

**LAKE ROAD PTA SCHOOL**  
**REPORT AND FINANCIAL STATEMENTS**  
For the year ended 31 December 2019

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**LAKE ROAD PTA SCHOOL**  
**FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

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**LAKE ROAD PTA SCHOOL  
FINANCIAL STATEMENTS**

for the year ended 31 December 2019

<b>Country of registration</b>	Zambia	
<b>Date of registration</b>	10 February 1994	
<b>Nature of business</b>	Provision of education	
<b>Governors</b>	Mrs. Peggy Katontoka Mr. Milimo Mainza Mrs. Andrew Minja Mrs. Mutumu Mwape Mr. Fredrick Mwalusaka Mrs. Mercedes Mwansa Mr. Andrew Chaziya Dr. Joseph Chileshe Ministry of General Education	Chairperson Vice Chairperson Treasurer & Finance Secretary Member Member Member Member Ex-official/DEBS office
<b>Registered office</b>	Stand No 9004/9062 Lake Road Lusaka, Zambia	
<b>Postal address</b>	P.O Box 320042 Lusaka	
<b>Bankers</b>	Investrust Bank Plc Zanaco Bank	
<b>Auditors</b>	HLB Zambia 2nd Floor Saturnia House, Plot 6392 Dunduza Chisidza Crescent, Longacres Lusaka	
<b>Secretary</b>	Mrs. Mutumu Mwape	



**LAKE ROAD PTA SCHOOL**  
**REPORT OF THE BOARD OF GOVERNORS**  
for the year ended 31 December 2019

The Board of Governors present their report and the financial statements of Lake Road PTA School for the year ended 31 December 2019.

**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.

	2019	2018
	K	K
<b>2 Financial results</b>		
The results for the year were:		
Revenue	18,406,955	16,305,440
Surplus/(Deficit) for the year	830,321	(295,052)

**3 Property, plant and equipment**

During the year, the school acquired property, plant and equipment valued at **K135,586** (2018: K271,051). During the year, the school engaged an expert to review the physical conditions of its property, plant and equipment. This resulted into a revaluation of **K22,713,122**(2018: nil) . There were no disposals during the year (2018: K53,000).

**4 Number of employees**

The number of salaried staff during the year was **91** (2018: 91) and their gross remuneration was **K11,173,419** (2018: K10,874,553).

**5 Board of Governors**

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

Mrs. Peggy Katontoka	Chairperson
Mr. Milimo Mainza	Vice Chairperson
Mrs. Andrew Minja	Treasurer & Finance
Mrs. Mutumu Mwape	Secretary
Mr. Fredrick Mwalusaka	Member
Mrs. Mercedes Mwansa	Member
Mr. Andrew Chaziya	Member
Ministry of General Education	Ex-official/DEBS office

The Governors remuneration for the year was K 102,188.00

**6 Gifts and donations**

The School did not make any donations during the year.

**7 Research and development**

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

**8 Health and safety of employees**

The Governors are aware of their responsibilities towards the health and safety of employees and have, accordingly, put appropriate measures in place to safeguard the health and safety of employees.

**9 Events subsequent to the year end**

On March 19 2020, the World Health Organisation announced that Covid-19 was a global pandemic. As explained in note 20, Subsequent events, measures taken by the government of Zambia to contain the virus have negatively affected the school's business in year 2020.

On 17 March 2020, the Zambian government announced that all schools, colleges and universities would be pre-maturely closed on Friday 20 March 2020 in order to combat the spread of the COVID-19 pandemic. Whilst uncertain, we do not believe, however, that the impact of the COVID-19 virus would have a material adverse effect on our financial condition or liquidity.

**10 Going concern**

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

**11 Auditors**

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

By order of the Board,



SECRETARY

Date: 24/11/2020.

**LAKE ROAD PTA SCHOOL  
FINANCIAL STATEMENTS**

for the year ended 31 December 2019

**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 2019;
- b) the statement of comprehensive income is drawn up so as to give a true and fair view of the deficit of the School for the year ended 31 December 2019;
- 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 8 to 30 were approved by the Board of Governors.

Brookletambika

Chairperson

Date: 04/11/2020



Treasurer



## 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 2019**, 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 2019**, 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 Education Act 1997, as amended.

