FINCA ZAMBIA LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2016

FINCA ZAMBIA LIMITED
(Incorporated in Zambia)

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2016

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FINCA ZAMBIA LIMITED

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The Company is licensed as a non-banking financial institution in accordance with the provisions of the Banking and Financial Services Act, 1994 (as amended).

The principal activity of the Company is the provision of micro finance services.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Plot 609 Foxdale Court
Zambezi Road
Roma
Lusaka

FINANCIAL RESULTS AND DIVIDENDS

RESULTS	**2016**	2015
	K	K
Total income	**108,274,358**	111,140,588
Net income (after interest expense)	**83,398,853**	84,178,936
Profit for the year	**1,420,884**	4,387,468

SHARE CAPITAL

There were no changes to the Company's authorised and issued share capital during the year.

DIRECTORS

The Directors who held office during the year were:

Mike Gama-Lobo	Chairman
Isaiah Chindumba	Director
Maximo Mulenga	Director
Timothy Durgan	Director
Leonardo Polit	Director

The total remuneration for the Directors in the year under review amounted to **K139,089** (2015: K48,753).

EMPLOYEES

The average number of employees during each month of the year was as follows:

	2016	2015
Month		
January	**390**	479
February	**385**	540
March	**380**	530
April	**381**	512
May	**376**	510
June	**372**	502
July	**389**	488
August	**374**	481
September	**385**	471
October	**371**	454
November	**374**	434
December	**369**	417

The total remuneration paid to the employees and towards staff welfare during the year was **K38,737,939** (2015:K36,223,704).

FINCA ZAMBIA LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

PROPERTY AND EQUIPMENT

The additions to property and equipment during the year amounted to **K4,571,578** (2015: K3,210,272) comprising:

	2016	2015
	K	K
Computer equipment	**2 322 773**	1 772 750
Capital work in progress	**1 805 656**	361 681
Leasehold improvements	**165 730**	760 154
Furniture and fittings	**277 419**	315 687
	4 571 578	3 210 272

Software with a cost of **K2,075,752** (2015: K410,182) was also acquired during the year.

SUBSEQUENT EVENTS

There have been no material events or circumstances since the reporting date to the date of approval of these financial statements that require disclosure in or adjustment to these financial statements.

GIFTS AND DONATIONS

The Company made no donations during the year (2015: Nil).

EXPORTS

The Company did not export any goods/services during the year (2015: Nil).

RESEARCH AND DEVELOPMENT

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

HEALTH AND SAFETY OF EMPLOYEES

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

DIVIDENDS

The Company did not declare dividends during the year (2015: Nil).

AUDITORS

The term of office for Messrs Deloitte & Touche expires at the next Annual General Meeting. The auditors have expressed their willingness to continue serving the Company as auditors. A resolution proposing their re-appointment as auditors to the Company and authorising the Directors to determine their remuneration will be put to the Annual General Meeting.

By order of the Board.

Lusaka, Zambia

Date: 11 April 2017

FINCA ZAMBIA LIMITED

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

Section 164 (6) of the Companies Act, 1994 (as amended) and section 64 of the Banking and Financial Services Act, 1994 (as amended) requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the profit or loss for that year.

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, Messrs Deloitte & Touche, have audited the financial statements and their report is shown on pages 4 and 5.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern in the forseeable 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 profit of the Company for the financial year ended 31 December 2016;
- 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 2016;
- 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 International Financial Reporting Standards and in the manner required by the Companies' Act, 1994 (as amended) and the Banking and Financial Services Act, 1994 (as amended).

Signed on behalf of the Board by:

DIRECTOR | **DIRECTOR**

DATE: 11 April 2017

Deloitte.

PO Box 30030
Lusaka
Zambia

Deloitte & Touche
Registered Auditors
Abacus Square
Plot No 2374/B
Thabo Mbeki Road
Lusaka
Zambia

Tel: +260 (211) 228677/8/9
Fax: +260 (211) 226915
www.deloitte.co.zm

INDEPENDENT AUDITOR'S REPORT

To the members of
FINCA Zambia Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of FINCA Zambia Limited set out on pages 6 to 37, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of Finca Zambia Limited as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1994 (as amended) and the Banking and Financial Services Act, 1994 (as amended).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Zambia. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies Act, 1994 (as amended) and the Banking and Financial Services Act, 1994 (as amended), which we obtained prior to the date of this auditor's report. The other information does not include the consolidated and separate 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 consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 presentation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and in the manner required by the Companies' Act, 1994 (as amended) and the Banking and Financial Services Act, 1994 (as amended), 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, 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 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 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.
- 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

The Companies Act, 1994 (as amended) requires that in carrying out our audit, we consider and report to you on the following matter: We confirm that the accounting and other records and registers have been properly kept in accordance with the Act.

In accordance with Section 64(2) of the Banking and Financial Services Act, 1994 (as amended), we report that in our opinion:

- The Company made available all necessary information to enable us to comply with the requirements of this Act;
- 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;
- We are not aware of any transaction that has not been within the powers of the Company or which was contrary to the Act; and
- The Company complied with the provisions of this Act and the regulations, guidelines and prescriptions under this Act.

Deloitte & Touche

DELOITTE & TOUCHE

ALICE JERE TEMBO
PARTNER
AUD/F000433

DATE: 3/05/2017

FINCA ZAMBIA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2016

	NOTES	2016 K	2015 K
Interest income	4	**81,828,749**	55,382,483
Interest expense	5	**(24,875,505)**	(19,875,515)
Net interest income		**56,953,244**	35,506,968
Impairment charges for credit losses	14	**(13,925,433)**	(7,086,137)
Net interest income after impairment charges for credit losses		**43,027,811**	28,420,831
Fee and commission income	6	**25,852,988**	34,283,714
Late payment fees		**1,020,528**	563,753
Net fee and commission income		**26,873,517**	34,847,467
Other (loss) income	7	**(6,905,592)**	15,471,360
Grant income		**8,166,972**	5,439,278
Total other income		**1,261,380**	20,910,638
Total operating income		**71,162,708**	84,178,936
Operating expenses	8	**(67,168,366)**	(76,804,753)
Profit before tax	9	**3,994,342**	7,374,183
Income tax expense	10	**(2,573,458)**	(2,986,715)
Total comprehensive profit for the year		**1,420,884**	4,387,468

There were no items of other comprehensive income for the year (2015: Nil).

