		
<p>Deficit for the year is stated after charging: -</p>		
Accountancy fees	30,520	56,454
Audit fees	27,738	24,000
Depreciation	530,303	528,549
Interest expense	<u>56,752</u>	<u>47,559</u>
<p>and after crediting: -</p>		
Profit on disposal of property, plant and equipment	-	-
Interest received	<u>8,243</u>	<u>5,282</u>

LAKE ROAD PTA SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 2016

	2016	2015
	K	K

8 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 2016 was as follows:

Debt (i)	314,243	666,036
Cash and bank	569,573	23,610
Net debt	<u>(255,330)</u>	<u>642,426</u>
Total assets (ii)	<u>9,444,008</u>	<u>10,354,111</u>
Debt ratio	-3%	6%

(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	397,246	552,117
Cash and cash equivalents	569,573	23,610

Financial liabilities

Trade and other payables	4,784,317	2,277,101
Term borrowings	229,183	585,548

LAKE ROAD PTA SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

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.

19 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.

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 School recorded a loss of **K1,208,294** and has a deficit in reserves of **K2,473,526** and the financial position reflect the current liabilities exceeding the current assets by **K3,795,779**. The Continued existence of the School is dependant of future income streams and prudent cash flow management.

On the basis of cash flow information prepared by the Directors and after consultation with Governors, Management Considers that the School 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 is appropriate.

LAKE ROAD PTA SCHOOL
 NOTES TO THE STATEMENT OF COMPREHESIVE INCOME
 for the year ended 31 December 2016

Schedule I

		2016 K	2015 K
INCOME			
Tuition fees		12,685,205	12,741,991
Sale of uniforms		247,753	182,224
Sundry income		239,815	107,462
Enrolment fees		86,400	114,600
Examination centre fees		54,909	21,700
Building Fund		50,400	79,400
Assessment fees		15,000	21,700
Grant		-	101,898
		<u>13,379,483</u>	<u>13,370,975</u>
SCHOOL OPERATING EXPENSES			
Salaries and wages	Schedule II	8,658,158	9,192,577
School administration expenses	Schedule II	3,427,468	2,644,026
Education scholarships		942,625	1,215,485
Napsa		350,218	332,436
Leave pay		83,664	212,953
Telephone and postage		88,790	135,930
Electricity and water		74,309	36,363
Recovery Account		37,109	-
Accountancy fees		30,520	56,454
Toiletries		28,569	-
Audit fees		27,738	24,000
Insurance		9,128	33,014
Legal and professional fees		5,000	155,000
Discount allowed		-	15,540
		<u>13,763,296</u>	<u>14,053,779</u>
Finance Charges			
Finance charges		<u>56,752</u>	<u>47,559</u>
Other operating expenses			
Depreciation		530,303	528,549
Fuel and oils		77,461	110,408
Repairs and maintenance - land & buildings		72,248	41,806
Concert and related expenses		70,759	61,886
Motor vehicle expenses		25,202	52,183
		<u>775,973</u>	<u>794,832</u>
Other Income			
Interest income from bank		<u>8,243</u>	<u>5,282</u>
		<u>8,243</u>	<u>5,282</u>
Deficit for the year		<u><u>(1,208,294)</u></u>	<u><u>(1,519,913)</u></u>

LAKE ROAD PTA SCHOOL
 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME
 for the year ended 31 December 2016

Schedule II

	2016 K	2015 K
Salaries and wages		
Basic salary	4,168,914	4,070,569
Housing Allowance	2,823,597	2,760,442
Transport Allowance	982,269	1,031,393
Gratuity	495,115	1,198,457
Utility Allowances	73,885	63,274
Acting allowances	66,831	-
Other allowances	26,988	68,442
Settling in allowances	20,560	-
	8,658,158	9,192,577
School administration expenses		
Provision for penalties	1,305,469	-
General administration expenses	357,659	675,842
Discount Allowed	291,777	-
Teaching Materials	291,374	-
Printing and stationery	260,885	350,637
Bad debts written off	239,016	-
Group life assurance	144,065	101,177
Staff welfare and medical fees	130,802	151,857
Examination expenses	71,281	-
Security charges	48,510	95,654
Software license	37,810	35,964
Sports expenses	35,681	82,140
Workers compensation	34,830	110,582
Cleaning expenses	29,209	38,126
Collective Bargaining	27,240	-
Funeral grant	22,100	28,470
Other school expenses	19,012	-
Bank Charges	14,306	105,926
Advertising and promotions	13,528	10,848
Annual subscriptions and professional fees	12,676	24,119
Protective clothing	7,061	-
CPD - Secondary	6,650	-
Open Day Expenses	6,525	-
Refreshments and beverages	6,424	44,146
Fairs & Exhibitions	4,720	-
School Services	4,390	-
First aid materials	3,818	7,900
CPD - Primary	650	-
Bad debts provision	-	780,636
	3,427,468	2,644,026

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Shuko Ndhlovu FCCA, CMIIA, FZICA
HLB Reliance
Plot 6392 Dunduza Chisidza Road
Longacres Lusaka
Tel: 0955 336060
Cel: 097 8980558

Plot 6392 Dunduza Chisidza Road
2nd Floor Saturnia House, Longacres
P.O Box 32232
LUSAKA, Zambia

☎ Mobile 1: +260 955 336060/ +260 955 336061

☎ Landline 1: +260 211 294441

✉ Email: shuko@accamail.com / shuko@hlb.co.zm

Web: www.hlbi.com

Local Expertise. Global Knowledge.

Directors: Shuko Ndhlovu FCCA, FZICA
Masuzyo Mulenga ACCA, AZICA
Jonathan Mwale ACCA, FZICA



HLB Zambia

Chartered Accountants

2nd Floor Saturnia House,
Dunduza Chisidza Crescent,
Longacres, Lusaka

T: +260 955 336 061

F: +260 955 336 060

E: shuko@hlb.co.zm

W: www.hlbi.com