Citizens Economic Empowerment Commission

2019

Annual Report

Citizens Economic Empowerment Commission

2019 ANNUAL REPORT

About Us

The Citizens Economic Empowerment Commission is a statutory body under the Ministry of Commerce Trade and Industry mandated to foster broad based economic empowerment of the citizenry.

Vision

A Nation of Economically and Equitably Empowered citizens.

Mission Statement

To foster broad-based economic empowerment of the targeted citizens and companies through diverse and integrated economic strategies to fast-track socio-economic development.

Core Values

The following are the core values to guide the Commission for the period 2017-2021:

- **Accountability, transparency and fairness**
- **Respect for all**
- **Integrity**
- **Efficiency and Effectiveness**
- **Hard Work**
- **Team and supportive spirit**

Using this Report

This report covers the Commission's activities and begins with a statement from the Chairperson of the Board of Commissioners. It highlights the achievements and constraints of the Commission in fostering broad based economic empowerment in 2019 and concludes by providing the financial statements of the year ended 31st December 2019.

Learn more.

- **Website: www.ceec.org.zm**
- **Email: info@ceec.org.zm**
- **Phone: +260 953 756 468**

ACRONYMS

AfDB	African Development Bank
ASF	Aquaculture Seed Fund
CEEC	Citizens Economic Empowerment Commission
CEEF	Citizens Economic Empowerment Fund
DG	Director General
MCTI	Ministry of Commerce, Trade, and Industry
MoU	Memorandum of Understanding
PP	Preferential Procurement
SDEP	Skills Development and Entrepreneurship Project Supporting Women and Youth
TEVETA	Technical Education, Vocational and Entrepreneurship Training Authority
ZAEDP	Zambia Aquaculture Enterprise Development Project
ZICTA	Zambia Information Communication Technology Authority

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OUR MANDATE

The Citizens Economic Empowerment Commission is a corporate body established by the Citizens Economic Empowerment Act No. 9 of 2006 to foster broad-based economic empowerment. Broad-based economic empowerment is defined in the Act as 'the economic empowerment of targeted citizens, citizen influenced companies, citizen empowered companies and citizen owned companies through diverse but integrated socio-economic strategies that include ownership of productive assets and resources, increasing the levels of employment in the formal sector, increasing household incomes, expanding literacy and skills development, and ensuring preferential procurement and access to services of state institutions. The Commission's summarized mandate is presented at Figure 1.

Figure 1 The Mandate of the Commission

CHAIRPERSON'S STATEMENT

I present the Citizens Economic Empowerment Commission (CEEC) Annual Report for the year ended 31st December 2019. Global economic growth slowed to 2.9 percent in 2019 from 3.6 percent recorded in 2018 due to weaknesses in industrial output, global trade and investments. Growing at 3.3 percent, the sub-Saharan Africa economy performed better than the 3.2 percent recorded in 2018. Economic activity was affected by softened external demand, heightened global policy uncertainty and deteriorating commodity prices. Copper prices averaged US$ 6,015 per metric tonne in 2019 (US$ 6,556 per metric tonne in 2018). Oil prices fell by 10 percent in 2019 to an average of US$ 62 per barrel (from US$ 68 per barrel in 2018) on account of a situation of oversupply against a backdrop of subdued demand and weak global growth prospects. Real GDP growth in 2019 based on three quarters was 1.9 percent compared to 4.0 percent recorded in 2018. The outturn was largely attributed to lower growth in agriculture and mining sectors which contracted by 7.5 percent and 5.5 percent, respectively. A notable contraction was also registered in the electricity sub-sector due to reduced electricity generation. This notwithstanding, the information and communication sector grew by 18 percent, while the wholesale and retail sector grew by 4.3 percent. The 2018/2019 farming season registered a notable decline in the production and yield of most crops largely attributed to a poor rainfall pattern and persistent dry spells which affected some parts of the country. The production of the staple-maize, fell by 16.3 percent to 2,004,389 metric tonnes from 2,394,907 metric tonnes in the previous season. Copper output declined by 8.3 percent to 797,065 metric tonnes from 868,908 metric tonnes in 2018. Low copper prices relative to prices in 2018 induced by low global demand also contributed to the general decline in output.