#### 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 School 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.

#### Responsibility of the Governors

The 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 School's financial reporting process.

#### 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.

## THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

2<sup>nd</sup> Floor Saturnia House, Plot 6392 Dunduza Chisidza Crescent, Longacres, Lusaka, Zambia.  
☎ Telephone: +260 955 336061. 📱 Mobile: +260 955 336060 ✉ E-mail: [info@hlb.co.zm](mailto:info@hlb.co.zm) Website: <http://www.hlb.com>

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### Overview of the scope of the audit

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal accounting controls.
- Evaluate the completeness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Governors.
- Conclude on the appropriateness of the Governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the School's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the School to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Governors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal accounting controls that we identify during our audit.

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

## THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

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**Report on Other Legal Requirements**

The Education Act of Zambia requires that in carrying out our audit we consider whether Lake 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.

Signed by:  
HLB Zambia



Masuzyo Mulenga FCCA, FZICA  
Partner  
ZICA Certificate No: AUD/F008662

Date:



**THE GLOBAL ADVISORY AND ACCOUNTING NETWORK**

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LAKE ROAD PTA SCHOOL  
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 for the year ended 31 December 2019

	Notes	2019 K	2018 K
Revenue		18,406,955	16,305,440
Administrative expenses	Sch I	<u>(16,699,714)</u>	<u>(15,692,632)</u>
<b>Gross profit</b>		1,707,241	612,808
Other Income	Sch I	107,182	17,215
Depreciation	Sch I	(81,044)	(448,856)
Other operating expenses	Sch I	<u>(903,058)</u>	<u>(476,220)</u>
<b>Profit/(loss) for the year</b>		<u>830,321</u>	<u>(295,052)</u>
Other comprehensive gains and losses		-	-
<b>Total comprehensive profit/(loss) for the year</b>		<u><u>830,321</u></u>	<u><u>(295,052)</u></u>

LAKE ROAD PTA SCHOOL  
 STATEMENT OF FINANCIAL POSITION  
 As at 31 December 2019

		2019 K	2018 K
<b>ASSETS</b>			
<b>Non - current assets</b>			
Property, plant and equipment	5	30,901,486	8,138,307
<b>Current assets</b>			
Inventories	6	511,440	378,727
Trade and other receivables	7	664,524	51,169
Cash and cash equivalents	8	611,592	67,683
		<u>1,787,556</u>	<u>497,578</u>
<b>Total assets</b>		<u><u>32,689,042</u></u>	<u><u>8,635,885</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Revaluation reserve		30,185,897	7,473,607
Accumulated Funds		(1,686,116)	(3,570,884)
		<u>28,499,781</u>	<u>3,902,723</u>
<b>Non - current liabilities</b>			
Employee liabilities	10	-	781,710
<b>Current liabilities</b>			
Trade and other payables	11	4,189,261	3,951,452
<b>Total liabilities</b>		<u>4,189,261</u>	<u>4,733,162</u>
<b>Total equity and liabilities</b>		<u><u>32,689,042</u></u>	<u><u>8,635,885</u></u>

The financial statements on pages 8 to 30 were approved by the Board of Governors on \_\_\_\_\_ 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 2019

	Note	Revaluation reserves K	Accumulated Fund K	Total K
<b>At 1 January 2018</b>		7,473,607	(2,449,446)	5,024,161
Deficit for the year		-	(295,052)	(295,052)
Restatement of revenue reserves		-	(826,385)	(826,385)
<b>At 31 December 2018</b>		<u>7,473,607</u>	<u>(3,570,884)</u>	<u>3,902,723</u>
Revaluation reserves	5	22,712,290	-	22,712,290
Restatement of revenue reserves		-	1,054,447	1,054,447
Surplus for the year		-	830,321	830,321
<b>At 31 December 2019</b>		<u><u>30,185,897</u></u>	<u><u>(1,686,116)</u></u>	<u><u>28,499,781</u></u>

LAKE ROAD PTA SCHOOL  
STATEMENT OF CASH FLOWS  
for the year ended 31 December 2019

