

Eastern Water and Sanitation Company Limited
(Registration number 119920025464)
Financial statements
for the year ended 31 December 2022

About Baker Tilly

Baker Tilly is a client focused company offering various services including Corporate Advisory, Auditing, Taxation, Accounting to mention just a few. Need help for your business? You're in the right place



Eastern Water and Sanitation Company Limited

(Registration number 119920025464)

Financial Statements for the year ended 31 December 2022

General Information

Country of incorporation and domicile	Zambia														
Nature of business and principal activities	The company's principal activity is to provide water and sanitation services and maintenance of water and sanitation networks in the urban and peri-urban areas of the Eastern Province of Zambia														
Directors	<table><tr><td>Chrispin Kamuna</td><td>Board Chairperson</td></tr><tr><td>Alex Bwalya</td><td>FAC Committee Chairperson</td></tr><tr><td>Abraham Banda</td><td>TEC Chairperson</td></tr><tr><td>Mwelwa Z Tembo</td><td>BDIC Committee Chairperson</td></tr><tr><td>Zikhalo Mtine</td><td>Board Member</td></tr><tr><td>Francis M Nkhoma</td><td>Board Member</td></tr><tr><td>Crisppen Siatwinde</td><td>Board Member</td></tr></table>	Chrispin Kamuna	Board Chairperson	Alex Bwalya	FAC Committee Chairperson	Abraham Banda	TEC Chairperson	Mwelwa Z Tembo	BDIC Committee Chairperson	Zikhalo Mtine	Board Member	Francis M Nkhoma	Board Member	Crisppen Siatwinde	Board Member
Chrispin Kamuna	Board Chairperson														
Alex Bwalya	FAC Committee Chairperson														
Abraham Banda	TEC Chairperson														
Mwelwa Z Tembo	BDIC Committee Chairperson														
Zikhalo Mtine	Board Member														
Francis M Nkhoma	Board Member														
Crisppen Siatwinde	Board Member														
Registered office	Plot No. 20, Parerenyatwa Road South East of Zanaco Chipata, Zambia														
Postal address	P.O Box 510464 Chipata, Zambia														
Bankers	Absa Bank Zambia Plc Atlas Mara Bank Indo Zambia Bank Investrust Bank Plc National Savings and Credit Bank Zambia Stanbic Bank Zambia Limited Zanaco Bank Plc														
Auditors	Baker Tilly Chartered Accountants (Zambia) 8, 13 Reedbuck Road, Kabulonga Lusaka, Zambia														
Legal advisors	JB Sakala & Company														
Company registration number	119920025464														
Tax reference number	1001672333														

Eastern Water and Sanitation Company Limited

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Financial Statements for the year ended 31 December 2022

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Eastern Water and Sanitation Company Limited

(Registration number 119920025464)

Financial Statements for the year ended 31 December 2022

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act No.10 of 2017 of the Laws of Zambia to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

In the opinion of the directors;

- the statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the state of affairs of the company for the year ended 31 December 2022,
- the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the company as at 31 December 2022,
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due, and;
- the financial statements have been prepared in accordance with the International Financial Reporting Standards and in a manner required by the Companies Act No.10 of 2017 of the Laws of Zambia.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 8 to 10.

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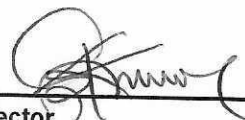
Financial Statements for the year ended 31 December 2022

Directors' Responsibilities and Approval

The financial statements set out on pages 11 to 19, which have been prepared on the going concern basis, were approved by the board of directors on 08 DEC 2023 and were signed on their behalf by:



Director



Director

Eastern Water and Sanitation Company Limited

(Registration number 119920025464)

Financial Statements for the year ended 31 December 2022

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Eastern Water and Sanitation Company Limited for the year ended 31 December 2022.

1. Incorporation

The company was incorporated on 12 May 2008 and obtained its certificate to commence business on the same day.

2. Nature of business

Eastern Water and Sanitation Company Limited was incorporated in Zambia with interests in water sanitation and maintenance services. The company operates in the Eastern Province of Zambia.

There have been no material changes to the nature of the company's business from the prior year.

3. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act No.10 of 2017 of the Laws of Zambia. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

4. Share capital

Authorised			2022	2021
			Number of shares	
Ordinary shares			250,000	250,000
Issued	2022	2021	2022	2021
	ZMW	ZMW	Number of shares	
Ordinary shares	250,000	250,000	250,000	250,000

There have been no changes to the authorised or issued share capital during the year under review.

