



## ZAMBIA CREDIT GUARANTEE SCHEME LIMITED

# ANNUAL REPORT

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**Financial Statements**

31<sup>st</sup> December, 2021.



**Plot 35 Corner Of Bishops and Roan Road  
Kabulonga, Lusaka  
Phone:+260211238518/ +260211238504  
Email: [info@zcg.co.zm](mailto:info@zcg.co.zm)**

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## List of Acronyms

- **ZCGS** – Zambia Credit Guarantee Scheme
- **MSMEs** – Micro, Small and Medium Enterprises
- **ZICB** – Zambia Industrial Commercial Bank
- **ZDA** – Zambia Development Agency
- **ZANACO** – Zambia National Commercial Bank
- **UNDP** – United Nations Development Programme
- **GIZ** – Deutsche Gesellschaft für Internationale Zusammenarbeit
- **ZCCM-IH** – ZCCM Investments Holdings
- **MDD** – Management Development Division
- **ERP** – Enterprise Resource Planning
- **NAPSA** – National Pension Scheme Authority
- **IFRS** – International Financial Reporting Standards
- **IASB** – International Accounting Standards Board
- **IAS** – International Accounting Standards
- **IFRIC** – IFRS Interpretations Committee
- **WHT** – Withholding Tax
- **ISAs** – International Standards on Auditing
- **IESBA** – International Ethics Standards Board for Accountants
- **CGU** – Cash Generating Unit
- **PFI**s – Participating Financial Institutions
- **ICT** – Information and Communication Technology
- **NPLs** – Non-Performing Loans

## BOARD CHAIRMAN'S STATEMENT



It is an honour for me to present the Annual Report containing the Audited Financial Statements for the year 2021.

The mandate of ZCGS is to facilitate for access to affordable finance for Micro, Small and Medium Enterprises (MSMEs) so that they can contribute to economic development through employment creation and poverty alleviation.

Access to finance for MSMEs continues to be a major challenge faced by MSMEs as financial institutions are still reluctant to lend to them given their lack of collateral as well as poor repayment history. Therefore, ZCGS continues to implement policies aimed at reducing the bottlenecks faced by MSMEs in their quest to access credit.

2021 was a significant year in which the first guarantees were issued to Zambia Industrial Commercial Bank (ZICB). Further, the Scheme continued to implement strategic objectives laid down in the 2020-2024 Strategic Plan. Given the support that the Scheme received in 2021, it is envisaged that 2022 will provide more opportunities that will increase its coverage in order to reach more beneficiaries across the country.

I extend my sincere appreciation to the Shareholders for their guidance, the Board of Directors of ZCGS for their strategic leadership, and the dedicated staff for their unwavering commitment to advancing the Scheme. I am also deeply grateful to all financial institutions and strategic partners for their invaluable support during the Scheme's inception.

A handwritten signature in black ink, appearing to read 'Masautso E. Nyathando', written over a dotted line.

**DR. MASAUTSO.E. NYATHANDO**

**BOARD CHAIRMAN**

## CHIEF EXECUTIVE OFFICER'S REMARKS



The year 2021 was a defining period for the Zambia Credit Guarantee Scheme as we made significant strides in fulfilling our mandate of enhancing access to finance for MSMEs through partial credit guarantees. The Scheme issued its first guarantees to Zambia Industrial Commercial Bank (ZICB) for 18 loans valued at K10,306,000.

In 2021, the economy grew by 3.6%, driven by policy reforms, favourable copper prices and growth in sectors such as ICT, construction, and agriculture. The Kwacha depreciated from ZMW18.31/USD in 2020 to ZMW 19.91/USD while inflation fell from 19.2% to 16.4%. Borrowing costs remained high, increasing from 25.1% in 2020 to 25.9% in 2021, owing to the hike in Policy Rate which increased from 8.0% in 2020 to 9.0% in 2021. These factors shaped ZCGS's role in enhancing access to finance and mitigating credit risks.

Despite the challenges brought about by Covid-19 which was at its peak in 2021, ZCGS remained committed to its mission of supporting the growth and sustainability of MSMEs thereby stimulating economic growth.

A handwritten signature in black ink, appearing to be 'M. Munansangu', written in a cursive style.