Despite a subdued economy and the non-release of the approved K46.1 million budget for 2019, the Commissioners implemented the Strategic Plan in line with the Commission's mandate. Notably, through the Ministry of Commerce, Trade and Industry, the Commission secured Statutory Instrument No. 22 of 2019, reserving commercial cleaning services for targeted citizen groups under the Citizens Economic Empowerment Act.

The Commission also completed the construction of eight (8) industrial yards, seven (7) Cassava Bulking Centre Administration Blocks and increased the number of clients receiving business development services.

The year ended with the global outbreak of COVID-19, threatening global trade and raising fears of a deeper economic downturn in 2020 that could further impact Zambia's economy.

Kasuka Mutukwa, PhD
Board Chairperson

DIRECTOR GENERAL'S STATEMENT

The Citizens Economic Empowerment Commission (CEEC) undertook a strategic shift in its empowerment programs to provide its clients with new products and services. Within the ambit of the 2017-2021 Strategic Plan, the Commission set the following strategic objectives to drive service delivery through:

- More Conducive Policies, Laws & Regulations.
- Improved Business Development Services.
- Increased Access to Finance.
- Increased Access to Competitive Markets.

The Commission made strides in the implementation of the Special Initiative for the Establishment of Commercial Fish Hatcheries and Nurseries under the Aquaculture Seed Fund, the construction of Industrial Yards and the commercialization of Cassava under the Skills Development and Entrepreneurship Project – Supporting Women and Youth.

Statutory Instrument No. 22 of 2019 was enacted to reserve commercial cleaning services for Zambian citizens. The Commission also conducted research on reserving manufacturing of uniforms to targeted citizens and companies. It signaled an era in which purposeful action was initiated to ensure all targeted citizens participated in the Commission's empowerment programs.

The Commission stoically bore the funding constraint. The dedication of Management and Staff at all levels, guided by the vision of "A Nation of Economically and Equitably Empowered citizens" was noteworthy.

The Commission is committed to achieving the following for the 2020 financial year:

- Completion of the construction of all industrial yards and ensuring occupancy in five (5) yards.
- Improved social distribution of approved projects to meet prescribed targets as set in the CEE Act.
- Increased sensitization on the benefits of preferential procurement.
- Lobbying for increased funding from the Government to help increase the number of clients empowered.

Finally, I express my heartfelt gratitude to the Ministry of Commerce, Trade, and Industry and the Commissioners for their continued oversight and guidance to the Commission, and to all the staff of the CEEC for their tremendous efforts over the past year.

Likando Mukumbuta
Director General

1. INTRODUCTION AND INSTITUTIONAL OVERVIEW

1.1 Introduction

This Report provides the status of implementation of the 2019 Annual Work Plan addressing policy, legislative and regulatory reform aimed at fostering an environment that is more conducive to the economic empowerment of targeted citizens; business development services delivery for targeted citizens venturing into business; access to finance; and the need for targeted citizens to penetrate scaled local markets.

1.2 Functions of Commission

The functions of the Commission are defined as follows in the Citizens Economic Empowerment Act No. 9 of 2006:

(1) The functions of the Commission shall be to promote the empowerment of citizens that are or have been marginalized or disadvantaged and whose access to economic resources and development capacity has been constrained due to various factors including race, sex, educational background, status and disability

(2) Without limiting sub-section (1), the functions of the Commission shall be to:

(a) advise on the necessary changes to various types of legislation for the effective delivery of economic empowerment initiatives;

(b) promote gender-equality in accessing, owning, controlling, managing and exploiting economic resources;

(c) encourage effective and meaningful participation of targeted citizens in the economy in order to contribute to sustainable economic growth;

(d) promote the employment of both gender by recommending to appropriate authorities the removal of structural and discriminatory constraints and practices that hinder any particular gender from employment opportunities;

(e) ensure equal opportunities for, and where necessary, ensure preferential treatment to, targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies in accessing procurement contracts and other services of any state institutions;