5. Directors

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Nationality
Chrispin Kamuna	Board Chairperson	Non Executive	Zambian
Alex Bwalya	FAC Committee Chairperson	Non Executive	Zambian
Abraham Banda	TEC Chairperson	Non Executive	Zambian
Mwelwa Z Tembo	BDIC Committee Chairperson	Non Executive	Zambian
Zikhalo Mtine	Board Member	Non Executive	Zambian
Francis M Nkhoma	Board Member	Non Executive	Zambian
Crisppen Siatwinde	Board Member	Non Executive	Zambian

Resignations/deaths/retirements/removals of directors

The three year term for the previous board of directors came to end and new appointments were made during the year under review.

Eastern Water and Sanitation Company Limited

(Registration number 119920025464)

Financial Statements for the year ended 31 December 2022

Directors' Report

6. Property, plant and equipment

There was no change in the nature of the property, plant and equipment of the company or in the policy regarding their use.

At 31 December 2022 the company's investment in property, plant and equipment amounted to ZMW 198,464,787 (2021: ZMW 213,139,298), of which ZMW 3,739,329 (2021: ZMW 4,760,596) was added in the current year through additions.

7. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

8. Going concern

Eastern Water and Sanitation Company Limited has been incurring losses since its incorporation in May 2008. This has largely been a continued source of concern for management, board of directors and regulators. In 2022 the company recorded a loss after tax amounting to ZMW 18,075,432 (2021: ZMW 31,768,856). Total operating expenses have continued to be higher than revenues. However, management has instituted both long-term and short-term plans to progressively mitigate the recurring losses from three angles, thus:

Increase revenue

The company will endeavour to increase its customer base and reduce non-revenue water by mobilizing resources from Government and Cooperating Partners for infrastructure development to provide Water and sanitation in unserved areas as while as rehabilitate the old delapidated infrastructure more especially in Chipata District. The expected Non-Revenue Water will be reduced from the current 46% to 35% after the rehabilitation of the old infrastructure. Secondly, the company has embarked on a Business Diversification Programme in order to increase revenue base such as Water bottling and rehabilitation and equipping of the laboratory to provide services to the public in line with the current EWSC Strategic Business Plan (2021-2025).

Implement cost-recovery tariff

The company has continued to engage the regulator NWASCO on tariff adjustment approval including the separation of water tariffs from sanitation tariffs. The approval will therefore enable the company to charge cost reflective sewerage charges resulting in increased revenue. The Company has so far received notification to re-submit the proposed tariff adjustment. We are yet to receive the approved Tariff Application once the process is fully completed.

Cost-reduction measures

The company continues to explore and implement possible operational cost-reduction measures and improve operational efficiencies such as reducing non-revenue water, bulk-buying of goods, automation of business processes, explore energy-reduction measures such as the utilization of water sources that require minimal energy (natural water Springs). Furthermore, the company intends to commence the use of alternative energy sources such as solar energy in 2023.

Furthermore, the company has been engaging the Government and other Cooperating partners in mobilizing resources for capital investment and consequently raise the business revenues so that the Company moves towards profitability.

9. Litigation statement

The company may become involved from time to time in various claims and lawsuits incidental to the ordinary course of business. The company is not currently involved in any such claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets.

Eastern Water and Sanitation Company Limited

(Registration number 119920025464)

Financial Statements for the year ended 31 December 2022

Directors' Report

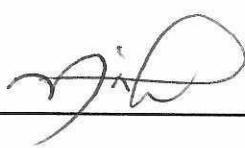
10. Health and safety

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

11. Corporate governance

The directors are committed to high standards of corporate governance which are fundamental to discharging their leadership responsibilities. The directors commit to apply integrity, principles of good governance and accountability throughout their activities.

The financial statements set out on pages 11 to 40, which have been prepared on the going concern basis, were approved by the board of directors on 08 DEC 2023, and were signed on its behalf by:



Director



Director

Chartered Accountants (Zambia)

No. 8, 13 Reedbuck Road
Kabulonga
Private bag E835, Box 228
Lusaka, Zambia

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Independent Auditor's Report

To the Directors of Eastern Water and Sanitation Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eastern Water and Sanitation Company Limited (the company) set out on pages 11 to 38, which comprise the statement of financial position as at 31 December 2022, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eastern Water and Sanitation Company Limited as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act No. 10 of 2017 of the Laws of Zambia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. 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 company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zambia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Zambia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

(a) Material Uncertainty Related to Going Concern

We draw attention to Note 21 to the financial statements, which indicates that the company had accumulated losses of ZMW 83,237,856 (2021: ZMW 65,162,423) during the year ended 31 December 2022 and, as of that date, the company's liabilities exceeded its assets by ZMW 61,990,706. The note states that these events or conditions, along with other matters as set forth in Note 21 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act No.10 of 2017 of the Laws of Zambia. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act No.10 of 2017 of the Laws of Zambia, and for such internal control as the directors determine 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, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgement and maintain professional scepticism 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 the directors.