FINCA ZAMBIA LIMITED

STATEMENT OF FINANCIAL POSITION
at 31 December 2016

	NOTES	2016 K	2015 K
ASSETS			
Cash and cash equivalents	12	**8 222 848**	6 398 425
Prepayments and other receivables	13	**8 035 841**	6 691 887
Loans and advances to customers	14	**133 831 912**	128 728 705
Current tax asset	10	-	1 910 148
Derivative financial assets	15	**7 778 810**	15 277 023
Deferred tax asset	11	**1 167 233**	-
Property and equipment	16	**10 611 112**	8 672 274
Intangible asset - software	17	**4 718 592**	5 898 589
Total assets		**174 366 348**	173 577 051
LIABILITIES			
Deposits from customers	18	**37 263 183**	30 380 627
Other financial liabilities	19	**21 472 043**	19 732 981
Amounts due to related parties	20	**3 369 699**	3 129 896
Current tax liability	10	**1 869 293**	-
Deffered tax liability		-	1 102 969
Borrowings	21	**80 243 190**	90 933 932
Total liabilities		**144 217 407**	145 280 405
EQUITY			
Share capital	23	**25 392 783**	25 392 783
General reserve	24	**1 281 918**	1 258 321
Retained earnings		**3 474 240**	1 645 542
Total equity		**30 148 941**	28 296 646
Total equity and liabilities		**174 366 348**	173 577 051

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 4. The financial statements on pages 6 to 37 were approved by the Board of Directors and authorised for issue on 11 April 2017 and were signed on its behalf by:

DIRECTOR

DIRECTOR

FINCA ZAMBIA LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Issued capital	General reserves	Retained earnings	Total
	K	K	K	K
Balance at 31 December 2014	**25,392,783**	**1,220,205**	**(2,703,810)**	**23,909,178**
Profit for the year	-	-	4,387,468	**4,387,468**
Transfer from revenue reserves (note 24)	-	38,116	(38,116)	**-**
Balance at 31 December 2015	**25,392,783**	**1,258,321**	**1,645,542**	**28,296,646**
Balance at 1 January 2016	**25,392,783**	**1,258,321**	**1,645,542**	**28,296,646**
Profit for the year	-	-	1,420,884	**1,420,884**
Transfer from revenue reserves (note 24)	-	23,597	(23,597)	**-**
Adjustments to property and equipment	-	-	431,411	**431,411**
Balance at 31 December 2016	**25,392,783**	**1,281,918**	**3,474,240**	**30,148,941**

FINCA ZAMBIA LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	NOTES	2016 K	2015 K
OPERATING ACTIVITIES			
Profit for the year		**1,420,884**	4,387,468
Adjusted for non cash items:			
Net foreign exchange (gain) loss on borrowings	21	**(3,209,400)**	10,613,700
Depreciation and amortisation of non-current assets	16,17	**6,032,886**	3,342,160
Impairment loss recognised on loans and advances		**13,925,433**	7,086,137
Interest expense recognised in profit or loss		**24,875,505**	19,875,515
(Write back) write up of depreciation and amortisation	16,17	**(4,528,054)**	4,185
Impairment of property and equipment	16	**4,383,657**	-
Adjustment to property and equipment		**431,411**	-
Loss (gain) on disposal of assets		**-**	(10,325)
Loss (gain) on forward exchange swap	7	**7,498,213**	(15,277,023)
Income tax expense	10	**2,573,458**	2,986,715
Operating cash flows before changes in working funds		**53,403,992**	33,008,532
Increase in prepayments and other receivables		**(1,343,954)**	(1,712,341)
Increase in loans and advances to customers		**(19,028,640)**	(34,126,867)
Decrease in amounts due from related parties		**-**	164,017
Increase in customer deposits		**6,882,556**	8,964,360
Increase in other financial liabilities		**1,739,062**	1,112,834
Increase in amounts due to related parties		**239,803**	1,543,522
Cash generated from operations		**41,892,819**	8,954,058
Income tax paid	10	**(1,064,218)**	(358,736)
Interest paid		**(24,875,505)**	(19,875,515)
Net cash generated from (used in) operating activities		**15,953,096**	(11,280,193)
INVESTING ACTIVITIES			
Expenditure on property and equipment	16	**(4,571,578)**	(3,210,272)
Expenditure on intangible assets	17	**(2,075,752)**	(410,182)
Proceeds from disposal of property and equipment		**-**	10,325
Net cash used in investing activities		**(6,647,330)**	(3,610,129)

FINCA ZAMBIA LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
for the year ended 31 December 2016

	NOTES	2016	2015
		K	K
FINANCING ACTIVITIES			
Loans repaid	21	**(26,568,592)**	(35,268,121)
Proceeds from borrowings issued	21	**19,087,250**	42,454,140
Net cash (used in) generated from financing activities		**(7,481,342)**	7,186,019
Net increase (decrease) in cash and cash equivalents		**1,824,423**	(7,704,303)
Net cash and cash equivalents at beginning of the year		**6,398,425**	14,102,728
Net cash and cash equivalents at end of the year		**8,222,848**	6,398,425
CASH AND CASH EQUIVALENTS			
Bank and cash balances	12	**8,222,848**	5,398,425
Held to maturity investments	12	**-**	1,000,000
		8,222,848	6,398,425

1. GENERAL INFORMATION

Finca Zambia Limited is a micro finance institution incorporated in Zambia and registered with the Bank of Zambia. The address of its registered office and principal place of business and activities are disclosed in the Director's report on page 1.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and value added tax during the year.

2.2.1 Interest Income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.2.2 Grant income

Revenue grants are credited directly to the statement of profit or loss when the activity to which they relate has taken place. Revenue grants received during the year but which relate to future activities are shown in the statement of financial position as deferred income and transferred to the statement of profit or loss in the year in which the activity is carried out.

2.2.3 Fee and commission

Fees and commission are generally recognised on an accrual basis when the service has been provided.

2.4 Borrowing costs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.6 Retirement benefits

2.6.1 Pension scheme

The Company's employees are members of a separately administered defined contribution pension scheme. These payments to the defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions. The Company's contributions are charged to the profit or loss as they become payable in accordance with the rules of the scheme.