(f) promote the subcontracting of services, material and equipment from targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies;

(g) mobilise resources for economic empowerment programmes;

(h) review the framework for the provision of development services to micro and small business in response to changing circumstances;

(i) develop or facilitate the development of sector codes and codes of good practice for economic empowerment;

(j) commission and conduct research for economic empowerment;

(k) develop innovative ways of creating business opportunities such as identifying services which State Institutions need to outsource;

(l) develop business ideas and import business ideas from other countries and disseminate such ideas to targeted citizens in order to interest them in developing those ideas into business ventures;

(m) undertake information, education and communication activities for targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies on various empowerment schemes available;

(n) promote a savings culture amongst citizens;

(o) explore ways of fostering business linkages, such as joint ventures and partnerships in Greenfield investments;

(p) keep under review the economic empowerment policy;

(q) propose changes to Zambia's education curricula in order to inculcate an entrepreneurial culture amongst citizens;

(r) promote or undertake a civic education and awareness programme which will ensure an orientation of all institutions and persons to the maintenance of a positive work culture;

(s) encourage increased investments in education and training in the labour market;

(t) encourage the use of the workplace as an active learning environment;

(u) encourage public and private institutions to provide opportunities to targeted citizens to acquire necessary skills training and work experience; and

(v) monitor and evaluate economic empowerment initiatives.

(3) In carrying out its functions, under sub-section (2), the Commission shall take into account and be consistent with -

(a) any sectoral programmes developed by the Government in its national development plans;

(b) any policies of the Government relating to decentralisation, gender youth, technical education and vocational training, land, trade, commerce and investment; and

(c) any initiative of the Government for the enhancement of partnerships and joint ventures between local and foreign investors.

(4) In the performance of the Commission's functions under this Act, the Commission shall effectively liaise and consult appropriate state institutions or directions to any state institution or a company for the purpose of fulfilling the Commission's mandate under this Act.

(5) The Commission shall develop and recommend to the President criteria to test the means of targeted citizens so as to distinguish those citizens that have the capacity to sustain themselves and the President shall prescribe those criteria.

(6) The President may give to the Commission such general or specific directions with respect to the discharge of its functions as the President considers necessary and the Commission shall give effect to such directions.

(7) The Commission may, after the approval of the Minister, enter into agreements with any organisation or institution on any matter relevant to the carrying out of the Commission functions under this Act.

1.3 Pillars of Economic Empowerment

Furthermore, the CEE Act presents the Commission's mandate focusing on nine economic empowerment pillars as shown in Figure 2. The empowerment pillars present focus areas of economic empowerment initiatives for the benefit of the targeted citizens and enterprises, and ultimately the Zambian society. This strategy embraces the need to actualize economic empowerment of the targeted citizens and enterprises based on the nine pillars.