Independent Auditor's Report

- Conclude on the appropriateness of the directors' 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Companies Act No.10 of 2017 of the Laws of Zambia we report to you, based on our audit, that;

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- in our opinion, proper books of account have been kept by the company, so far appears from our examination of those books; and
- the company's statement of financial position and profit and loss account are in agreement with the books of account.

Baker Tilly Chartered Accountants (Zambia)
8, 13 Reedbuck Road, Kabulonga
Lusaka, Zambia
Phibion Gwatidzo

Partner: Phibion Gwatidzo
Member Practising Number: AUD/A010226

Date: 11/12 /2023

Eastern Water and Sanitation Company Limited

(Registration number 119920025464)

Financial Statements for the year ended 31 December 2022

Statement of Financial Position as at 31 December 2022

Figures in Zambian Kwacha	Note(s)	2022	2021
Assets			
Non-Current Assets			
Property, plant and equipment	2	198,464,787	213,139,298
Intangible assets	3	128,991	59,427
Deferred tax	4	11,499,019	2,310,842
		210,092,797	215,509,567
Current Assets			
Inventories	5	12,730,818	4,737,468
Trade and other receivables	6	5,273,380	5,010,919
Cash and cash equivalents	7	13,932,545	811,813
		31,936,743	10,560,200
Total Assets		242,029,540	226,069,767
Equity and Liabilities			
Equity			
Share capital	8	21,247,150	23,155,982
Accumulated loss		(83,237,856)	(65,162,423)
		(61,990,706)	(42,006,441)
Liabilities			
Non-Current Liabilities			
Capital grants	9	202,017,770	187,511,642
Provisions	10	42,917,938	33,844,399
		244,935,708	221,356,041
Current Liabilities			
Trade and other payables	11	58,203,023	46,226,671
Current tax payable	12	83,932	74,747
Bank overdraft	7	797,583	418,749
		59,084,538	46,720,167
Total Liabilities		304,020,246	268,076,208
Total Equity and Liabilities		242,029,540	226,069,767

The financial statements and the notes on pages 11 to 40, were approved by the board of directors on the 08 DEC 2023 and were signed on its behalf by:

Director

Director

Eastern Water and Sanitation Company Limited

(Registration number 119920025464)

Financial Statements for the year ended 31 December 2022

Statement of Profit or Loss and Other Comprehensive Income

Figures in Zambian Kwacha	Note(s)	2022	2021
Revenue	13	38,756,375	38,308,526
Cost of sales	14	(15,702,131)	(15,957,011)
Gross profit		23,054,244	22,351,515
Other operating income	15	12,762,517	13,764,063
Other operating gains (losses)			
Foreign exchange gains	16	156,306	-
Expenses (Refer to page 13)		(63,194,651)	(59,645,878)
Operating loss		(27,221,584)	(23,530,300)
Finance costs	18	(32,840)	(9,520)
Loss before taxation		(27,254,424)	(23,539,820)
Taxation	19	9,178,992	(8,228,766)
Total comprehensive loss for the year		(18,075,432)	(31,768,586)

Eastern Water and Sanitation Company Limited

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Financial Statements for the year ended 31 December 2022