**MARY MUMBA MUNANSANGU (MRS)**

**CHIEF EXECUTIVE OFFICER**

	B	C	D	E	F	G	H	I	J	K	L
	Categories	Unit	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Marketing Budget	1-Personnal	0	12,034	13,565	10,674	13,095	16,392	12,357	20,775	24,766	-
Benefits	1-Personnal	0	345	347	154	1,953	374	534	764	133	-
Payroll taxes	1-Personnal	1	521	434	178	519	23	456	246	346	-
Salaries	1-Personnal	0	0	2,300	189	90	1,850	13,890	25,326	25,599	-
Commissions and bonuses	1-Personnal	1	12,900	16,646	11,195	15,657	18,639	1,266	1,500	4,600	-
Personnel Total	1-Personnal	0	6,000	2,300	5,000	2,100	900	4,500	6,800	7,550	-
Web Research	2-Marketing	2	2,000	5,420	3,000	8,000	-	5,312	10,252	15,074	-
Independent Reasearch	2-Marketing	1	8,200	4,900	2,000	14,600	10,100	357	2,466	-	-
Firm Research Fees	2-Marketing	0	16,200	12,620	10,000	432	612	13,555	24,890	45,780	-
Market Research Total	2-Marketing	3	1,239	190	573	323	12,890	425	236	3,688	-
Promotions	3-Commu	2	522	431	10,430	14,093	234	346	865	3,467	-
Branding	3-Commu	1	10,432	-	156	1,090	34	15,136	28,812	56,965	-
Web Advertising	3-Commu	0	-	1,243	12	567	13,904	1,367	247	478	-
Direct Marketing	3-Commu	4	12,662	19,330	12,416	16,505	12,009	145	207	109	-
Newspaper Advertising	3-Commu	0	19,300	15,333	15,000	15,890	200	500	500	770	-
Communication Total	4-Other	0	200	150	100	200	746	462	678	346	-
Travel	4-Other	0	400	500	356	235	13,375	2,074	1,632	1,703	-
Phone	4-Other	2	683	153	15,611	16,525	16,392	534	764	133	-
Computer/Office Equipment	4-Other	0	20,583	16,136	10,674	13,095	374	543	246	346	-
Postage	1-Personnal	0	12,034	347	154	1,953	1,850	456	25,326	25,599	-
Other Total	1-Personnal	1	345	434	178	519	23	580	1,500	4,600	-
Benefits	1-Personnal	0	0	2,300	189	90	1,850	1,266	4,252	3,674	-
Payroll taxes	1-Personnal	1	12,900	16,646	11,195	15,657	1,200	580	6,800	7,550	-
Salaries	1-Personnal	0	6,000	2,300	5,000	2,100	900	4,500	6,800	7,550	-
Commissions and bonuses	2-Marketing	2	2,000	5,420	3,000	8,000	-	5,312	10,252	15,074	-
Personnel Total	2-Marketing	1	8,200	4,900	2,000	14,600	10,100	357	2,466	-	-
Web Research	2-Marketing	0	16,200	12,620	10,000	432	612	13,555	24,890	45,780	-
Independent Reasearch	2-Marketing	3	1,239	190	573	323	12,890	425	236	3,688	-



## 1.0 MANDATE, MISSION AND VISION

### 1.1 ZCGS At A Glance

The Zambia Credit Guarantee Scheme (ZCGS) was incorporated as a limited Company by shares on 13th September 2017 under the Companies Act Cap 388 of the Laws of Zambia, following the Honourable Minister of Finance's pronouncement in the 2017 budget speech regarding setting up of an agricultural and industrial credit guarantee scheme. The Company is wholly owned by the Government of Zambia through the Ministry of Finance pursuant to the Minister of Finance (incorporation) Act Cap 349 of the Laws of Zambia.

The registered office for the Company is plot 35 at the corner of Roan and Bishop Roads, Kabulonga Lusaka. The Company has 22 million shares valued at ZMW 1 each with 99 percent of the shares held by the Minister of Finance and 1 percent of the shares held by the Secretary to the Treasury.

### 1.2 Our Mandate

The mandate of ZCGS is to provide partial credit guarantees to viable Micro, Small and Medium Scale Enterprises (MSMEs), with inadequate collateral across selected sectors of the economy in order to facilitate access to affordable financing.

### 1.3 Our Vision

To be a credible and dynamic Credit Guarantee Institution that promotes the growth and development of MSMEs in Zambia.

### 1.4 Our Mission

To facilitate increased access to financing for MSMEs in Zambia in order to promote their growth.

### 1.5 Motto

The Scheme's motto is ***"Empowering Today's MSMEs, Growing Zambia!"***

## 2.0 STRATEGIC FOCUS

The overall objective is to assist viable MSMEs obtain affordable financing from financial institutions thereby contributing to job creation, poverty reduction and economic development.

### Improve Delivery of Financial Services

Scaling SME portfolio, reviewing the guarantee model through innovation, and adapting to the changing environment.

### Improve Partnerships

Enhancing engagements with financial institutions, investors, and cooperating partners to create strategic partnerships.

### Risk Management, Financial Capacity, and Financial Management

Enhancing financial capacity, developing, and implementing a robust risk management policy.

### Improve Business Processes and Procedures

Improving business processes and procedures to enhance efficiency and service delivery.

### Improve Human Capital

Enhancing human capital to improve operational efficiency.

### 3.0 CORE VALUES

- |  |  |
|--|--|
| <p>a. <b>Integrity</b><br/><i>We are honest, reliable, trustworthy and honour our commitments.</i></p> <p>b. <b>Respect</b><br/><i>We seek and value people's contributions as well as the strength of our diversity, which enables us to treat our clients and each other with dignity and fairness.</i></p> <p>c. <b>Transparency</b><br/><i>We deliver our services in an open and professional manner.</i></p> | <p>d. <b>Innovation</b><br/><i>We are passionate about what we do and embrace new techniques and ideas in the delivery of our services.</i></p> <p>e. <b>Collaboration</b><br/><i>We thrive on teamwork, partnership, and harmony in order to maximize our shared knowledge and bring greater value in the delivery of services.</i></p> <p>f. <b>Accountability</b><br/><i>take responsibility for our actions in the execution of our mandate.</i></p> |
|--|--|

### 4.0 OPERATIONS

The primary function of the scheme is to offer partial credit guarantees, encouraging lending institutions to extend financing to MSMEs. Additionally, the scheme integrates a business coach model to deliver advisory services, including strategic and business planning, marketing, and financial management, while overseeing MSME loan performance throughout the loan period. The business coach plays a crucial role in managing the MSME loan portfolio under the guarantee scheme, ensuring minimal occurrences of Non-Performing Loans (NPLs).

### 5.0 GOVERNANCE STRUCTURES

To ensure effective good corporate governance tenets, Zambia Credit Guarantee Scheme has well defined corporate governance structures.