2.6.2 Contract employees

For fixed term contract employees a gratuity is payable at the end of the contract period. Contract periods range from one to two years. Gratuity is expensed to profit or loss as the service is rendered.

2.6.3 National Pension Scheme Authority

The Company contributes to the National Pension Authority Scheme for its eligible employees as provided for by law. Membership is compulsory and monthly contributions by both employer and employees are made. The employer's contribution is charged to the profit or loss in the year in which it arises.

2.7 Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which the entities operate (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Zambian Kwacha ('K'), which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise.

2.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax as follows:

2.8.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Taxation (continued)

2.8.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.8.3 Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

2.9 Property and equipment

Leasehold buildings, equipment and motor vehicles held for use in the supply of services, or for administrative purposes, are stated in the statement of financial position at historical cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, other than properties under construction, over their estimated useful lives, using the straight-line method at the following annual rates:

Leasehold land and buildings	10%
Furniture and fittings	20%
Motor vehicles	20%
Office equipment	20%
Computer software	25%

The estimated useful lives, residual values and depreciation method are reviewed at each financial year end, with the effect of any changes in estimate accounted for on a prospective basis. Management has estimated the residual values of the property and equipment at 31 December 2015 to be insignificant.

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

Repairs and maintenance expenses are charged to the statement of profit and loss during the period which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company.

2.10 Intangible assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

2.12 Financial assets

Financial assets are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: "loans and receivables’’, "other receivables", "held to maturity" and "cash and cash equivalents". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans originated by the Company by providing money directly to the borrower are categorised as loans and receivables.

2.12.1 Effective interest method

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

2.12.2 Loans and receivables

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

All loans and advances are recognised when cash is advanced to borrowers.

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables (including other receivables, bank balances and cash, and amounts due from related parties) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2.12.3 Held to maturity investments

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

28. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets

2.12.3 Held to maturity investments

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

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

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

2.12.4 Derivatives instruments

A derivative is a financial instrument whose value changes in response to an underlying variable that requires little or no initial investment and that is settled at a future date. All derivatives are accounted for as trading instruments. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and are subsequently measured at fair value through profit and loss.

Derivative assets consist of open forward exchange swaps.

2.12.5 Derecognition of financial assets

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for loan losses.

Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in the general reserves as on appropriation of revenue reserves.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial liabilities and equity instruments issued by the Company

2.13.1 Classification as debt or equity

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

2.13.2 Equity instruments

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

2.13.3 Financial liabilities

The Company's principal financial liabilities are borrowings, other payables and amounts due to related parties. Borrowings, other payables and amounts due to related parties are initially measured at fair value, net of transaction costs.

Borrowings, other payables and amounts due to related parties are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

2.13.4 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations below, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

3.1.1 Impairment losses on loans and advances

The Company reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before a decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in that group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.1 Critical judgments in applying accounting policies (continued)

3.1.2 Held to maturity investments

The Company follows the guidance on IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity other than for specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available for sale. The Directors have reviewed the Company's held to maturity financial assets in light of its capital maintenance and liquidity requirements and have confirmed the Company's positive intention and ability to hold those assets to maturity.

3.1.3 Income taxes

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

3.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.2.1 Estimates of asset lives, residual values and depreciation methods

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

4. INTEREST INCOME

	2016	2015
	K	K
Arising on:		
Loans to customers	**81,250,239**	54,612,100
Loans to employees	**401,021**	325,105
	81,651,260	54,937,205
Cash and short term bank deposits	**177,489**	445,278
	81,828,749	55,382,483

Income from portfolio represents interest earned and accrued on loans to customers. Interest on the Village Bank product is accrued at **3.8%** (2015: 5%) and Small Group loan product is accrued at **4.9%** (2015: 4.9%) per month and **4.1%** (2015: 4.1%) average per month on the business loan product. Interest is accrued on a reducing balance basis.

5. INTEREST EXPENSE

	2016	2015
	K	K
Arising on:		
Borrowings	**20,422,740**	17,942,938
Deposits due to customers	**4,452,765**	1,932,577
	24,875,505	19,875,515

The weighted average capitalisation rate on funds borrowed generally is **20.1%** per annum (2014:17.7% per annum).

6. FEE AND COMMISSION INCOME

Credit related fees	**14,879,715**	762,495
Arrangement and deposit fees	**5,326,314**	5,952,509
Account maintance fees	**3,963,222**	15,985,227
Insurance administration fee	**1,683,857**	2,070,435
Legal and asset inspection fees	**(120)**	9,513,048
	25,852,988	34,283,714

7. OTHER INCOME

(Loss) gain on forward exchange swap	**(7,498,213)**	15,277,023
Other operating income	**592,621**	194,337
	(6,905,592)	15,471,360

8. OPERATING EXPENSES

Employee benefit expenses	**38,737,939**	36,223,704
Other operating and adminstration expenses	**26,030,268**	25,319,762
Depreciation and amortisation expense	**6,032,886**	3,342,160
Net foreign exchange (gains) losses	**(3,632,727)**	11,919,127
	67,168,366	76,804,753

9. PROFIT BEFORE TAX

Profit before tax is stated after crediting:		
Gain on disposal of assets	**-**	10,325
and after charging:		
Depreciation and amortisation	**6,032,886**	3,342,160
- Depreciation (note 16)	**2,728,773**	1,913,365
- Amortisation (note 17)	**3,304,113**	1,428,795
Key management remuneration	**5,152,395**	3,101,289
Management fees	**3,369,699**	3,196,911
Pension contributions	**1,448,045**	1,198,449
Net exchange (gains)/losses	**(3,632,727)**	1,305,427

10. TAXATION

Income tax expense comprise :		
Current tax expense	**3,740,691**	22,613
Deferred tax (note 11)	**(1,167,233)**	2,964,102
	2,573,458	2,986,715

FINCA ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2016

10. TAXATION (CONTINUED)

	2016 K	2015 K
Total income tax credit		
Current tax (asset) liabilities		
Payable in respect of year	**3,740,691**	22,613
Receivable in respect of previous year	**(1,910,148)**	(1,574,025)
Restatement of prior year tax payable	**1,102,968**	-
	2,933,511	(1,551,412)
Income tax paid during the year	**(1,064,218)**	(358,736)
Current tax liability (asset)	**1,869,293**	(1,910,148)

Reconciliation of the tax charge:
The total charge for the year can be reconciled to the accounting profit as follows:

	2016 K	2015 K
Profit before tax	**3,994,342**	7,374,183
Income tax calculated at 35% on accounting profit	**1,398,020**	2,580,964
Current tax expense		
Prior year adjustment	**1,102,968**	-
Tax effect of permanent differences	**177,499**	405,751
Income tax expense	**2,678,487**	2,986,715

The tax rate used for the 2016 and 2015 reconciliations above is the income tax rate of 35% payable on taxable profits by companies locally.