Statement of Profit or Loss and Other Comprehensive Income

Figures in Zambian Kwacha	Note(s)	2022	2021
Other operating expenses		227,035	191,150
AGM expenses		-	15,950
Administration fees		161,901	140,740
Advertising and promotions	3	22,436	22,851
Amortisation of intangible assets		323,707	219,015
Audit fees and expenses		456,177	543,426
Allowances for credit losses		210,153	156,851
Bank charges		716,181	640,614
Board and management meeting expenses		131,363	140,425
Cleaning materials		157,339	-
Commission paid		986	197,600
Consulting and professional fees	2	18,413,840	18,967,070
Depreciation		15,900	8,150
Donations		129,700	110,800
Electricity	17	37,243,621	31,839,334
Employee costs		5,440	662,677
Fines and penalties		93,571	28,329
Insurance		438,729	462,346
Internet expenses		5,207	98,035
Legal and professional fees		839,616	549,989
Motor vehicle expenses		487,499	717,215
Office expenses		16,477	24,000
Office rentals		20,306	9,713
Postage		482,416	491,486
Printing and stationery		77,551	2,019
Property rates		209,725	112,983
Public relations		439,185	774,793
Repairs and maintenance		81,925	350,644
Subscriptions		255,870	259,203
Telephone and fax		190,694	222,319
Transport hire and expenses		1,294,567	1,410,989
Travel and accommodation		45,534	275,162
Water expenses			
		63,194,651	59,645,878

Eastern Water and Sanitation Company Limited

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Financial Statements for the year ended 31 December 2022

Statement of Changes in Equity

Figures in Zambian Kwacha	Share capital	Share premium	Total share capital	Accumulated loss	Total equity
Balance at 1 January 2021	250,000	24,814,814	25,064,814	(33,393,837)	(8,329,023)
Total comprehensive Loss for the year	-	-	-	(31,768,586)	(31,768,586)
Amortisation of capital reserves	-	(1,908,832)	(1,908,832)	-	(1,908,832)
Total contributions and distributions recognised directly in equity	-	(1,908,832)	(1,908,832)	-	(1,908,832)
Balance at 1 January 2022	250,000	22,905,982	23,155,982	(65,162,424)	(42,006,442)
Total comprehensive Loss for the year	-	-	-	(18,075,432)	(18,075,432)
Amortisation of capital reserves	-	(1,908,832)	(1,908,832)	-	(1,908,832)
Total contributions by and distributions recognised directly in equity	-	(1,908,832)	(1,908,832)	-	(1,908,832)
Balance at 31 December 2022	250,000	20,997,150	21,247,150	(83,237,856)	(61,990,706)
Note(s)	8	8	8		

Eastern Water and Sanitation Company Limited

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Financial Statements for the year ended 31 December 2022

Statement of Cash Flows

Figures in Zambian Kwacha

	Note(s)	2022	2021
Cash flows from operating activities			
Cash generated from operations	20	18,358,593	6,453,404
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(3,739,329)	(4,760,596)
Purchase of other intangible assets	3	(92,000)	-
Net cash from investing activities		(3,831,329)	(4,760,596)
Cash flows from financing activities			
Amortisation of capital reserve		(1,908,832)	(1,908,832)
Finance costs		(32,840)	(9,520)
Net cash from financing activities		(1,941,672)	(1,918,352)
Total cash movement for the year		12,585,592	(225,544)
Cash at the beginning of the year		393,064	618,608
Effect of translation of foreign transactions		156,306	-
Total cash at end of the year	7	13,134,962	393,064

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Financial Statements for the year ended 31 December 2022

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act No.10 of 2017 of the Laws of Zambia.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Zambian Kwacha, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset 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.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land and buildings	Straight line	2%
Plant and machinery	Straight line	10%
Furniture and fixtures	Straight line	25%
Motor vehicles	Straight line	20%
Office equipment	Straight line	25%
Water meters	Straight line	20%
Network design	Straight line	20%
Rising main piping	Straight line	4%
Network installations	Straight line	4%
Computer software	Straight line	20%

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Financial Statements for the year ended 31 December 2022

Accounting Policies

1.2 Property, plant and equipment (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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Accounting Policies

1.3 Intangible assets (continued)

Item	Depreciation method	Average useful life
Computer software	Straight line	20%

1.4 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contract to buy or sell non-financial items.

Classification and measurement

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

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Accounting Policies

1.4 Financial instruments (continued)

Note 23 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

The company has not carried out an assessment to determine whether a model is required and has not applied IFRS 9 requirements.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 6).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) where applicable of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Trade and other payables

Classification

Trade and other payables (note 11), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Trade and other payables expose the company to liquidity risk. Refer to note 23 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

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Accounting Policies

1.4 Financial instruments (continued)

Bank overdrafts

Bank overdrafts are initially and subsequently measured at fair value.

1.5 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and net realisable value on the weighted average cost basis.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are used, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.6 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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Accounting Policies

1.6 Impairment of assets (continued)

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

However, the company did not carry out any assessment on its assets during the year under review.

1.7 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating losses.