#### 5.1 The Board

The Board of ZCGS is appointed by the Minister of Finance and National Planning. It is responsible for policy and strategic direction of the Company to enable it to attain its strategic objectives and sustainability. The Chairperson and Vice Chairperson of the Board are appointed by the Board from amongst its members and must be Independent Non – Executive Directors.

The following were the Non – Executive and Executive Directors who served on the ZCGS Board during the period under review:

Mr. Masautso E. Nyathando	Chairperson	9/11/2020	31/12/2021
Mrs. Margaret Moonga Chikuba	Vice Chairperson	9/11/2020	31/12/2021
Mr. Simangolwa Shakalima	Board Member	9/11/2020	31/12/2021
Mrs. Sabina Mubanga Luputa	Board Member	9/11/2020	31/12/2021
Mrs. Bernadette Miyoba Muzumbwe Katongo	Board Member	9/11/2020	31/12/2021
Mr. Moto Ng'ambi	Board Member	9/11/2020	31/12/2021
Mrs. Nkumbu N. Zyambo	Board Member	9/11/2020	31/12/2021
Mrs. Mary Mumba	CEO	01/09/2021	31/12/2021

## 5.2 Management

The following were the Management Team

- Mrs Mary Mumba Munansangu – Chief Executive Officer
- Ms. Yvonne Y. Changwe, Head – Risk, Credit Documentation and Operations;
- Ms Josephine Kabwe, Head – Information, Communication, Technology;
- Dr. Remmy Kampamba, Head-Monitoring, Evaluation and Compliance
- Mr. Clifford H Lambe, Head- Human Resources and Administration
- Mr. Albert Edward Chivweta, Head- Finance

## 5.3 Board Committees

The Board of Directors considers good governance practices to be essential in developing and sustaining the company business. The Board thus exercises its oversight function through the following three (3) committees:

### 5.3.1 Audit Committee

The Committee aids the Board in fulfilling its oversight responsibility and fiduciary obligations to the shareholders. In particular, the Committee is responsible for reviewing internal controls and internal audit function and mandates audit activities. The Committee also recommends appointment of external auditors as well as their remuneration to the Board and ensures that there is compliance with all applicable laws, regulations and operating standards

### 5.3.2 Finance, Administration and Remuneration Committee

The Committee provides strategic oversight role and guidance on human resource management policies, guidelines and standards. The Committee is also responsible for advising the Board on the status of the Company's financial operations, budgetary allocations, personnel policies and investment pricing including interest rates. The Committee is further responsible for making recommendations on Board remuneration and determines on behalf of the Board specific remuneration packages and conditions of employment for staff.

### 5.3.3 Investments, Credit Guarantees and Risk Management Committee

The Investments, Credit Guarantees and Risk Management Committee is responsible for identification, assessment and management of risk as well as monitoring the investments' risk and return objectives. The Committee is also responsible for approving the policies and guidelines for origination, appraisal, structuring and approval of guarantees. The Committee is further responsible for approving acceptable risk thresholds as well as setting guarantee approval limits for management, and approves guarantee applications above the limit set for management and up to the limit delegated to it by the Board.

## 5.4 Board and Committee Meetings

The Board of Directors of ZCGS and Committees hold ordinary meetings quarterly and convene extra-ordinary meetings when necessary. The following table shows the Board meeting attendance for the year ended 31<sup>st</sup> December, 2021

Sn	Name	Meetings Held	Meetings Eligible	Meetings Attended
1	Masautso E. Nyathando	5	5	5
2	Margaret Moonga Chikubi	5	5	5
3	Miyoba Muzumbwe- Katongo	5	5	5
4	Moto Ng'ambi	5	5	5
5	Nkumbu Nakamanag Zyambo	5	5	5
6	Sabrina M. Luputa	5	5	5
7	Simangolwa Shakalima	5	5	5
8	Remmy Kampamba (Ag)	5	5	5

During the period under review, the Board set out to implement the activities that were approved in prior years which mainly included the issuance of guarantees, the on boarding of financial institutions as well as the raising of catalytic capital.

## 6.0 OPERATIONISATION ACTIVITIES

The year 2021 marked the fourth year of existence for the company and the following main activities were achieved:

Cumulatively from the date of commencement of issuance of guarantees, the company has guaranteed eighteen (18) loans to ZICB with a total loan value of ZMW10,306,000.00 with a 50% guarantee amount of ZMW5,153,000.00. So far, the 18 MSMEs ZCGS has supported have provided jobs to cumulatively **83** employees. It is hoped that as these MSMEs are growing as a result of increased financing attributable to the guarantee support, it will translate into increased employment opportunities and poverty reduction. One of the MSMEs guaranteed by ZCGS in the agricultural sector enabled support for 29 individual dairy farmers, allowing them to access loans ranging from ZMW 4,000 to ZMW 10,000 through a Milk Collection Centre.

In 2021, the Scheme continued to engage local and international organisations for possible collaborations. ZDA and ZICB established a tripartite arrangement where ZDA provided business

development services for MSMEs, ZCGS acted as the guarantor, and ZICB was the guaranteed party. ZCGS actively engaged with financial institutions and strategic partners, including ABSA, Atlas Mara, ZANACO, Shared Interest (USA), UNDP, and Prospero Zambia, to expand MSME support. Existing relationships with PFIs were strengthened to align with business and credit developments. Additionally, efforts were made to secure financial and technical support from organizations such as GIZ and ZCCM-IH. Additionally, the organization structure of the Scheme was reviewed with the assistance of the Management Development Division (MDD) from Cabinet Office.