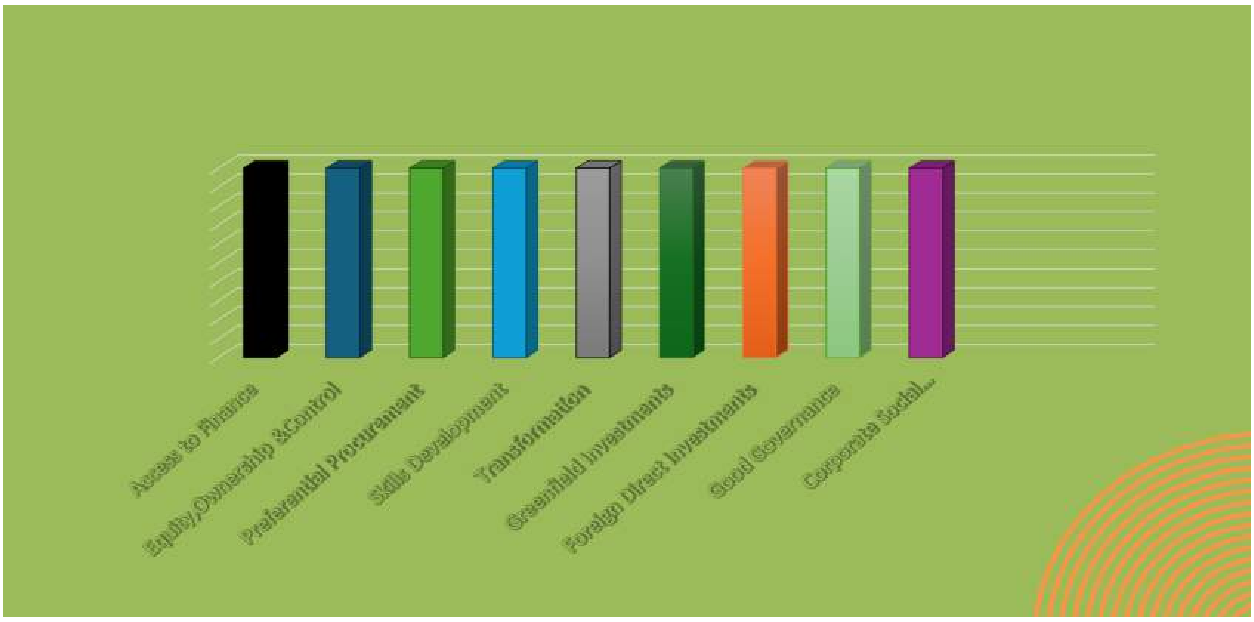


Figure 2 Pillars of Economic Empowerment

1.4 Governance Structure

The Board of Commissioners comprises of the following structures:

1.4.1 Board of Commissioners

The Commission consists of twelve (12) Commissioners, appointed by the President of the Republic of Zambia through the Minister of Commerce, Trade and Industry. The Chairperson of the Commission is appointed by the President of the Republic of Zambia, whereas the Vice-Chairperson is appointed by the Commissioners. The board is responsible for, among other things, the appointment of the Director General who oversees five directorates namely, Legal Services, Corporate Services, Business Development, Finance and Credit.

1.4.2 Executive Committee

The Director General oversees the Executive Committee and is responsible for the day-to-day operations of the Commission through six (6) Directorates, viz; Legal Services, Corporate Services, Business Development, Finance and Credit.

2. STRUCTURE OF THE COMMISSION

2.1 Departments and Functions

2.1.1 Office of the Director General

The Director General's Office at the CEEC is the central command for driving the strategic vision, mission, and objectives of the Commission in line with the Citizens Economic Empowerment (CEE) Act Number 9 of 2006. This office not only provides leadership and oversight to the entire organization but also ensures that all directorates and units operate harmoniously to fulfill the Commission's mandate of empowering citizens economically.

2.1.2 Directorate Legal Services

The Director of Legal Services is responsible for ensuring good political and corporate governance. This role involves managing all legal and contractual matters, ensuring compliance with relevant legislation, and safeguarding the Commission's legal framework. The Director also provides legal counsel, oversees litigation, and ensures the Commission's policies reflect best practices. Additionally, the Director plays a key role in annual reporting, company secretarial duties, and supervising the Compliance Unit to uphold regulatory standards.

2.1.3 Directorate of Corporate Services

The Directorate Corporate Services is a foundational department that ensures the seamless operation of the Commission by managing its core support functions Administration, Information Technology (IT), and Human Resources (HR). This directorate is essential to the effective implementation of the Commission's programs and initiatives, providing the infrastructure and support needed for the organization to achieve its goals, including the empowerment of citizens through corporate and social responsibility.

2.1.4 Directorate of Business Development

The Directorate ensures that the Commission provides an enabling environment for business growth and development. This involves identifying opportunities for the expansion of key sectors and fostering conditions that support entrepreneurship. It oversees partnerships with local and international donors, government bodies, and the private sector to mobilize resources and align initiatives with the broader economic empowerment agenda. It offers skills training and development initiatives for Small and Medium Enterprise (SME) functions of the Commission.

2.1.5 Directorate Finance

The Directorate Finance is responsible for managing the financial resources of the Commission to ensure its programs and operations are efficiently funded and financially sound. The directorate plays a pivotal role in maintaining the financial health of the Commission, overseeing all budgeting, financial accounting, management and reporting activities and ensures compliance with financial regulations and best practices.