1.8 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

1.9 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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1.9 Hedge accounting (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.10 Employee benefits

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

As per the Workers' Compensation Act, the company contributes to Workers Compensation Fund for all employees in the course of employment, and for payment of compensation to dependants of workers who die as a result of accidents or disease.

As per the National Health Insurance Act No.2 of 2018, all employees who are Zambian and established residents are eligible to register except those explicitly stated by the Act. The company contributes to the National Health Insurance Management Authority (NHIMA) for its eligible employees as provided for by the Law. Membership is compulsory and monthly contributions are made by both the employer and the employee.

1.11 Retirement benefits

The company's employees are entitled to statutory retirement benefits based on the categories of employees. Provision is made for past services on the basis of present conditions and earnings in accordance with the Employment Code Act No. 3 of 2019 of the Laws of Zambia.

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Accounting Policies

1.11 Retirement benefits (continued)

The portion of the provision for retirement benefits which is estimated to become due after more than one year is presented as a non current liability. The benefits are determined on the following basis;

Unionised and non-unionised employees

Where an employee retires upon reaching the age of fifty (50) for female and fifty-five (55) years for male, or death in service, such an employee shall be entitled to the following benefits;

- 3.0 months' basic pay for each year served
- Accrued leave benefits
- Repatriation benefits

Employees on contract

- Forty (40) % of annual basic salary for every year served

Gratuity

- Gratuity shall be paid according to the period served based on the salary earned in accordance with the Employment Code Act No. 3 of 2019 of the Laws of Zambia.

1.12 Grants

Grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

Grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the profit or loss (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

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Accounting Policies

1.13 Revenue from contracts with customers

The company recognises revenue from the following major sources:

- Provision of water and sewerage services
- Standing charges
- New water connections
- Reconnection fees

The company adopted IFRS 15 as issued in May 2014 as a basis of revenue recognition. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of the third parties. The company recognises revenue when it transfers control of a service to a customer.

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.

The principles in IFRS 15 are applied using the following five-step model:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when or as the entity satisfies its performance obligations

The standard requires entities to exercise considerable judgement taking into account all the relevant facts and circumstances when applying each step of this model to its contracts with customers. This includes principal and agent considerations.

The company's revenue could be aggregated into the following main category:

Water and Sewerage Services

This recognition occurs when water is delivered to a customer and is billed or when services are provided. Water that is not billed because of physical loss from trunk mains and distribution system or from non-physical losses such as errors in supply measurement, consumer meter errors, unmeasured authorised use, illegal use, administration errors and excess use by customers on flat rates terms is treated as unaccounted for water. Revenue is stated net of the above billing adjustments. Non significant billing adjustments arising from prior year and remaining unadjusted at the year end are carried forward and set off against the following years's revenue

Standing Charges

Standing charges are charged and recognised monthly on connected customers.

New Water Connections

Connection fees from new customers are recognised when connections are made.

Reconnection Fees

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Accounting Policies

1.13 Revenue from contracts with customers (continued)

Reconnections fees are charged and recognised when disconnected customers are re-connected.

1.14 Cost of sales

When services are rendered, the cost of those services is recognised as an expense in the period in which the related revenue is recognised.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Service costs comprise:

- costs that relate directly to the specific service;
- costs that are attributable to service activity in general and can be allocated to the service; and
- such other costs as are specifically chargeable to the customer under the terms of the service.

1.15 Borrowing costs

Borrowing costs, being interest payable on bank overdrafts, are accounted for on an accrual basis.

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Zambian Kwacha, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Zambian Kwacha by applying to the foreign currency amount the exchange rate between the Zambian Kwacha and the foreign currency at the date of the cash flow.

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Figures in Zambian Kwacha

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2. Property, plant and equipment

	2022			2021		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings	30,757,349	(11,302,923)	19,454,426	30,662,192	(10,981,923)	19,680,269
Heavy plant and equipment	114,361,185	(43,525,963)	70,835,222	114,351,845	(33,021,554)	81,330,291
Furniture and fixtures	572,507	(465,370)	107,137	542,912	(432,337)	110,575
Motor vehicles above 3 tons	246,356	(246,356)	-	246,356	(246,356)	-
Office equipment	1,635,574	(1,369,258)	266,316	1,540,172	(1,248,738)	291,434
Small tool and equipment	1,606,383	(1,179,492)	426,891	1,421,087	(967,369)	453,718
Light plant and equipment	24,966,372	(17,680,253)	7,286,119	24,878,324	(16,060,572)	8,817,752
Rising main piping	19,637,838	(7,924,326)	11,713,512	19,637,838	(7,138,812)	12,499,026
Water meters	8,278,428	(3,927,250)	4,351,178	5,884,263	(3,220,919)	2,663,344
Network design	36,097	(36,097)	-	36,097	(36,097)	-
Network installations	105,824,286	(23,732,503)	82,091,783	104,981,969	(20,277,457)	84,704,512
Motor vehicles below 3 tons	5,235,037	(3,302,834)	1,932,203	5,235,037	(2,646,660)	2,588,377
Total	313,157,412	(114,692,625)	198,464,787	309,418,092	(96,278,794)	213,139,298