It is however important note that the anticipated increased engagements in the final quarter of the year slowed down as a result of the fourth wave of the Covid-19 pandemic with many other institutions proceeding on their annual festival holidays. These developments negated many outlined appointments that management has secured in quarter 4.

## 7.0 STAFF COMPLEMENT AND MOVEMENTS

The approved full staff complement was twenty-one (21). The filled-up positions at 31<sup>st</sup> December 2021 were thirteen (13) compared to 12 at 31<sup>st</sup> December 2020. During the year, the Company recruited two (2) members of staff who were the Chief Executive Officer (CEO) and Finance Manager.

# REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022



## APPENDIX I : FINANCIAL POSITION OF THE COMPANY

The Directors submit their annual report together with the audited annual financial statements for the year ended 31 December 2021, which disclose the state of affairs and performance of Zambia Credit Guarantee Scheme Limited (the “Company”).

### Principal activities

The principal activity of the Company is to provide partial guarantees to lending institutions in order to promote the growth and development of micro, small and medium enterprises (MSMEs) in Zambia by facilitating their financing needs. There have been no significant changes in the Company’s business during the year. No guarantees were issued in the period.

### Share capital and beneficial ownership information.

The authorised share capital of the Company stands at 22,000,000 ordinary shares of ZMW 1 each. The issued and fully paid-up share capital remained at 22,000,000 ordinary shares of K1 each.

The Company shareholding and beneficial ownership is represented as follows:

Name of shareholder	Percentage of shareholding	Beneficial owner(s)
Ministry of Finance	100%	Ministry of Finance

There were no changes in the beneficial ownership during the year.

### Significant events during the year

There were no significant events during the year.

### Results and dividend

The profit for the year of ZMW4,639,225 was posted compared to (2020: profit ZMW 2,749,755). The Directors have not declared a dividend nor have any dividends been paid during the year.

### Directors and remuneration

The Directors who held office during the year under review from the date of appointment are in the underlisted tables 1 and 2.

Table 1: The Directors of the Company for the first three quarters of 2021.

Name	Position	Appointment	To
Mr. Masautso E. Nyathando	Chairperson	9/11/2020	31/12/2021
Mrs. Margaret Moonga Chikuba	Vice Chairperson	9/11/2020	31/12/2021
Mr. Simangolwa Shakalima	Board Member	9/11/2020	31/12/2021
Mrs. Sabina Mubanga Luputa	Board Member	9/11/2020	31/12/2021
Mrs. Bernadette Miyoba Muzumbwe Katongo	Board Member	9/11/2020	31/12/2021
Mr. Moto Ng’ambi	Board Member	9/11/2020	31/12/2021
Mrs. Nkumbu N. Zyambo	Board Member	9/11/2020	31/12/2021
Mrs. Mary Mumba	CEO	01/09/2021	31/12/2021

During the year, the total Directors' remuneration was ZMW 789,750 (2020: ZMW 519,900). This related to services rendered by Executive Directors.

### Interests register information

During the year, the Company employees and those charged with governance (Directors, Company Secretary or Executive Officers of the Company) did not declare any interest in the Company's transactions and business.

The interests register, as required by the Companies Act, 2017 of Zambia, that should contain particulars of the interests declared, is available for inspection at the Company's registered office.

### Average number of employees and remuneration

The total remuneration of employees during the year 2021 amounted to ZMW 7,950,220.70 (2020: ZMW 4,958,818.95) and the average number of employees was less than 100.

The Company has policies and procedures to safeguard the occupational health, safety, and welfare of its employees.

### Gifts and donations

During the year, the Company did not make any gifts or donations to charitable organisations and events.

### Research and development

The Company did not incur any costs on research and development during the year.

### Property and equipment

The Company's cost of property plant and equipment as at 31 December 2021 was ZMW 1,361,217.71 (2020: ZMW 2,080,872.84). In the opinion of the Directors, the carrying value of property, plant and equipment is not less than their recoverable value.

### Company auditor and remuneration

The Auditors, Grant Thornton, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the next annual general meeting.

The Auditor's remuneration for the year was ZMW 374,531.00 (2020: ZMW 337,057) exclusive of taxes. This related to audit services rendered to the Company.




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Dr Masautso E. Nyathando  
Board Chairman




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Dr Sabina Mubanga Luputa  
Board Audit Committee Chairperson

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, 2017 of Zambia requires the Directors to prepare annual financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company. The Directors are further required to ensure the Company adhere to the corporate governance principles or practices contained in Part VII's Sections 82 to 122 of the Companies Act, 2017 of Zambia.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2017 of Zambia.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of annual financial statements, and for such internal controls as the directors determine necessary to enable the preparation of annual financial statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the annual financial statements set out on pages 17 to 38 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2017 of Zambia. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Part VII's Sections 82 to 122 of the Companies Act, 2017 of Zambia.

As set out in Note 2(a), the Company made a profit of ZMW 4,639,225 (2020: ZMW 2,749,755). The Directors continue to implement various business strategies to improve Company performance. The Company's ultimate parent, Ministry of Finance, has confirmed to the Company's Directors that it will continue to provide financial and operational support to the Company for at least twelve months from the date of signing of these annual financial statements.

Based on the confirmation and measures aimed at improving the Company's performance and position, the Directors believe that the Company will remain a going concern for at least twelve months from the date of signing of these annual financial statements.