11. DEFERRED TAX

	2016 K	2015 K
At beginning of year	**(1,102,969)**	1,861,133
Restatement of prior year tax payable	**1,102,969**	-
Credited to profit or loss (note 10)	**1,167,233**	(2,964,102)
At end of year	**1,167,233**	(1,102,969)

The following are the major deferred tax assets (liabilities) recognised by the Company and their movements in the year:

	At beginning of year K	Credited to profit or loss K	At end of year asset K
At 31 December 2016			
Temporary differences			
- Property and equipment	**(981,794)**	**868,572**	**(113,222)**
- Other timing differences	**(121,175)**	**601,917**	**1,280,455**
- Prior year adjustment	**-**	**1,102,969**	**-**
	(1,102,969)	**2,573,458**	**1,167,233**
At 31 December 2015			
Temporary differences			
- Property and equipment	(676,569)	(305,225)	(981,794)
- Other timing differences	2,537,702	(2,658,877)	(121,175)
	1,861,133	(2,964,102)	(1,102,969)

12. CASH AND CASH EQUIVALENTS

	2016 K	2015 K
Bank and cash balances	**8,222,848**	5,398,425
Held to maturity investments	**-**	1,000,000
	8,222,848	6,398,425

(i) Bank and cash balances

	2016 K	2015 K
Kwacha bank accounts	**5,715,541**	4,382,537
Cash on hand balances	**1,269,595**	992,857
US Dollar bank accounts	**1,237,712**	23,031
	8,222,848	5,398,425
Unrestricted cash	**8,187,121**	5,363,047
Restricted cash	**35,727**	35,378
	8,222,848	5,398,425

Cash and balances with banks represents balances held at commercial banks for operations, cash held at the company's vault and petty cash.

Restricted cash is cash pledged as collateral on savings banked by the Company's borrowers as part of security for loans issued to them.

(ii) Held to maturity investments

	2016 K	2015 K
Investments in Term Deposits and Bank placements	**-**	**1,000,000**

13. PREPAYMENTS AND OTHER RECEIVABLES

	2016 K	2015 K
Interest accrued on loans	**6,093,619**	4,074,638
Prepayments	**1,247,407**	1,925,742
Sundry receivables	**400,315**	25,580
Staff advances	**293,843**	139,138
Other interest receivable	**657**	526,789
	8,035,841	6,691,887

No allowance has been made for estimated irrecoverable amounts from other receivables and prepayments as the Directors believe that the full amount is recoverable.

The Directors consider that the carrying amount of other receivables approximate their fair value.

14. LOANS AND ADVANCES TO CUSTOMERS

	2016 K	2015 K
At the beginning of the year	**128,728,705**	101,687,975
Advanced during the year	**217,842,681**	123,157,033
Impairment loss provision	**(5,911,216)**	(5,306,662)
Repayments during the year	**(206,828,258)**	(90,809,641)
	133,831,912	128,728,705
Gross amounts receivable	**139,743,128**	134,035,367
Impairment charges for credit losses	**(5,911,216)**	(5,306,662)
	133,831,912	128,728,705

Maturity analysis:

	2016 K	2015 K
Amounts receivable within one year	**92,639,723**	96,626,834
Amounts receivable after one year	**41,192,189**	32,101,871
	133,831,912	128,728,705

14. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	2016 K	2015 K

Before accepting any new customer, the Company carries out an affordability check to assess the potential customer's credit worthiness and defines credit limits by customer. Limits attributed to customers are reviewed on an going basis and as and when customers make application for additional loans.

Movement in the impairment loss on loans and advances to customers

Specific allowance for Impairment

Included in the loans to customers are individually impaired loan receivables with the balance of **K5,911,216** (2015: K5,503,662). The impairment recognised represents the difference between the carrying amount of these trade receivables and present value of the proceeds expected to be recovered from these debtors.

The movement on the loan loss provision is shown below:

	2016 K	2015 K
At 1 January	**5,306,662**	3,574,580
Charge for the year	**13,925,433**	7,086,137
Write offs	**(13,320,879)**	(5,354,055)
At 31 December	**5,911,216**	5,306,662

In determining the recoverability of loans and receivables, the Company considers any delays in the monthly loan repayments from the date the loan was initially granted on an ongoing basis and any delayed monthly repayments. Where the monthly loan repayments are in arrears, the entire loan balance outstanding from the customer is provided for based on the loan performance at various percentage rates from 0.12% to 100%.

The age of gross loans receivable is as follows:

	2016 K	2015 K
Current	**125,097,855**	117,442,200
1 - 7 days	**235,043**	133,746
8 - 30 days	**5,848,250**	4,559,115
31 - 60 days	**2,692,592**	1,585,686
61 - 90 days	**1,865,924**	640,699
Over 90 days	**4,003,463**	4,367,260
	139,743,128	128,728,706

Ageing of past due but not impaired

	2016 K	2015 K
61- 90 days	**1,865,924**	640,699
Over 90 days	**4,003,463**	4,367,260
Total	**5,869,387**	5,007,959

As at the reporting date there were no loans and receivables due from Directors.