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2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation	Total
Land and buildings	19,680,269	95,157	(321,000)	19,454,426
Heavy plant and equipment	81,330,291	9,349	(10,504,418)	70,835,222
Furniture and fixtures	110,575	29,595	(33,033)	107,137
Office equipment	291,434	95,402	(120,520)	266,316
Small tools and equipment	453,718	185,296	(212,123)	426,891
Light plant and equipment	8,817,752	88,048	(1,619,681)	7,286,119
Rising main piping	12,499,026	-	(785,514)	11,713,512
Water meters	2,663,344	2,394,165	(706,331)	4,351,178
Network installations	84,704,512	842,317	(3,455,046)	82,091,783
Motor vehicles below 3 tons	2,588,377	-	(656,174)	1,932,203
	213,139,298	3,739,329	(18,413,840)	198,464,787

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Land and buildings	20,266,784	-	(586,515)	19,680,269
Heavy plant and equipment	91,681,782	156,783	(10,508,274)	81,330,291
Furniture and fixtures	28,891	93,099	(11,415)	110,575
Office equipment	129,593	217,160	(55,319)	291,434
Small tools and equipment	574,311	75,627	(196,220)	453,718
Light plant and equipment	10,040,585	472,426	(1,695,259)	8,817,752
Rising main piping	13,284,539	-	(785,513)	12,499,026
Water meters	1,929,406	1,276,516	(542,578)	2,663,344
Network installations	87,437,012	1,409,250	(4,141,750)	84,704,512
Motor vehicles below 3 tons	1,972,869	1,059,735	(444,227)	2,588,377
	227,345,772	4,760,596	(18,967,070)	213,139,298

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3. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	564,327	(435,336)	128,991	472,327	(412,900)	59,427

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	59,427	92,000	(22,436)	128,991

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	82,279	(22,852)	59,427

4. Deferred tax

Deferred tax liability

Property plant and equipment	(12,191,628)	(13,522,954)
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Deferred tax asset

Tax losses available for set off against future profits	23,690,647	15,833,796
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The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(12,191,628)	(13,522,954)
Deferred tax asset	23,690,647	15,833,796
Total net deferred tax asset	11,499,019	2,310,842

Reconciliation of deferred tax asset / (liability)

At beginning of year	2,310,842	10,539,608
Increases (decrease) in tax loss available for set off against future taxable income	7,826,851	(2,385,251)
Taxable / (deductible) temporary difference on tangible assets	1,361,326	(5,843,515)
	11,499,019	2,310,842

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	2022	2021
5. Inventories		
Work in progress	8,101,933	1,121,626
Protective clothing	143,928	264,141
Chemicals	567,777	271,198
Cleaning materials	2,747	683
Network materials	3,205,728	1,693,993
Stationary	121,459	107,282
Meters	497,965	1,107,461
Plant, equipment and mechanical spares	200,861	319,761
Other stock	109,760	72,663
	12,952,158	4,958,808
Provision for obsolete stock	(221,340)	(221,340)
	12,730,818	4,737,468

6. Trade and other receivables

Financial instruments:

Trade receivables	11,434,088	10,911,854
Allowances for credit losses	(6,514,771)	(6,058,595)
Trade receivables at amortised cost	4,919,317	4,853,259
Other receivables	17,636	21,436

Non-financial instruments:

Staff receivables	92,022	93,567
Prepayments	244,405	42,657

Total trade and other receivables

5,273,380 5,010,919

Financial instrument and non-financial instrument components of trade and other receivables

At amortised cost	4,936,953	4,874,695
Non-financial instruments	336,427	136,224
	5,273,380	5,010,919

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	14,132	(6,605)
Bank balances	13,909,530	803,252
Bank overdraft	(788,700)	(403,583)
	13,134,962	393,064

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	2022	2021
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7. Cash and cash equivalents (continued)

Current assets	13,932,545	811,813
Current liabilities	(797,583)	(418,749)
	13,134,962	393,064