Signed on behalf of the Board of Directors:



Dr Masautso E. Nyathando

Board Chairman



Dr Sabina Mubanga Luputa

Board Audit Committee Chairperson

Date:

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Zambia Credit Guarantee Scheme Limited, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Company's financial statements give a true and fair view of the financial position of the Company as at 31 December, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### 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 Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA), and we have fulfilled our other ethical responsibilities in accordance with IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirement of the Zambia Companies Act 2017 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal control that we identify during our audit.

## Report on other legal and regulatory requirements

The Companies Act, 2017 requires that in carrying out our audit, we consider and report to you on whether:

- There is a relationship, interest or debt which we have, as the Company Auditors, with the Company; and
- There are serious breaches of corporate governance principles or practices by the directors.

In respect of the foregoing requirements, we have no matter to report.



**Chartered Accountants**



**Christopher Mulenga (AUD/F000178)**

**Name of Partner signing on behalf of the Firm**

**Lusaka**

**Date:**



## STATEMENT OF FINANCIAL AS AT 31 DECEMBER 2021

		2021	2020
	Note	K	K
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	8	<u>1,361,216</u>	<u>2,080,872</u>
		<u>1,361,216</u>	<u>2,080,872</u>
<b>Current assets</b>			
Trade and other receivables	10	83,954	32,568
Cash and cash equivalents	11	<u>3,044,430</u>	<u>1,800,521</u>
		<u>3,128,384</u>	<u>1,833,089</u>
Total Assets		<u>4,489,600</u>	<u>913,961,3</u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	12	22,000,000	22,000,000
Accumulated losses		<u>(21,956,632)</u>	<u>(26,595,857)</u>
		<u>43,368</u>	<u>(4,595,857)</u>
Non-current Liabilities	13	<u>2,188,313</u>	<u>4,198,546</u>
<b>Current liabilities</b>			
Trade and other payables		2,241,047	4,294,400
Taxation	(b)7	<u>16,872</u>	<u>16,872</u>
		<u>2,257,919</u>	<u>4,311,272</u>
Total Liabilities		<u>4,446,232</u>	<u>8,509,818</u>
<b>Total Equity and Liabilities</b>		<u>4,489,600</u>	<u>913,961,3</u>

The notes on pages 21 to 38 are an integral part of these financial statements.

The financial statements on pages 17 to 38 were approved for issue by the Board of Directors on .....2023 and signed on its behalf by:



**Dr Masautso E. Nyathando**  
Board Chairman



**Dr Sabina Mubanga Luputa**  
Board Audit Committee Chairperson

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	<b>Share capital</b>	<b>Accumulated</b>	<b>Total</b>
	<b>K</b>	<b>losses</b>	<b>K</b>
	<b>K</b>	<b>K</b>	<b>K</b>
<b>Year ended 31 December 2020</b>			
<b>At 1 January 2020</b>	22,000,000	(29,345,612)	(7,345,612)
<b>Transaction with owners of equity</b>			
Profit for the year	<u>-</u>	<u>2,749,755</u>	<u>2,749,755</u>
Total comprehensive loss for the year	<u>-</u>	<u>2,749,755</u>	<u>2,749,755</u>
<b>Balance at 31 December 2021</b>	<u>22,000,000</u>	<u>(26,595,857)</u>	<u>(4,595,857)</u>
<b>Transaction with owners of equity</b>			
Profit for the year	<u>-</u>	<u>4,639,225</u>	<u>4,639,225</u>
Total comprehensive loss for the year	<u>-</u>	<u>4,639,225</u>	<u>4,639,225</u>
Balance as at 31 December 2021	<u>22,000,000</u>	<u>(21,956,632)</u>	<u>43,368</u>

The notes on pages 21 to 38 are an integral part of these annual financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
	Note	K	K
<b>Cash flows from operating activities</b>			
Cash utilised in operations	14	<u>(14,318,925)</u>	<u>(10,253,889)</u>
Net cash utilised in operating activities		<u>(14,318,925)</u>	<u>(10,253,889)</u>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	8	<u>(145,496)</u>	<u>(5,158)</u>
Net cash outflow from investing activities		<u>(145,496)</u>	<u>(5,158)</u>
<b>Cash flows from financing activities</b>			
Grants received		<u>15,708,330</u>	<u>11,405,346</u>
Net cash inflow from financing activities		<u>15,708,330</u>	<u>11,405,346</u>
<b>Increase in cash and cash equivalents</b>		1,141,138	1,146,299
<b>:Movement in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		1,800,521	654,222
Cash and cash equivalents at end of year	11	<u>3,044,430</u>	<u>1,800,521</u>

The notes on pages 21 to 38 are an integral part of these annual financial statements.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021****1. General information**

Zambia Credit Guarantee Scheme Limited was incorporated in Zambia under the Zambia Companies Act as a limited liability Company and is domiciled in Zambia. The address of its registered office is:

Plot 164 – 171

Corner of Bishop and Roan Road

Kabulonga

Lusaka, Zambia

The Company was incorporated on 13<sup>th</sup> September 2017 and began its operating activities on 1 January 2018.

For the Zambia Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account or income statement by the statement of profit or loss and other comprehensive income, in these annual financial statements.

**2. Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

**(a) Basis of preparation**

The annual financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by IFRS Interpretations Committee applicable to companies reporting under IFRS. The annual financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act, 2017 of Zambia.