2.1.6 Directorate of Credit

The Directorate of Credit ensures that financial resources are effectively managed and accessible to the Commission's beneficiaries. This directorate is responsible for overseeing the financial operations related to credit facilities, ensuring that funds are disbursed, managed, and monitored in a way that aligns with the Commission's objectives of economic empowerment. The directorate is also responsible for integrating gender and social inclusion, ensuring that programs are designed and implemented in an equitable manner, regardless of gender, age, disability, or socio-economic status. Through effective credit control, risk management, policy development, and strategic financial management, the directorate ensures that the Commission's financial operations support its broader goals of economic empowerment and sustainable development.

3. THE YEAR AT A GLANCE

This section highlights some of the notable activities undertaken by the Commission during the year in pictures.

CEEC signs Memorandum of Understanding with ZICTA to support young ICT innovators

CEEC signs Memorandum of Understanding with the Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA) to develop curriculum for training Business Development Services

Official handover of Industrial Yard Construction Site in Kitwe

Official handover of Mansa Industrial Yard construction site

4. STRATEGIC OBJECTIVES

Strategic Objective (SO)-1: More Conducive Policies, Laws & Regulations is aimed at enhancing the policy, legal and regulatory framework for economic empowerment in Zambia.

Strategic Objective (SO)-2 Improved Business Development Services (BDS) is aimed at achieving productivity and efficiency throughout the production and marketing cycle which will result in improved Micro, Small and Medium Enterprise (MSME) competitiveness in local and regional markets.

Strategic Objective (SO)-3 Increased Access to Finance is aimed at promoting CEEC's innovative finance and capital options for MSMEs. The 2017-2021 strategy is designed to provide see more recourse to other financing instruments, such as guarantees, matching grants, capital market options, unit trusts, joint ventures, venture capital, trade finance, syndicating, etc. deployed to finance CEEC clients.

Strategic Objective (SO)-4 Increased Access to Competitive Markets focuses on market research and market development work aimed at helping targeted citizens take fuller advantage of bi-lateral and multilateral trade agreements within Africa to boost their markets and sales.

4.1 Achievements According to Strategic Objectives

During the year 2019, the Commission enhanced economic empowerment of targeted citizens through a Results Framework of four (4) Strategic Objectives Under the 2017-2021 Strategic Plan which guided its planning, management, and performance assessment.

The Commission made strides in the implementation of the Special Initiative for Establishment of Commercial Fish Hatcheries and Nurseries under the Aquaculture Seed Fund, the construction of Industrial Yards and the commercialization of Cassava under the Skills Development and Entrepreneurship Project – Supporting Women and Youth.

4.2 Strategic Objective 1: More conducive Policies, Laws & Regulations

Table 1 More conducive Policies, Laws, and Regulations

Strategic Objective	Key Performance Indicator	Target (2019)	Achieved (2019)	Comments
More Conducive Policies, Laws & Regulations	Number of Preferential Procurement certificates issued	2,000	968	The issuance of Preferential Procurement Certification Letters to targeted companies in 2019 stood at 968 which was a reduction from 1,203 in 2018 which is attributed to Government's constricted fiscal policy.
	Number of Reservation Schemes Implemented	2	1	Statutory Instruments No. 22 of 2019 was enacted to reserve commercial cleaning services for Zambian citizens. During 2019, the Commission conducted research on reserving manufacturing of uniforms to targeted citizens and companies.