	Notes	2019 K	2018 K
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		830,321	(295,052)
<b>Items not involving movement of funds:</b>			
Depreciation	5	81,044	448,856
Prior year restatements		1,707,435	(826,385)
<b>Operating cashflows before movement in working capital</b>		<u>2,618,800</u>	<u>(672,581)</u>
<b>Movements in working capital:</b>			
(Increase) in inventories	6	(132,714)	(202,683)
(Increase)/Decrease in trade and other receivables	7	(613,355)	507,019
(Decrease)/Increase in employee liabilities	10	(777,226)	781,710
Decrease in trade and other payables	11	237,809	(173,685)
<b>Net cash (used in)/ generated from operations</b>		<u>(1,939,305)</u>	<u>912,362</u>
<b>Investing activities:</b>			
Additions to property, plant and equipment	5	(135,586)	(271,051)
<b>Net cash (used in) investing activities</b>		<u>(135,586)</u>	<u>(271,051)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>543,908</b>	<b>(31,271)</b>
Cash and cash equivalents at the beginning of the year		67,683	98,954
Cash and cash equivalents at the end of the year		<u>611,592</u>	<u>67,683</u>
<b>Cash and cash equivalents consist of:</b>			
Cash and bank balances	8	<u>611,592</u>	<u>67,683</u>

**LAKE ROAD PTA SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

**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 ACCOUNTING POLICIES RELEVANT TO Lake Road PTA School**

**2.1 New and amended standards and interpretations**

Lake Road PTA School applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. The nature and effect of the changes as a result of adoption of the new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of Lake Road PTA School. Lake Road PTA School has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

**2.1.1 IFRS 16 Leases**

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

Lake Road PTA School applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

The details of the changes in accounting policies are disclosed in the table below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

<i>Classification under IAS 17</i>	<i>Right-of-use assets</i>	<i>Lease liabilities</i>
Operating leases that meet the definition of investment property in IAS 40.	Fair value as at 1 January 2019.	Measured at the present value of the remaining lease payments, discounted using Lake Road PTA School's incremental borrowing rate as at 1 January 2019. Lake Road PTA School's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions.
All other operating leases	Office space: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.  All other: the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.	
Finance leases	Measured based on the carrying values for the lease assets and liabilities immediately before the date of initial application (i.e. carrying values brought forward, unadjusted).	

**LAKE ROAD PTA SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*  
for the year ended 31 December 2019

**2. SUMMARY OF NEW AND REVISED ACCOUNTING POLICIES RELEVANT TO Lake Road PTA School**

**2.1 New and amended standards and interpretations** *(continued)*

**2.1.2 Amendments to IFRS 9 Prepayment Features with Negative Compensation**

Lake Road PTA School has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the ‘solely payments of principal and interest’ (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

**2.1.3 Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement**

Lake Road PTA School has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. Lake Road PTA School will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

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

At the date of authorisation of these financial statements, Lake Road PTA School has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Title of IFRS	Brief overview of the changes	Effective date
IFRS 17: Insurance Contracts	<p>IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.</p> <p>IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.</p>	1 January 2021

**LAKE ROAD PTA SCHOOL****NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

for the year ended 31 December 2019

**2. SUMMARY OF NEW AND REVISED ACCOUNTING POLICIES RELEVANT TO Lake Road PTA School****2.2 New and revised IFRSs in issue that are not yet effective** *(continued)*

Title of IFRS	Brief overview of the changes	Effective date
Amendments to IAS 1 and IAS 8 Definition of material	<p>The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition.</p> <p>The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.</p> <p>The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term ‘material’ to ensure consistency.</p>	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	<p>Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.</p> <p>Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.</p>	1 January 2020

**3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY Lake Road PTA School****3.1 Basis of financial statements preparation**

The financial statements of Lake Road PTA 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.



### 3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY Lake Road PTA School (CONTINUED)

#### 3.2 *Revenue recognition (continued)*

The financial statements have been prepared on the going concern basis which assumes Lake Road PTA 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*

- 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.

##### 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 *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.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

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 period in which they are incurred.