The annual financial statements have been prepared on a historical cost basis, unless otherwise stated in the accounting policies below. The annual financial statements are presented in Zambian Kwacha ("K"), rounded to the nearest thousand. In accordance with the Companies Act, 2017 of Zambia, the annual financial statements for the period ended 31 December 2021 have been approved for issue by the Directors.

The preparation of annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Directors to exercise judgement in the process of applying the Company's accounting policies. Note 3 discloses the areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the annual financial statements.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021****2 Summary of significant accounting policies (continued)****(a) Basis of preparation (continued)***Going concern*

The Company made a profit of ZMW 3,653,091 in 2021 (2020; ZMW2,749,755). In order to improve the Company's financial position, performance and to sustain the Company as a going concern in the foreseeable future, the Directors continue to implement various business strategies. Furthermore, the Company's ultimate parent company, the Ministry of Finance and National Planning has confirmed to the Company's Directors that it will continue to provide financial support to the Company into the foreseeable future.

Based on the confirmation and measures aimed at improving the Company's performance, the Directors believe that it is appropriate to prepare the Company's annual financial statements on a going concern basis, which assumes that the Company will continue to meet its obligations as they fall due for the next twelve months from the date of these annual financial statements.

**(b) New and revised standards that are effective for annual periods beginning on or after 1 January 2021**

Some accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Company's statement of comprehensive income and statement of financial position.

**(d) Other Standards and amendments that are effective for the first time in 2021 and could be applicable to the Company are:**

- Interest Rate Benchmark reform (amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

For those leases previously classified as financial leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021

2 **Summary of significant accounting policies (continued)**(e) **Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company:**

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- Reference to the Conceptual Framework
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous contract-Cost of fulfilling a contract (Amendments to IAS 37)
- Annual Improvements to IFRS 2018 – 2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16)
- Classification of liabilities as current or non current (Amendments to IAS 1)
- Deferred Tax related to assets and liabilities from a single transaction.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

(e) **Foreign currency translation**(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or finance cost'. All other foreign exchange gains and losses are presented in profit or loss within other operating income or expenses.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021****2 Summary of significant accounting policies (continued)****(f) Revenue from contracts with customers**

IFRS 15 introduces a five-step model for recognising revenue to depict transfer of goods or services. The model distinguishes between promises to a customer that are satisfied at a point in time and those that are satisfied over time.

*Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of value-added tax (VAT), rebates and discounts.

It is the Company's policy to recognise revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Collectability of customer's payments is ascertained based on the customer's historical records, guarantees provided, the customer's industry and advance payments made if any revenue is recognised when service is rendered by reference to the completion of the specific transaction assessed based on the actual service provided.

In the current year, the Company's revenue consists solely of interest earned on bank accounts and other fees and commissions. The Company did not issue any Guarantees in the period.

**(g) Employee benefits***Retirement benefit obligations*

The Company operates defined contribution retirement benefit schemes for its employees. The Company and all its employees also contribute to the National Pension Scheme Fund (NAPSA), which is a defined contribution scheme.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Company and employees.

The Company's contributions to the defined contribution schemes are charged to profit or loss in the year in which they fall due.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021****3 Summary of significant accounting policies (continued)****(h) Income tax**

The income tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

*Current income tax*

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The Directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*Deferred income tax*

Deferred income tax is recognised, using the liability/balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the annual financial statements. However, the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**2 Summary of significant accounting policies (continued)**

**(i) Property and equipment**

All categories of property and equipment are initially recorded at cost and are subsequently measured at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Machinery & equipment	years 5
IT equipment	years 3
Transportation equipment	years 4
Motor vehicles	years 4
Other equipment	years 10 – 3

The asset’s residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property and equipment are determined by comparing the proceeds to their carrying amount and are included in profit or loss.

**(j) Trade receivables**

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021****2 Summary of significant accounting policies (continued)****(k) Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

**(l) Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**(m) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value are recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period

**(n) Borrowing costs**

General and specific 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. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021

### 2 Summary of significant accounting policies (continued)

#### (o) Financial instruments

##### Classification and measurement

##### *Financial assets*

It is the Company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

All the Company's financial assets as at 31 December 2021 satisfy the conditions for classification at amortised cost under IFRS 9.

The Company's financial assets include trade receivables, intercompany receivables, other receivables and cash and cash equivalents.

##### *Financial liabilities*

Financial liabilities of the Company are initially measured at fair value and subsequently measured at amortised cost net of directly attributable transaction costs.

#### i) *Financial assets*

##### Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach to determine impairment of receivables. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates which is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021

2 **Summary of significant accounting policies (continued)**(o) **Financial instruments (continued)**Derecognition*Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition.

*Financial liabilities*

The Company derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. 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 a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

(p) **Share capital**

Ordinary shares are classified as 'share capital' in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from share premium. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's holders.

(q) **Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable which is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units – "CGU").

Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to its revised of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss occurred in prior years. An impairment loss reversal is recognised as income immediately in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021****3 Critical accounting estimates and judgments****Estimation uncertainty**

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

*Useful lives of depreciable assets*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

*Inventories*

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

*Fair value measurement*

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

**Recoverability of deferred income tax asset**

Critical estimates are made by the Directors in determining the recoverability of the deferred tax asset recognised. This involves estimating the amount of future taxable profits against which the deferred tax asset can be realised. The Directors are of the view that the Company will be able to generate sufficient taxable profits and therefore a potential deferred income tax asset of ZMW 19,066,884 has not been recognised.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021

4 **Financial risk management**

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Company does not hedge any of its risk exposures.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

(a) **Market risk**

The Company is not exposed to any significant foreign exchange or interest rate risk.