8. Share capital

Authorised

250,000 Ordinary shares of ZMW 1

250,000	250,000
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Issued

Ordinary

Share premium

250,000	250,000
20,997,150	22,905,982
21,247,150	23,155,982

9. Capital grants

Movements in capital grants

At the beginning of year

Received during the year

Amortised/utilised during the year

187,511,642	193,677,935
24,023,891	4,446,167
(9,517,763)	(10,612,460)
202,017,770	187,511,642

10. Provisions

Reconciliation of provisions - 2022

	Opening balance	Additions	Total
Retirement benefits	31,966,023	9,309,312	41,275,335
Leave pay	1,878,376	(235,773)	1,642,603
	33,844,399	9,073,539	42,917,938

Reconciliation of provisions - 2021

	Opening balance	Additions	Total
Retirement benefits	29,263,743	2,702,280	31,966,023
Leave pay	1,271,077	607,299	1,878,376
	30,534,820	3,309,579	33,844,399

11. Trade and other payables

Financial instruments:

Trade payables

Other payables

Audit fees

Customer deposits

Statutory obligations

19,133,877	13,863,349
2,208,452	2,435,984
-	244,925
992,550	992,550
33,670,602	26,740,178

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2022 2021

11. Trade and other payables (continued)

Non-financial instruments:

Gratuity payable

2,197,542 1,949,685

58,203,023 46,226,671

Financial instrument and non-financial instrument components of trade and other payables

At amortised cost

56,005,481 44,276,986

Non-financial instruments

2,197,542 1,949,685

58,203,023 46,226,671

12. Current tax payable (receivable)

Movement in taxation account

At the beginning of year

74,747 74,747

Charge for the year

9,185 -

83,932 74,747

13. Revenue

Revenue from contracts with customers

Rendering of services

38,756,375 38,308,526

Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers as follows:

Rendering of services

Reconnection fees

402,730 522,166

Sewerage services

904,548 1,069,247

Water sales

32,421,207 32,015,374

Kiosk - water sales

549,796 641,075

Vacuum tanker - water sales

48,155 123,538

Standing charges

4,429,939 3,937,126

38,756,375 38,308,526

Timing of revenue recognition

Over time

Water sales

32,421,207 32,015,374

Standing charges

4,429,939 3,937,126

Sewerage charges

904,548 1,069,247

Kiosks - water sales

549,796 641,075

Vacuum tanker - water sales

48,155 123,538

Reconnection fees

402,730 522,166

38,756,375 38,308,526

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14. Cost of sales

Cost of manufactured goods

15,702,131 15,957,011

Production expenses

Aluminium sulphate

1,365,720 1,743,048

Chlorine

1,326,620 1,393,784

Other chemicals

- 18,827

Lime

5,537 -

Loose tools

115,569 125,155

Manufacturing overheads

56,182 14,531

Vacuum tanker costs

22,461 92,490

Quality control

110,839 111,368

Protective clothing

415,954 358,644

Plant insurance

- 131,717

Electricity

7,377,452 7,152,132

Security expenses

1,440,238 1,518,267

Plant and machinery repairs

154,898 353,583

Network repairs

2,039,081 1,740,851

Kiosk maintenance

228,740 217,231

Operation and water maintenance

7,428 15,421

NWASCO license fees

730,311 695,356

Electrical consumables

163,771 162,720

DPD tablets

57,189 50,908

Sewerage repairs

84,141 60,978

15,702,131 15,957,011

15. Other operating income

Amortisation of capital grants

11,426,596 11,466,054

Bank interest received

2,618 164

Illegal connections

22,301 9,941

Other income

340,488 362,866

Rental income

84,000 99,450

Capital grants utilised

886,514 1,825,588

12,762,517 13,764,063

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16. Other operating gains (losses)

Foreign exchange gains (losses)

Net foreign exchange gains

156,306

-

The company bought a vehicle on credit at a time of high exchange rates and settled the payment when the exchange rates had decreased. As a result, the company realized an exchange gain of ZMW 156,306.