### 3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY Lake Road PTA School (CONTINUED)

#### 3.4 Provisions

Provisions are recognised when the School has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### 3.5 Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Lake Road PTA School at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

#### 3.7 Income and deferred tax

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

#### 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.

#### 3.8 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.

## LAKE ROAD PTA SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

#### 3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY Lake Road PTA School (continued)

##### 3.8 Property, plant and equipment

Items of property & equipment held for use in the production or supply of goods or services for rental to others (excluding investment properties), or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

Depreciation on revalued buildings is recognised in profit or loss. 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.

Freehold land is not depreciated. Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

##### 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 School of related assets) is estimated and compared with its carrying amount. If 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.

##### 3.10 Leases

At inception of a contract, Lake Road PTA School assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Lake Road PTA School uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

**3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY Lake Road PTA School (continued)**

**3.10 Leases (continued)**

Lake Road PTA School applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Lake Road PTA School recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**i). Right-of-use assets**

Lake Road PTA School recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to Lake Road PTA School by the end of the lease term or the cost of the right-of-use asset reflects that Lake Road PTA School will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

**ii). Lease liabilities**

At the commencement date of the lease, Lake Road PTA School recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by Lake Road PTA School and payments of penalties for terminating the lease, if the lease term reflects Lake Road PTA School exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, Lake Road PTA School uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**iii). Short-term leases and leases of low-value assets**

Lake Road PTA School applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

**3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY Lake Road PTA School (continued)**

**3.11 Employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Lake Road PTA School recognises termination benefits at the earlier of: (a) when Lake Road PTA School can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Lake Road PTA School also contributes to the National Pension Scheme ("NAPSA") for its eligible employees as provided by Law. 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 the statement of profit or loss as it arises.

**3.12 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Trade receivables and debt securities issued are initially recognised when they are originated, all other financial assets and financial liabilities are recognised in Lake Road PTA School's statement of financial position when Lake Road PTA School becomes a party to the contractual provisions of the financial instrument.

**a) Financial asset**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

For the purposes of subsequent measurement, the financial assets are classified in four

- Amortised cost – debt instruments
- Fair Value through Other Comprehensive Income (FVOCI) with recycling of cumulative gains and losses – debt instruments
- Fair Value Through Profit or Loss (FVTPL)

**(i) Amortised cost**

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

### 3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY Lake Road PTA School (continued)

#### 3.12 Financial instruments

##### a) Financial asset

###### (i) Amortised cost

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Lake Road PTA School's financial assets at amortised cost includes trade receivables, loans and advances receivable, loans to an associate and loan to a director included under other non-current financial assets.

###### (ii) Fair value through other comprehensive income (FVOCI)

Lake Road PTA School measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

###### (iii) Fair value through profit or loss (FVTPL)

Lake Road PTA School may make the following irrevocable election at initial recognition of a financial asset:

- present subsequent changes in fair value of an equity investment in other comprehensive income if it is not held for trading. A financial asset is held for trading if:
  - i). it has been acquired principally for the purpose of selling it in the near term; or
  - ii). on initial recognition it is part of a portfolio of identified financial instruments that Lake Road
  - iii). it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
- designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless Lake Road PTA School designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see above) are classified as at FVTPL

## LAKE ROAD PTA SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2019

#### 3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY Lake Road PTA School *(continued)*

##### 3.12 *Financial instruments*

###### *b) Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of Lake Road PTA School of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired.
- Lake Road PTA 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 profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which Lake Road PTA School has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

###### *c) Impairment of financial assets*

Lake Road PTA School recognises a loss allowance for Expected Credit Losses (ECLs) on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lake Road PTA School measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECL for trade receivables, contract assets and lease receivables are estimated using a provision matrix based on Lake Road PTA School's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, Lake Road PTA School considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Lake Road PTA School's historical experience and informed credit assessment and including forward-looking information.

### 3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY Lake Road PTA School (continued)

#### 3.12 Financial instruments

##### c) Impairment of financial assets (continued)

Lake Road PTA School assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. Lake Road PTA School considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to Lake Road PTA School in full, without recourse by Lake Road PTA School to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lake Road PTA School considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

##### *Credit impaired financial assets*

At each reporting date, Lake Road PTA School assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance that Lake Road PTA School would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

##### *Write off policy*

Lake Road PTA School writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Lake Road PTA School's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

##### *Measurement of Expected Credit Losses*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Lake Road PTA School expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

If Lake Road PTA School has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, Lake Road PTA School measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.