(b) **Credit risk**

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

For banks and financial institutions, only reputable well-established financial institutions are accepted. For trade receivables, the credit controller assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Company does not grade the credit quality of receivables. Individual risk limits are set in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

No collateral is held for any of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated. The Company does not use external credit ratings for the purposes of assessing credit quality. The credit quality of financial assets that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates and by reference to expected future information.

The Company's maximum exposure to credit risk is as follows:

	<b>2021</b>	<b>2020</b>
	<b>K</b>	<b>K</b>
Other receivables	83,954	568,32
Cash and cash equivalent	<u>3,044,430</u>	<u>800,521,1</u>
	<u>3,128,384</u>	<u>833,089,1</u>

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

## 4 Financial risk management (continued)

## (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
<b>At 31 December 2020:</b>				
Trade and other payables (excluding statutory liabilities)	2,978,500	2,180,712	-	5,159,212
<b>Total financial liabilities</b>	2,978,500	2,180,712	-	5,159,212
<b>At 31 December 2021:</b>				
Trade and other payables (excluding statutory liabilities)	2,025,105	1,003,131	-	3,028,236
<b>Total financial liabilities</b>	2,025,105	1,003,131	-	3,028,236

## (b) Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

## (c) Financial instruments by category

	2021	2020
	K	K
<b>Financial assets at amortised cost</b>		
Trade and other receivables (excluding non-financial assets) Note 11	83,954	568,32
Cash and cash equivalents (Note 12)	<u>3,044,430</u>	<u>800,521,1</u>
	<u>3,128,384</u>	<u>833,089,1</u>
Trade and other payables (excluding statutory obligations)	<u>3,028,236</u>	<u>5,159,212</u>
	<u>3,028,236</u>	<u>5,159,212</u>

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021

5 **Expenses by nature**

The following expenses have been charged in arriving at the profit before income tax:

	<b>2021</b>	<b>2020</b>
	<b>K</b>	<b>K</b>
Depreciation on property and equipment (Note 9)	865,151	945,827
Advertising and exhibition expenses	-	45,168
Employee benefits expense (Note 7)	7,950,221	4,958,819
Consultancy	54,375	310,865
Auditor's remuneration and audit expense	374,531	395,255
Transport and travel	117,671	23,090
Procurement expenses	44,887	-
Withholding tax (WHT) expense	33,169	28,525
Recruitment, workshops and staff training	-	228,399
Other expenses	<u>1,629,100</u>	<u>1,719,643</u>
	<u>11,069,105</u>	<u>8,655,591</u>

6 **Employee benefits expense**

The following are included within the employee benefits expense:

	<b>2021</b>	<b>2020</b>
	<b>K</b>	<b>K</b>
Salaries and wages	3,771,427	4,293,753
Gratuity and leave pay	3,966,448	217,812
:Retirement benefits costs		
National Pension Scheme Authority -	212,346	417,817
Other staff expenses	<u>-</u>	<u>29,437</u>
	<u>7,950,221</u>	<u>4,958,819</u>

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021

7 **Income tax**(a) **Tax computation**

	2021	2020
	K	K
Current income tax expense	<u>-</u>	<u>-</u>

(b) **Tax liability**

At the start of the year	16,872	16,872
Tax charge for the year	-	-
Tax paid during the year	<u>-</u>	<u>-</u>
Tax at the end of the year	<u>16,872</u>	<u>16,872</u>

(c) **Reconciliation of tax charge**

The income tax expense on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2021	2020
Profit/(loss) before income tax	<u>4,639,225</u>	<u>2,749,755</u>
Tax calculated at the statutory income tax rate of 35%	1,623,729	962,414
Income taxed separately	-	-
Disallowed expenses	371,673	411,903
Tax effects of temporary differences	(5,910,286)	(4,389,534)
Loss brought forward	(13,285,969)	(10,270,752)
Loss carried forward	<u>17,200,853</u>	<u>13,285,969</u>
	<u>-</u>	<u>-</u>

(d) **Tax losses**

Tax losses are available for carrying forward for a maximum period of five years. The Company had tax losses as below:

Accounting date	Tax loss K	Loss b/f K	Cumulative K	Expiry date
2018	15,831,408	-	15,831,408	2023
2019	13,513,597	15,831,408	29,345,005	2024
2020	8,614,905	29,345,005	37,959,910	2025
2021	11,185,384	37,959,910	49,145,294	2026

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021

## 8 Property and equipment

Details	Motor Vehicles	Computer Equip. & Software	Office Furniture & Equipment	Total
	K	K	K	K
<b>:At 1 January, 2020</b>				
Cost	2,817,878	534,292	1,129,546	4,481,716
Accum. depreciation	<u>(880,587)</u>	<u>(388,483)</u>	<u>(191,105)</u>	<u>(1,460,175)</u>
Net Book Value	<u>1,937,291</u>	<u>145,809</u>	<u>(938,441)</u>	<u>3,021,541</u>
<b>:31<sup>st</sup> December, 2020</b>				
Opening net book value	1,937,291	145,809	938,441	3,021,541
Additions	-	17,303	(12,145)	5,158
Depreciation charge	<u>(704,470)</u>	<u>(130,490)</u>	<u>(110,868)</u>	<u>(945,828)</u>
Closing net book value	<u>1,232,821</u>	<u>32,622</u>	<u>937,292</u> profit for the yearGERfi- nancial state- ments is either not correct not casting or inconsistent with other in- form815,428	<u>2,080,871</u>
<b>:At 1 January, 2021</b>				
Cost	2,817,878	526,621	1,119,024	4,463,523
Accum. depreciation	<u>(2,289,526)</u>	<u>(408,661)</u>	<u>(404,120)</u>	<u>(3,102,307)</u>
Net Book Value	<u>528,352</u>	<u>117,960</u>	<u>714,904</u>	<u>1,361,216</u>
<b>Year ended 31st Decem- ber, 2021</b>				
Opening net book value	1,232,821	32,622	815,428	2,080,871
Additions	-	135,151	10,345	145,496
Depreciation charge	<u>(704,469)</u>	<u>(49,813)</u>	<u>(110,868)</u>	<u>(865,150)</u>
Closing net book value	<u>528,352</u>	<u>117,960</u>	<u>714,905</u>	<u>1,361,216</u>