The Company does not recognise any income once a loan is recognised as being impaired.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 K	2015 K
Derivative financial assets arising from:		
Forward swap	**7,778,810**	15,277,023

16. PROPERTY AND EQUIPMENT

Cost	Leasehold land and buildings	Motor vehicles	Computer equipment	Furniture and fittings	Capital work in progress	Total
	K	K	K	K	K	K
At 1 January 2015	3,396,421	257,185	5,341,542	2,559,699	7,854,321	19,409,168
Additions	760,154	-	1,772,750	315,687	361,681	3,210,272
Transfers	1,423,239	-	578,943	350,681	(8,216,002)	(5,863,139)
Disposals	-	-	(364,858)	(204,517)	-	(569,375)
At 31 December 2015	**5,579,814**	**257,185**	**7,328,377**	**3,021,550**	**-**	**16,186,926**
At 1 January 2016	5,579,814	257,185	7,328,377	3,021,550	-	16,186,926
Additions	165,730	-	2,322,773	277,419	1,805,656	4,571,578
Impairment of assets	(638,088)	-	(3,088,734)	(656,835)	-	(4,383,657)
Transfers	334,335	-	304,900	48,130	(687,366)	-
At 31 December 2016	**5,441,791**	**257,185**	**6,867,316**	**2,690,264**	**1,118,290**	**16,374,847**

FINCA ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2016

16. PROPERTY AND EQUIPMENT (CONTINUED)

DEPRECIATION	Leasehold land and buildings	Motor vehicles	Computer equipment	Furniture and fittings	Capital work in progress	Total
	K	K	K	K	K	K
At 1 January 2015	1,415,751	257,185	3,142,650	1,350,891	-	6,166,477
Charge for year	309,861	-	1,256,142	347,362	-	1,913,365
Write back of depreciation	-	-	4,185	-	-	4,185
Eliminated on disposal	-	-	(364,858)	(204,517)	-	(569,375)
At 31 December 2015	**1,725,612**	**257,185**	**4,038,119**	**1,493,736**	**-**	**7,514,652**
At 1 January 2015	1,725,613	257,185	4,038,119	1,493,735	-	7,514,652
Charge for year	572,753	-	1,640,249	515,771	-	2,728,773
Write back of depreciation on impaired assets	(714,387)	-	(3,028,038)	(737,266)	-	(4,479,691)
At 31 December 2016	**1,583,979**	**257,185**	**2,650,330**	**1,272,240**	-	**5,763,734**
Carrying amount						
At 31 December 2016	**3,857,812**	-	**4,216,986**	**1,418,024**	**1,118,290**	**10,611,112**
At 31 December 2015	3,854,201	-	3,290,257	1,527,814	-	8,672,274

The adjustments to PPE relate the VAT and withholding tax which should have been recognized in prior years when the assets were initially capitalised.

In accordance with Section 193 of the Companies Act, 1994, the Register of Land and Buildings is available for inspection by members and their duly authorised agents at the registered records office of the Company.

The Directors consider that the carrying values of the assets are not materially different from their fair values.

17. INTANGIBLE ASSETS - SOFTWARE

	2016 K	2015 K
Cost		
At 1 January 2016	**7,546,558**	1,273,273
Acquisitions	**2,075,752**	410,182
Transfer	-	5,863,103
Balance at 31 December 2016	**9,622,310**	7,546,558
Amortisation		
At 1 January 2016	**1,647,969**	219,174
Amortisation for the year	**3,304,113**	1,428,795
Write back of amortisation	**(48,364)**	-
Balance at 31 December 2016	**4,903,718**	1,647,969
Carrying amounts		
Balance at 31 December 2016	**4,718,592**	5,898,589

Intangible assets consist of the carrying value of various software programs including the payroll system as well as the software for the Company's banking operations and financial reporting. A new banking software Flexcube, was acquired during the year.

The Directors consider that the fair value of the property is at least equal to their carrying values as reflected in the statement of financial position.

18. DEPOSITS FROM CUSTOMERS

	2016	2015
Voluntary savings	**37,089,510**	29,329,560
Collateral savings deposits	**173,673**	1,051,067
	37,263,183	30,380,627

Deposits from customers consist of customers' collateral savings and voluntary savings.

19. OTHER FINANCIAL LIABILITIES

	2016	2015
Sundry and other payables	**8,706,461**	6,442,305
Gratuity	**6,603,348**	5,597,426
Deferred income	**2,698,093**	4,068,171
Accrued interest on borrowings	**3,430,644**	3,578,182
Loan repayments pending appropriation	**33,497**	46,897
	21,472,043	19,732,981

The Directors consider that the carrying amounts of liabilities approximate their fair values.

20. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of FINCA Microfinance Cooperatief UA. The ultimate parent company is FINCA Micro Finance LLC (''FMH'') incorporated in the United States of America.

The Company has balances arising from transactions with:

- FINCA Microfinance Holdings LLC (FMH), the company's parent company.
- FINCA Network Support Services a company with common shareholders with holding company FINCA Micro Finance LLC (''FMH'') and incorporated in Uganda.

20. RELATED PARTY TRANSACTIONS (CONTINUED)

The net effect of related party transactions on the results for the year are as follows:

	2016	2015
	K	K
FINCA Network Support Services	**2,590,913**	2,962,131
FINCA Microfinance Holdings LLC (FMH)	**-**	3,583,373
	2,590,913	6,545,504

Year end balances

(a) Amounts due to related parties

Arising on:

	2016	2015
FINCA Network Support Services	**3,369,699**	2,095,324
FINCA Microfinance Holdings LLC (FMH)	**-**	1,034,572
	3,369,699	3,129,896
Amounts falling due within one year	**3,369,699**	3,129,896

Amounts due to FINCA Micro Holdings LLC are in form of flexcube license cost payable, annual rental payable and interest on licenses. Flexcube license is leased over a period of 5 years.

Amounts due to FINCA Network Support Services are license fees payable.

(b) Compensation of key Management personnel

The remuneration of key Management during the year was as follows:

	2016	2015
Short term benefits	**5,152,395**	3,101,289

21 BORROWINGS

	2016	2015
At beginning of the year	**90,933,932**	73,134,213
Loans received	**19,087,250**	42,454,140
Repayments	**(26,568,592)**	(35,268,121)
Exchange (gain)/loss on valuation of foreign denominated loans	**(3,209,400)**	10,613,700
At end of the year	**80,243,190**	90,933,932
Due to:		
Regional MSME Investment Fund for Sub-Saharan Africa S.A, SICAV-SIF Symbiotics	**26,414,340**	30,933,690
FINCA Microfinance Holding Company LLC (FMH)	**24,802,000**	27,476,500
Ecumenical Development Cooperative Society UA-Oikocredit	**12,581,450**	-
Stichting Triodos-Doen/Stichting Hivos-Triodos Fonds	**11,485,000**	17,085,000
Access Africa Fund (Microvest)	**4,960,400**	11,585,000
Microfinance Enhancement Facility SA. SICAV-SIF BO	**-**	3,853,742
	80,243,190	90,933,932
Less: amounts falling due within one year	**(37,455,301)**	(32,566,378)
Amounts falling due after one year	**42,787,889**	58,367,554