## LAKE ROAD PTA SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2019

#### 3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY Lake Road PTA School *(continued)*

##### 3.12 *Financial instruments*

###### *c) Impairment of financial assets*

Lake Road PTA School recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

###### *d) Financial liabilities*

###### *Initial recognition and measurement*

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.

Lake Road PTA School's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

###### *Subsequent measurement*

The subsequent measurement of the financial liabilities depends on their classification as described below:

- *Fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by Lake Road PTA School that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Lake Road PTA School has not designated any financial liability as at fair value through profit or loss.

- *Loans and borrowings*

This is the category most relevant to Lake Road PTA School. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the Effective Interest Rate (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

- *Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to do so.

**3. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY Lake Road PTA School (continued)**

**3.12 Financial instruments**

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

Lake Road PTA School derecognizes financial liabilities when, and only when, Lake Road PTA School's obligations are discharged, cancelled or they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**4. KEY ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of Lake Road PTA School's financial statements requires the Board of Governors to make judgements, estimates and assumptions that affect the reported amounts and the accompanying 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. KEY ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of Lake Road PTA School's financial statements requires the Board of Governors to make judgements, estimates and assumptions that affect the reported amounts and the accompanying 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**

Lake Road PTA 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. Lake Road PTA 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.

**b). Taxation**

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.

**c). Calculation of expected credit loss allowance**

When measuring ECL Lake Road PTA School uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Lake Road PTA School uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

**4.1 Key accounting estimates**

**c). Calculation of expected credit loss allowance (continued)**

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. Lake Road PTA School's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

LAKE ROAD PTA SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019

5 Property, plant and equipment

	2019			2018		
	Cost / valuation K	Accumulated depreciation K	Carrying value K	Cost / valuation K	Accumulated depreciation K	Carrying value K
Buildings	25,920,800	(4,501,358)	21,419,442	9,486,303	(4,496,457)	4,989,846
Leasehold property	8,880,000	-	8,880,000	2,960,000	-	2,960,000
Motor vehicles	747,968	(368,543)	379,425	368,543	(368,543)	-
Furniture & fittings	813,569	(779,203)	34,366	813,569	(762,020)	51,549
Office equipment	1,118,476	(1,036,620)	81,856	1,096,908	(1,000,457)	96,451
Other fixed assets	142,507	(36,110)	106,398	60,204	(19,743)	40,461
<b>Total assets</b>	<b>37,623,319</b>	<b>(6,721,834)</b>	<b>30,901,486</b>	<b>14,785,527</b>	<b>(6,647,221)</b>	<b>8,138,307</b>

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

	2019		Disposal/ Transfers K	Revaluation K	Depreciation write back K	Write back / depreciation K	Carrying value at end of year K
	Carrying value at beginning of year K	Additions K					
Buildings	4,989,846	20,800	-	16,412,865	(4,069)	-	21,419,442
Leasehold property	2,960,000	-	-	5,920,000	-	-	8,880,000
Motor vehicles	-	-	-	379,425	-	-	379,425
Furniture & fittings	51,549	-	-	-	-	(17,183)	34,366
Office equipment	96,451	29,058	-	-	-	(43,653)	81,856
Other fixed assets	40,461	85,728	-	-	-	(19,791)	106,398
<b>Total assets</b>	<b>8,138,307</b>	<b>135,586</b>	<b>-</b>	<b>22,712,290</b>	<b>(4,069)</b>	<b>(80,628)</b>	<b>30,901,486</b>

  

	2018		Disposal/ Transfers K	Revaluation K	Depreciation write back K	Write back / depreciation K	Carrying value at end of year K
	Carrying value at beginning of year K	Additions K					
Buildings	5,322,696	42,115	-	-	-	(374,966)	4,989,846
Leasehold property	2,960,000	-	-	-	-	-	2,960,000
Motor vehicles	-	-	(53,000)	-	53,000	-	-
Furniture & fittings	-	70,897	-	-	-	(19,348)	51,549
Office equipment	25,737	109,175	-	-	-	(38,461)	96,451
Other fixed assets	7,678	48,864	-	-	-	(16,081)	40,461
<b>Total assets</b>	<b>8,316,111</b>	<b>271,051</b>	<b>(53,000)</b>	<b>-</b>	<b>53,000</b>	<b>(448,856)</b>	<b>8,138,307</b>