The register showing the details of property and equipment, as required by Section 30 of the Zambia Companies Act, 2017 of Zambia is available during business hours at the registered office of the Company.

9 **Deferred income tax not recognised**

	2021	2020
	K	K
Deferred tax asset	<u>(14,718,618)</u>	<u>(13,358,498)</u>

Deferred income tax asset and deferred income tax charge/(credit) to profit or loss is attributable to the following items:

	At start of year	Movement not recognised	At end of year
	K	K	K
<b>Year ended 31 December 2021</b>			
<b>Deferred income tax liabilities</b>			
Property and equipment	<u>(72,529)</u>	<u>97,499</u>	<u>24,970</u>
	<u>(72,529)</u>	<u>97,499</u>	<u>24,970</u>
<b>Deferred income tax assets:</b>			
Tax rate effect on tax loss	-	2,457,265	2,457,265
Tax losses	<u>(13,285,969)</u>	<u>(3,914,884)</u>	<u>(17,200,853)</u>
	<u>(13,285,969)</u>	<u>(1,457,619)</u>	<u>(14,743,588)</u>
Potential deferred tax asset not recognised	<u>(13,358,498)</u>	<u>(1,360,120)</u>	<u>(14,718,618)</u>
<b>Year ended 31 December 2020</b>			
<b>Deferred income tax liabilities</b>			
Property and equipment	<u>(118,911)</u>	<u>46,382</u>	<u>(72,529)</u>
<b>Deferred income tax assets:</b>			
Provisions	-	-	-
Tax losses	<u>(10,270,752)</u>	<u>(3,015,217)</u>	<u>(13,285,969)</u>
	<u>(10,270,752)</u>	<u>(3,015,217)</u>	<u>(13,285,969)</u>
Potential deferred tax asset not recognised	<u>(10,389,663)</u>	<u>(2,968,835)</u>	<u>(13,358,498)</u>

No deferred tax asset was recognized as at the year ended 31<sup>st</sup> December 2019 (31<sup>st</sup> December 2018: Nil) as the Directors of the Company did not believe that the company would be able to generate sufficient future profits to utilise the tax losses carried forward.

NOTES TO THE FINANCIAL STATEMENTS – 31<sup>st</sup> DECEMBER 2021

## 10 Trade and other receivables

	2021	2020
	K	K
Staff advances	<u>83,954</u>	<u>32,568</u>
	<u>83,954</u>	<u>32,568</u>

## 11 Cash at bank and in hand

	2021	2020
Cash at bank and in hand	<u>3,044,430</u>	<u>1,800,521</u>

## 12 Share capital

	Number of shares	Ordinary shares
<b>Year ended 31 December 2020</b>	-	-
At start and end of year	22,000,000	22,000,000
Issue of shares	<u>-</u>	<u>-</u>
At end of year	<u>22,000,000</u>	<u>22,000,000</u>
<b>Year ended 31 December 2021</b>		
At start of year	22,000,000	22,000,000
Issue of shares	<u>-</u>	<u>-</u>
At end of year	<u>22,000,000</u>	<u>22,000,000</u>

The company had authorised share capital of 22,000,000. The authorised share capital of the Company at 31 December 2021 and 31 December 2020 was 22,000,000, comprising ordinary shares of K1 each. All shares are issued and fully paid.

## 13 Trade and other payables

	2021	2020
	K	K
Gratuity and leave provision	1,643,451	2,173,042
Other payables – statutory obligations	1,401,126	3,333,737
Other payables - accrued expenses and provisions	<u>1,384,783</u>	<u>2,968,167</u>
	<u>4,429,360</u>	<u>8,474,946</u>

The carrying amount of the trade and other payables approximate to their fair values.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021

## 14 Cash generated from operations

	2021	2020
	K	K
Profit before tax	4,639,225	2,749,755
<i>:Adjustments</i>		
Depreciation on property and equipment (Note 9)	865,151	945,827
Grant	(15,708,330)	(11,405,346)
<i>:Changes in working capital</i>		
Trade and other receivables	(51,386)	10,099
Trade and other payables	<u>(4,063,585)</u>	<u>(2,554,224)</u>
Cash utilised in operations	<u>(14,318,925)</u>	<u>(10,253,889)</u>

## 15 Related party transactions

The Company's immediate and ultimate parent is Ministry of Finance and National Planning.

The following were the transactions carried out and balances held with related parties:

## i) Issue of shares

	2021	2020
	K	K
<i>Ministry of Finance</i>		
Grants	15,708,330	11,405,346

## ii) Directors fees

	2021	2020
	K	K
Retainer fees	217,000	167,250
Sitting allowances	<u>572,750</u>	<u>352,654</u>
	<u>789,750</u>	<u>519,904</u>