17. Employee costs

Employee costs

Basic pay and allowances	22,072,541	20,813,236
Kiosk commissions	36,713	145,165
Long service bonus	62,500	110,500
Medical expenses	376,612	571,947
Recruitment costs	74,300	101,568
Workers compensation	213,426	107,325
Skills development levy	114,449	109,184
Water allowances	203,448	642,562
Leave pay provision	1,642,603	3,030,407
Christmas gifts	119,600	97,064
Funeral grant	22,400	91,060
Staff training	619,654	501,990
Staff houses - maintenance	7,748	690
Provision for retirement benefit	10,340,495	4,054,427
NAPSA/LASF employer contributions	1,129,802	1,300,359
Entertainment allowance	207,330	161,850
	37,243,621	31,839,334

18. Finance costs

Bank overdraft

32,840

9,520

These are bank charges associated with the bank overdraft.

19. Taxation

Major components of the tax income

Current

Current tax

9,185

-

Deferred

Arising from previously unrecognised tax loss

(7,826,851)

2,385,251

Arising from tangible assets

(1,361,326)

5,843,515

(9,188,177)

8,228,766

(9,178,992)

8,228,766

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19. Taxation (continued)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting loss	(27,254,424)	(23,539,820)
Tax at the applicable tax rate of 30% (2021: 35%)	(8,176,327)	(8,238,937)
Tax effect of adjustments on taxable income		
Other income	9,185	-
Net effect of disallowable items	5,614,975	7,238,085
Net effect of allowable items	(34,217,461)	(14,832,944)
Effects of temporary differences	27,590,636	24,062,562
	(9,178,992)	8,228,766

20. Cash generated from operations

Loss before taxation	(27,254,424)	(23,539,820)
Adjustments for:		
Depreciation and amortisation	18,436,276	18,989,921
Gains on foreign exchange	(156,306)	-
Finance costs	32,840	9,520
Movements in provisions	9,073,539	3,309,579
Changes in working capital:		
Inventories	(7,993,350)	(952,865)
Trade and other receivables	(262,461)	864,524
Trade and other payables	11,976,352	13,938,839
Capital grants	14,506,128	(6,166,294)
	18,358,593	6,453,404

21. Going concern

We draw attention to the fact that at 31 December 2022, the company had accumulated losses of ZMW (83,237,856) (2021: ZMW 65,162,423) and that the company's total liabilities exceed its assets by ZMW (61,990,706)

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

These conditions give rise to a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company and that the will remain in force for so long as it takes to restore the solvency of the company.

22. Comparative figures

No comparative figures have been reclassified or restated.

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23. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2022

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	6	4,936,953	4,936,953	4,936,953
Cash and cash equivalents	7	13,932,545	13,932,545	13,932,545
		18,869,498	18,869,498	18,869,498

2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	6	4,874,695	4,874,695	4,874,695
Cash and cash equivalents	7	811,813	811,813	811,813
		5,686,508	5,686,508	5,686,508

Categories of financial liabilities

2022

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	11	56,005,481	56,005,481	44,384,294
Bank overdraft	7	764,422	764,422	764,422
		56,769,903	56,769,903	45,148,716

2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	11	44,276,986	44,276,986	30,126,333
Bank overdraft	7	403,385	403,385	403,385
		44,680,371	44,680,371	30,529,718

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23. Financial instruments and risk management (continued)

Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The company monitors capital utilising a number of measures, including the gearing ratio. The gearing ratio is calculated as net borrowings (total borrowings less cash) divided by shareholders' equity.

The capital structure and gearing ratio of the company at the reporting date was as follows:

Trade and other payables	11	58,203,023	46,226,671
Cash and cash equivalents	7	(13,134,962)	(393,064)
Net borrowings		45,068,061	45,833,607
Equity		(61,990,706)	(42,500,350)
Gearing ratio		(73)%	(380)%

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23. Financial instruments and risk management (continued)

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk; and
- Liquidity risk;

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the company's risk management policies. The committee reports quarterly to the board of directors on its activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The company audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on trade and other receivables and cash and cash equivalents.

Credit risk exposure arising on cash and cash equivalents is managed by the company through dealing with well-established financial institutions with high credit ratings.

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

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23. Financial instruments and risk management (continued)

The maximum exposure to credit risk is presented in the table below:

		2022			2021		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	6	11,451,724	(6,514,771)	4,936,953	10,933,290	(6,058,595)	4,874,695
Cash and cash equivalents	7	13,932,545	-	13,932,545	811,813	-	811,813
		25,384,269	(6,514,771)	18,869,498	11,745,103	(6,058,595)	5,686,508

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

The company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2022

	Carrying amount
Current liabilities	
Trade and other payables	58,203,023
Bank overdraft	7 788,700

2021

	Carrying amount
Current liabilities	
Trade and other payables	11 46,226,671
Bank overdraft	7 403,583