LAKE ROAD PTA SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2019

	2019 K	2018 K
<b>6 Inventories</b>		
Inventory	511,440	378,727
<b>7 Trade and other receivables</b>		
Gross fee receivables	768,324	-
Provision for bad debts	(150,647)	-
Net fee receivables	617,676	-
Staff receivables	26,778	41,248
Prepayments & other receivables	20,070	9,921
	664,524	51,169
<i>Movement in the provision for doubtful debts</i>		
At beginning of year	664,524	-
Provision for bad debts during the year	(150,647)	-
Bad debts written off during the year	-	-
At end of year	(150,647)	-
<b>8 Cash and bank balances</b>		
Cash at bank	610,112	57,360
Cash on hand	1,480	10,323
	611,592	67,683
<b>9 Finance lease - Long term</b>	-	-
<b>10 Employee liabilities</b>		
Balance at the beginning of the year	1,406,578	1,406,578
Charge for the year	483,165	1,421,611
Payments during the year	(1,260,391)	(639,901)
Less payable within 12 months (note 11)	(1,406,578)	(1,406,578)
	(777,226)	781,710
Balance at the end of the year	1,075,653	1,406,578

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 2019

	2019	2018
	K	K
<b>11 Trade and other payables</b>		
Employee liabilities (note 10)	1,075,653	1,406,578
Provision for penalties	1,096,929	1,713,969
Trade receivables with credit balances	1,078,685	-
Statutory liabilities	497,075	378,488
Provision for bad debts	150,647	-
Trade payables	16,983	156,887
Other third party payables	145,385	97,745
GRN Accrual Account	45,360	45,360
Tuition fees received in advance	-	36,026
Other payables	72,267	106,156
Provisions & accruals	10,277	10,244
	<u>4,189,261</u>	<u>3,951,453</u>

**12 Taxation**

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

**13 Capital commitments**

There were no capital commitments as at 31 December 2019 (2018: nil).

**14 Contingent liabilities**

There were no known contingent liabilities during the year under review (2018: nil).

**15 Gross revenue**

Gross revenue comprises turnover, which excludes Value Added Tax and represents the invoiced value of tuition fees, enrolment fees and assessment fees.

**16 Surplus for the year**

Deficit for the year is stated after charging: -

Depreciation	81,044	448,856
Audit fees	45,886	45,886
Accountancy fees	-	152,557
Interest expense	-	-
	<u>                    </u>	<u>                    </u>
and after crediting: -		
Profit on disposal of property, plant and equipment	-	-
Interest received	107,182	17,215
	<u>                    </u>	<u>                    </u>

**LAKE ROAD PTA SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

2019  
K

2018  
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 2019 was as follows:

Debt (i)	4,189,261	4,733,162
Cash and bank	(611,592)	(67,683)
Net debt	4,800,853	4,800,845
Total assets (ii)	32,689,042	8,568,202
	15%	56%

**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 13 to 25 together with other accounting policies.

**Classification of financial instruments**

**Financial assets**

Receivables	664,524	51,169
Cash and cash equivalents	611,592	67,683

**Financial liabilities**

Trade and other payables	4,189,261	3,951,453
Term borrowings	-	-

### 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 Staff credit facilities

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 Going concern

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

On the basis of cash flow information prepared by the Governors and after consultation with Management, it is considered that the School will continue to operate for the foreseeable future within the available financial resources. Accordingly, the Governors are of the opinion that the preparation of these financial statements on the going concern is appropriate.

### 20 Subsequent events

On 17 March 2020, the Zambian government announced that schools, colleges and universities would be pre-maturely closed on Friday the 29th of March 2020 in order to combat the spread of the COVID-19 pandemic. The closure of the school will not have a material adverse effect on revenue and cash flow. There is uncertainty as to when the Schools will be allowed to re-open and as such, the School is likely to experience reduced payment on tuition fees, a significant increase in receivables from unpaid tuition fees and may be unable to recover these receivables.