21. BORROWINGS (CONTINUED)

Loan terms for each of the above stated loans are as follows:

(i) Regional MSME Investment Fund for Sub-Saharan Africa S.A, SICAV-SIF Symbiotics

This is an outstanding balance comprise unsecured debt of K6,318,300 disbursed in March 2015 and November 2014 with interest rates of 18.00% and 18.50% per annum respectively. The loans are both for the tenure of 3 years. Additional debt capital of K4,387,080; K10,683,960 and K5,025,000 was obtained in March, August and September 2015 with interest rate of 22.5%, 23.1% and 25% per annum respectively. The loans are a tenure of 3, 3 and 2 years respectively.

(ii) FINCA Microfinance Holding Company LLC (FMH)

The outstanding balance of K11,485,000 comprises unsecured debt of $1,500,000 and $1,000,000 disbursed in May and June 2015 with interest rates of 6% for a tenure of 2 years. The loans had been hedged with MFX solutions under a normal non deliverable hedge at rates of 23% and 22% respectively.

(iii) Ecumenical Development Cooperative Society UA - Oikocredit

The outstanding balance is unsecured debt of K6,201,685 and K6,653,200 disbursed in February 2016 with a floating interest rate of 21.75 repayable in 3.5 years.

(iv) Stichting Triodos-Doen/Stichting Hivos-Triodos Fonds

The outstanding loan balance of K24,802,000 comprises of unsecured loans of K5,300,000 and K6,185,000 disbursed in July and October 2014 respectively. A floating interest rate is charged based on Treasury bill 90 days rate determined by the Bank of Zambia and a margin of 7% per annum, with a minimum of 19% and a maximum of 26%.

(v) Microvest-Access Africa Fund

The outstanding balance is unsecured debt of $500,000 disbursed in April 2015 with interest rates of 5.5% repayable in 2 years. This debt has been hedged under a forward arrangement bringing the effective rate to 22.03%

22. OPERATING LEASE ARRANGEMENTS

FINCA Zambia Limited leases a number of offices under operating leases. The leases typically run for a period of 5 years, with an option to renew the lease after that date. Lease payments are reviewed every year to reflect market rentals.

	2016	2015
	K	K
Rental expense on leasehold building	**3,486,559**	3,079,337
Rentals prepaid on leaseholds		
Less than one year	**533,119**	221,434
Between 1 and 5 years	**-**	36,026
	533,119	257,460

23. ISSUED CAPITAL

Authorised, issued and fully paid:

25,392,783 (2015:25,392,783) ordinary shares of K1 each	**25,392,783**	25,392,783

24. GENERAL RESERVE

The Company has charged the impairment loss on loans and advances in accordance with IAS 39. The difference of the charge for impairment on loans and advances based on Statutory Instrument No.142 and the charge based on International Financial Reporting Standards (IAS 39) has been transferred from revenue reserves to the non-distributable reserves because the provisons carried in the books based on Internationational Financial Reporting Standards are lower than the same calculation based on statutory requirements.

25. CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2016 and 2015.

26. CONTINGENT LIABILITIES

There were no other contingent liabilities as at 31 December 2016.

27. EVENTS AFTER THE REPORTING DATE

There have been no material events or circumstances since the reporting date to the date of approval of these financial statements that require disclosure in or adjustment to these financial statements.

28. FINANCIAL RISK AND CAPITAL MANAGEMENT

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

Capital management

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in notes 26 and 26 respectively.

Gearing ratio	**2016** **K**	2015 K
The gearing ratio at the year end was as follows:		
Debt (I)	**80,243,190**	90,933,932
Less: Cash and cash equivalents	**(8,222,848)**	(6,398,425)
Net debt	**72,020,342**	84,535,507
Equity (ii)	**30,148,941**	28,296,646
Net debt to equity ratio	**239%**	299%

The industry average is 200%.

(I) Debt is defined as long-term and short-term borrowings, as detailed in note 21.

(ii) Equity includes all capital and reserves of the Company.

Significant accounting policies

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

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the Bank of Zambia;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

28. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Significant accounting policies (Continued)

Table below shows the computation of the Company's risk weighted assets and capital position as required by Cap. 387 of the Banking and Financial Services Act, 1994 (as amended).

a) Calculation of risk weighted assets

		Risk weight % (1)	**Balance (net of allowance for losses) (2) K**	**Risk-weighted assets (1 x 2) K**
	ASSETS			
	Notes and coin			
1	- Domestic	0%	1,269,595	0
2	- Foreign	0%	-	-
	Balances held with Bank of Zambia			
3	- statutory reserves	0%	-	-
4	- other balances	0%	-	-
	Balances held with commercial banks:			
	a) Domestic			
5	- with residual maturity of up to 12 months	20%	6,873,873	1,374,775
6	- with residual maturity of more than 12 months	100%	-	-
	b) Foreign			
7	- with residual maturity of up to 12 months	20%		-
8	- with residual maturity of more than 12 months	100%	-	-
	Assets in transit			
9	- From other commercial banks	50%	-	-
10	- From branches of reporting bank	20%	-	-
	Investment in debt securities			
11	- Treasury bills and placements	0%	0	0
12	- Other government securities	20%	-	-
13	- Issued by Local Government Units	100%	-	-
14	- Private securities	100%	-	-
	Bills of exchange			
15	- Portion secured by cash or treasury bills	0%	-	-
16	- Others	100%	-	-
	Loans repayable in instalments and secured by a			
17	- Portion secured by cash or treasury bills	0%	-	-
18	- loans to or guaranteed by local government units	100%	-	-
19	- mortgage on owner- occupied residential property	50%	-	-
20	- loans to parastatals	100%	-	-
21	- Others	100%	139,743,128	139,743,128
22	- Inter-bank advances and loans/advances guaranteed by other banks:			
23	- with residual maturity of 12 months	20%	-	-
24	- with a residual maturity of more than 12 months	100%	-	-
25	Bank premises	100%	-	-
26	Acceptances	100%	-	-
27	Other assets	100%	26,479,752	26,479,752
28	Investment in equity of other companies	100%	-	-
	TOTAL RISK-WEIGHTED ASSETS (on-balance sheet)		**174,366,348**	**167,597,654**

28. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

OFF BALANCE SHEET OBLIGATIONS

Significant accounting policies (Continued)

		Risk weight % (2)	**Balance (net of allowance for losses) (3)** K	**Risk-weighted assets (1 x 2 x 3)** K
	Letters of credit			
29	- sight import letters of credit	20%	-	-
30	- portion secured by Cash/Treasury bills	0%	-	-
31	- standby letters of credit	100%	-	-
32	- portion secured by Cash/Treasury bills	0%	-	-
33	- export letters of credit confirmed	20%	-	-
34	- Guarantees and indemnities			-
35	- guarantees for loans, trade and securities	100%	-	-
36	- portion secured by Cash/Treasury bills	0%	-	-
37	- performance bonds	50%	-	-
38	- portion secured by Cash/Treasury bills	0%	-	-
39	- securities purchased under resale agreement	100%	-	-
40	- other contingent liabilities	100%	-	-
41	- net open position in foreign currencies	100%	-	-
	TOTAL RISK-WEIGHTED ASSETS (off balance sheet)		-	-
	TOTAL RISK-WEIGHTED ASSETS (on and off-balance sheet)		**174,366,348**	**167,597,654**

Computation of capital position	**31 December 2016**	31 December 2015
PRIMARY (TIER 1) CAPITAL ADDITIONS:		
(a) Paid-up common shares	**25,392,783**	25,392,783
(b) Eligible preferred shares	-	-
(c) Capital grants (Share premium)	-	-
(d) Retained earnings	**3,474,240**	1,645,542
(e) Non distributive reserves	**1,281,918**	1,258,321
(f) Statutory reserves	-	-
(g) Minority interests (common shareholders' equity)	-	-
(h) Sub-total	**30,148,941**	28,296,646
SUBTRACTIONS:		
(i) Goodwill and other intangible assets	-	-
(j) Investments in unconsolidated subsidiaries and associates	-	-
(k) Lending of a capital nature to subsidiaries and associates	-	-
(l) Holding of other banks' or financial institutions' capital instruments	-	-
(m) Assets pledged to secure liabilities	-	-
Sub-total (A) (items i to m)	-	-
OTHER ADJUSTMENTS:		
Provisions (note 2)	-	-
Assets of little or no realizable value (note 3)	-	-
Other adjustments (specify)	-	-

28. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)	**31 December 2016 K**	31 December 2015 K
Significant accounting policies (Continued)		
a) Calculation of risk weighted assets (Continued)		
Sub-total (Other adjustments)	-	-
(n) Total Subtractions (B): (Sub-total A above+Other adjustments)	-	-
(o) TOTAL PRIMARY CAPITAL (h - n)	**30,148,941**	28,296,646
SECONDARY (TIER 2) CAPITAL		
(a) Eligible preferred shares		
(b) Eligible subordinated term debt (note 25)	-	-
(c) Eligible loan stock/capital	-	-
(d) Eligible general provisions	-	-
(e) Revaluation reserves. Maximum is 40% of revaluation	-	-
(f) Other. specify	-	-
ELIGIBLE SECONDARY CAPITAL	-	-
(the maximum amount of secondary capital is limited to 100% of primary capital)	-	-
ELIGIBLE TOTAL CAPITAL (I(o) + III) (Regulatory capital)	**30,148,941**	28,296,646
MINIMUM TOTAL CAPITAL REQUIREMENT: (15% of total on and off balance sheet risk-weighted assets as established in the first schedule)	**25,139,648**	24,052,149
CAPITAL ADEQUACY (I + III - IV)	**5,009,293**	4,244,497

Financial risk management objectives

(a Introduction and overview

Finca Zambia Limited has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- currency risk

Interest rate risk management

The Company is exposed to interest rate risk as the Company borrows funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings. The exposure to interest rate risk is evaluated regularly by management to align with interest rate views and defined risk appetite, by either positioning the balance sheet or protecting interest expense through different interest rate cycles. The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

28. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Credit risk management

Credit risk management refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk in respect of loans and receivables. Credit risk on loans and receivables is high, however, all loans are monitored on a monthly basis and non performing loans are identified. The monthly repayments are monitored on an ongoing basis and any none compliance is immediately flagged by management and adequate provision made against non performing loans. The credit risk on liquid funds is limited because the counterparties are first-class banks.

Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities. The liquidity risk of the financial liabilities at the reporting date is as detailed below.

The following table detail the Company's remaining contractual maturity for its non-derivate financial assets and liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets and liabilities.

Year ended 31 December 2016

Assets	Less than 1 month K	1 - 3 month K	3 months to 1 year K	1 - 5 years K	Total K
Bank and cash balances	8,222,848	-	-	-	**8,222,848**
Other receivables	8,035,841	-	-	10,611,112	**18,646,953**
Derivative financial assets	-	-	-	7,778,810	**7,778,810**
Loans and receivables	3,067,064	12,256,609	77,316,050	41,192,189	**133,831,912**
Total assets	**19,325,753**	**12,256,609**	**77,316,050**	**59,582,111**	**168,480,523**
Liabilities					
Deposits from customers	10,111,624	20,107,323	7,041,036	3,200	**37,263,183**
Other financial liabilities	1,475,265	8,022,163	5,475,101	6,499,515	**21,472,043**
Amounts due to related parties	-	1,095,323	1,362,572	911,804	**3,369,699**
Borrowings	-	4,193,817	43,087,100	32,962,273	**80,243,190**
Total liabilities	**11,586,888**	**33,418,626**	**56,965,809**	**40,376,792**	**142,348,115**

28. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Liquidity risk management (Continued)

Year ended 31 December 2015

Assets	**Less than 1 month K**	**1 - 3 month K**	**3 months to 1 year K**	**1 - 5 years K**	**Total K**
Bank and cash balances	5,398,425	-	-	-	5,398,425
Held to maturity investments	1,000,000	-	-	-	1,000,000
Other receivables	6,691,887	-	-	-	6,691,887
Derivative financial assets	-	-	-	15,277,023	15,277,023
Loans and receivables	122,135,060	2,226,385	1,749,099	2,618,161	128,728,705
Total assets	**135,225,372**	**2,226,385**	**1,749,099**	**17,895,184**	**157,096,040**
Liabilities					
Deposits from customers	17,690,782	5,685,048	7,000,247	4,550	30,380,627
Other financial liabilities	573,176	7,120,074	6,442,305	5,597,426	19,732,981
Amounts due to related parties	-	2,095,324	362,572	672,000	3,129,896
Borrowings	-	20,063,078	12,503,300	58,367,554	90,933,932
Total liabilities	18,263,958	34,963,524	26,308,424	64,641,530	144,177,436

28. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Market risks - sensitivity analysis

The objective of the Company's market risk management is to manage and control market risk exposures in order to optimize return on risk while maintaining a market profile consistent with the Company's profile.