**LAKE ROAD PTA SCHOOL**  
**NOTES TO THE STATEMENT OF COMPREHESIVE INCOME**  
for the year ended 31 December 2019

		2019	2018
		K	K
<b>INCOME</b>			
Tuition fees		15,674,100	13,949,732
Sundry income		1,586,984	1,630,895
Sale of uniforms		831,071	406,220
Enrolment fees		151,600	128,800
Examination centre fees		77,900	92,243
Building Fund		74,000	78,250
Assessment fees		11,300	19,300
		<u>18,406,955</u>	<u>16,305,440</u>
<b>SCHOOL OPERATING EXPENSES</b>			
Salaries and wages	Schedule II	11,173,419	10,874,553
School administration expenses	Schedule II	3,016,314	2,497,648
Education scholarships		988,075	896,216
Napsa		415,261	356,313
Pension - employer		354,447	134,211
Cafeteria		322,235	318,274
Telephone and postage		186,006	173,055
Electricity and water		181,645	122,546
Accountancy fees		45,886	152,557
Legal and professional fees		-	69,070
Insurance		13,041	33,592
Toiletries		3,388	25,147
		<u>16,699,714</u>	<u>15,692,632</u>
<b>Finance Charges</b>			
Finance charges		-	-
<b>Other operating expenses</b>			
Concert and related expenses		560,371	61,730
Fuel and oils		149,229	154,210
Repairs and maintenance - land & buildings		124,878	191,221
Depreciation		81,044	448,856
Motor vehicle expenses		68,580	69,059
		<u>984,101</u>	<u>925,075</u>
<b>Other Income</b>			
Interest on investment		106,087	-
Interest income from bank		1,095	17,215
		<u>107,182</u>	<u>17,215</u>
Surplus/(Deficit) for the year		<u><u>830,321</u></u>	<u><u>(295,052)</u></u>

This schedule is supplementary to the audited financial statements

LAKE ROAD PTA SCHOOL  
 NOTES TO THE STATEMENT OF COMPREHESIVE INCOME  
 for the year ended 31 December 2019

	2019	2018
		K
<b>Salaries and wages</b>		
Basic salary	5,008,954	4,575,249
Housing Allowance	3,248,976	3,085,096
Gratuity	1,405,313	1,743,048
Transport Allowance	1,022,768	960,250
Leave pay	276,584	295,307
Utility Allowances	151,110	155,527
Settling in allowances	19,585	30,711
Other allowances	27,860	13,440
Acting allowances	12,268	15,925
	<u>11,173,419</u>	<u>10,874,553</u>
<b>School administration expenses</b>		
General administration expenses	1,280,791	559,922
Discount Allowed	379,763	392,583
Printing and stationery	268,005	432,973
Staff welfare and medical fees	182,500	198,923
Cleaning expenses	150,870	88,938
Bad debts written off	150,647	-
Group life assurance	124,681	102,266
Examination expenses	94,165	183,397
Security charges	86,400	86,400
Sports expenses	71,846	168,747
Software license	48,373	28,561
Workers compensation	35,640	40,541
Annual subscriptions and professional fees	25,301	43,500
Bank Charges	24,488	43,142
Holiday tuition expenses	22,770	-
Collective Bargaining	22,590	17,064
Funeral grant	12,540	28,150
Open Day Expenses	12,450	12,825
Teaching Materials	6,980	9,170
CPD - Administration	6,300	3,400
Fairs & Exhibitions	5,615	9,040
Advertising and promotions	3,600	16,796
CPD - Secondary	-	22,795
Refreshments and beverages	-	5,267
CPD - Primary	-	3,250
	<u>3,016,314</u>	<u>2,497,648</u>

This schedule is supplementary to the audited financial statements

The logo features the letters 'HLB' in a bold, white, sans-serif font, enclosed within a white circular border. To the right of this circle, the word 'ZAMBIA' is written in a larger, bold, white, sans-serif font. The background of the entire page is a dark blue gradient with a network of glowing yellow nodes connected by thin white lines, and a close-up of a hand with fingers slightly curled, appearing to interact with the network.

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