Market risk is the risk that movements in market risk factors including foreign exchange rates and interest rates will reduce the entity's income or capital.

A principal part of the entity's management of market risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios and the sensitivity of future earnings and capital to varying foreign exchange rates. The entity aims through its management of market risk, to mitigate the impact of prospective interest rate movements and foreign exchange fluctuations which could reduce future earnings and capital.

a) Interest rate risks - increase/decrease of 10% in net interest margin

The interest Rate Risks sensitivity analysis is based on the assumption that changes in the market interest rates affect the interest income or expenses of variable interest financial instruments:

The table below sets out the impact on current profit before taxation of an incremental 10% parallel fall or rise in all yield curves at the beginning of the current financial year beginning on 1 January 2016:

Amount		**Scenario 1** **10% increase in variable interest rates**	**Scenario 1** **10% increase in variable interest rates**
Profit before tax	3,994,342	1,506,791	6,481,892

Assuming no management action, a rise would decrease net interest income for 2016 by **K2,487,551** (2015: K 1,978,552), while a fall would increase net interest income by the same amount.

b) Foreign Exchange risks - Appreciation/ Depreciation of USD by 11%

The foreign exchange risks sensitivity analysis is based on an incremental 11% parallel fall or rise in the US Dollar exchange rate during the year ended 31 December 2016.

		Scenario 1 **variable** **Foreign**	Scenario 1 variable Foreign
Profit before tax	3,994,342	3,641,308	4,347,376

Assuming no management action, a rise would decrease net income for 2016 by **K706,068** (2015:K971,343), while a fall would increase net interest income by the same amount.

29. FAIR VALUE MEASUREMENTS

The information set out below provides information about how the Company determines fair values of various financial assets and financial liabilities.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

29. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (Continued)

	2016		2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Loans and receivables:				
– other receivables	8,035,841	**8,035,841**	6,691,887	6,691,887
– loans and receivables	133,831,912	**133,831,912**	128,728,705	128,728,705
– Derivative financial assets	7,778,810	**7,778,810**	15,277,023	15,277,023
Total	**149,646,563**	**149,646,563**	150,697,615	150,697,615
Financial liabilities				
Financial liabilities held at amortised cost:				
– deposits from customers	**37,263,183**	**37,263,183**	30,380,627	30,380,627
– other financial liabilities	**21,472,043**	**21,472,043**	6,442,305	6,442,305
– amounts due to related parties	**3,369,699**	**3,369,699**	3,129,896	3,129,896
– borrowings	**80,243,190**	**80,243,190**	90,933,932	90,933,932
Total	**142,348,114**	**142,348,114**	130,886,760	130,886,760

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (Continued)

	Fair value hierarchy as at 31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Loans and receivables:				
– other receivables	-	-	8,035,841	8,035,841
– loans and receivables	-	-	133,831,912	133,831,912
– Derivative financial assets	-	7,778,810	-	7,778,810
Total	**-**	**7,778,810**	**141,867,753**	**149,646,563**
Financial liabilities				
Financial liabilities held at amortised cost:				
– deposits from customers	-	-	37,263,183	37,263,183
– other financial liabilities	-	-	21,472,043	21,472,043
– borrowings	-	-	80,243,190	80,243,190
Total	**-**	**-**	**138,978,415**	**138,978,415**

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

29. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

29.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

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

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the company already uses the straight line and units of production method for depreciation and amortisation for its property,plant and equipment and intangible assets, the application of these ammendments has had no impact on the Company's financial statements.

Annual Improvements to IFRSs 2012 – 2014 Cycle

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (ie the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of amendments has had no impact on the disclosures or amounts recognised in the Company's financial statements.

Amendments to IAS 1 Disclosure Intitative

The application of amendments has had no impact on the disclosures or amounts recognised in the Company's financial statements.

29. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

29.2 Standards and Interpretations in issue, not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

Standard, Amendment or interpretation	Effective date
IFRS 9 Financial Instrument:	
• IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	1 January 2018
The Directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.	
IFRS 15 Revenue from Contracts	
• IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.This core principle is delivered in a five-step model framework:	1 January 2018
i) Identify the contract(s) with a customer	
ii) Identify the performance obligations in the contract	
iii) Determine the transaction price	
iv) Allocate the transaction price to the performance obligations in the contract	
v) Recognise revenue when (or as) the entity satisfies a performance obligation.	
Amendments to IAS 12 Recognition of Deferred Tax assets for unrealised losses	
The amendements clarify the following;	
i) Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for wghich the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the user will pay all the contractual cash flows;	1 January 2017
ii) when an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but seperately from other types of deductible temporary differences;	

29. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Standard, Amendment or interpretation	Effective date
Amendments to IAS 12 Recognition of Deferred Tax assets for unrealised losses	
iii) The estimate of probable future taxable profit may include the recovery of some of entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and iv) In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences	1 January 2017
The amendments apply retrospectively for annual periods beginning on or after 1 January 2017.'The application of amendments has had no impact on the disclosures or amounts recognised in the Company's financial statements.	
IFRS 16 Leases	
• IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a righyt-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e all on balance sheet) except for short-term leases and leases of	1 January 2019
The application of amendments has had no impact on the disclosures or amounts recognised in the Company's financial statements.	
Amendments to IAS 7 Disclosure Initiative	
• The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
This Standard and Interpretation in future periods will have no significant impact on the financial statements of the Company.	
The amendments to IFRS 5 introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa).	
The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.	
The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds.	
These amendments in future periods will have no significant impact on the financial statements of the Company.	