4.3 Strategic Objective 2: Improved Business Development Services

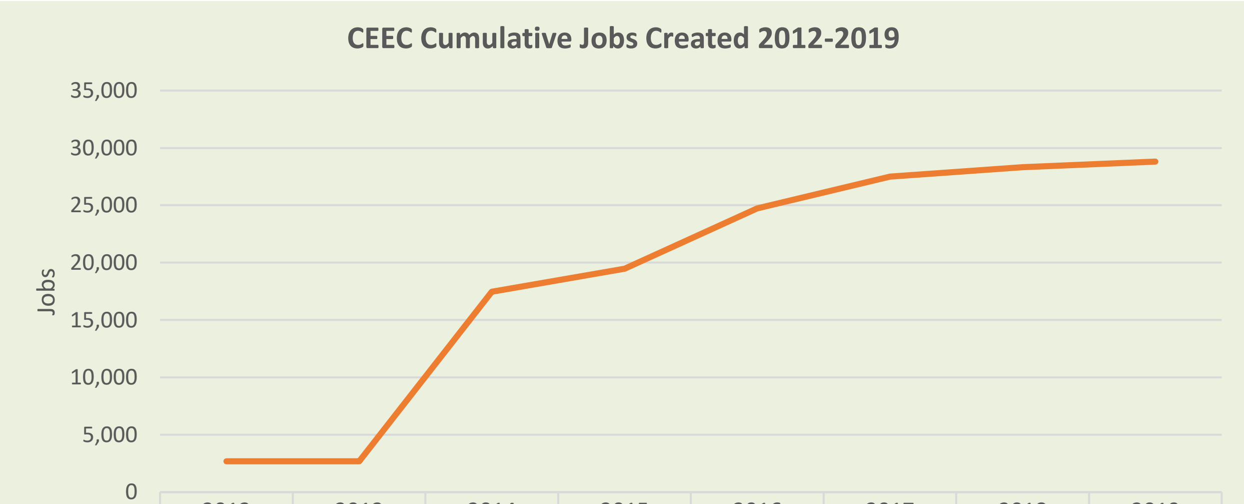
Table 2 Improved Business Development Services

Strategic Objective	Key Performance Indicator	Target (2019)	Achieved (2019)	Comments
Improved Business Development Services (BDS)	Number of jobs created	30,000	440	Not achieved due to inadequate funding
	Number of clients that received business plan development support	68	250	This achievement was above target due to the intensified sensitizations to the public on the Commission's business development service mandate.

4.3.1 Jobs Created

The cumulative number of jobs created since inception was **28,806** jobs. Figure 4 depicts the continued job growth from 2012 to 2019.

Figure 3 Cumulative Jobs Created 2012-2019



	2012	2013	2014	2015	2016	2017	2018	2019
Jobs	2,688	2,688	17,456	19,468	24,744	27,504	28,306	28,806

4.4 Strategic Objective 3: Increased Access to Finance

Table 3 Increased Access to Finance

Strategic Objective	Key Performance Indicator	Target (2019)	Achieved (2019)	Comments
Increased Access to Finance	Internally generated revenue (IGR)	K14,000,000	K8,286,780	The internally generated revenue declined from K25, 149,097 collected in 2018 to K8,282,780.
	Social distribution of jobs created	Y-40% W-30% PD-2% M-28%	Y-26% W-59% PD-2% M-41%	The proportion of women was above target while the youth was below target at 26%.
	Empowerment funding from treasury	K46,681,002Mn	K0Mn	Treasury allocated K46,681,002Mn in 2019, however, they did not release the allocated funds.
	Rural share of approved empowerment projects	90%	92%	The target was met due to easing collateral requirements for projects in rural areas by allowing them to provide a minimum acceptable mortgage and the rest, covered by a charge on assets purchased for the project.

Strategic Objective	Key Performance Indicator	Target (2019)	Achieved (2019)	Comments
	Loan recovery rate	70%	64%	The Commission recorded a loan recovery rate of 64% against a target of 70% which indicated an increase of 2% from 62% in 2018.
	Number of Industrial Yards constructed	8	8	Eight (8) Industrial Yards were constructed in Mansa, Ndola, Kitwe, Kafue, Kasama, Chipata, Mongu and Solwezi with financial support from AfDB. Selection of MSMEs to occupy the Chipata, Kasama, Ndola, Mongu and Solwezi Industrial Yard was undertaken. Three (3) Industrial Yards were operationalized namely, Kasama, Mongu and Chipata.
	Number of Cassava Bulking Centers	7	7	Seven (7) Cassava Bulking Centres were constructed in Solwezi Kalumbila, Mushindamo, Mansa and Kasama with financial support from AfDB.

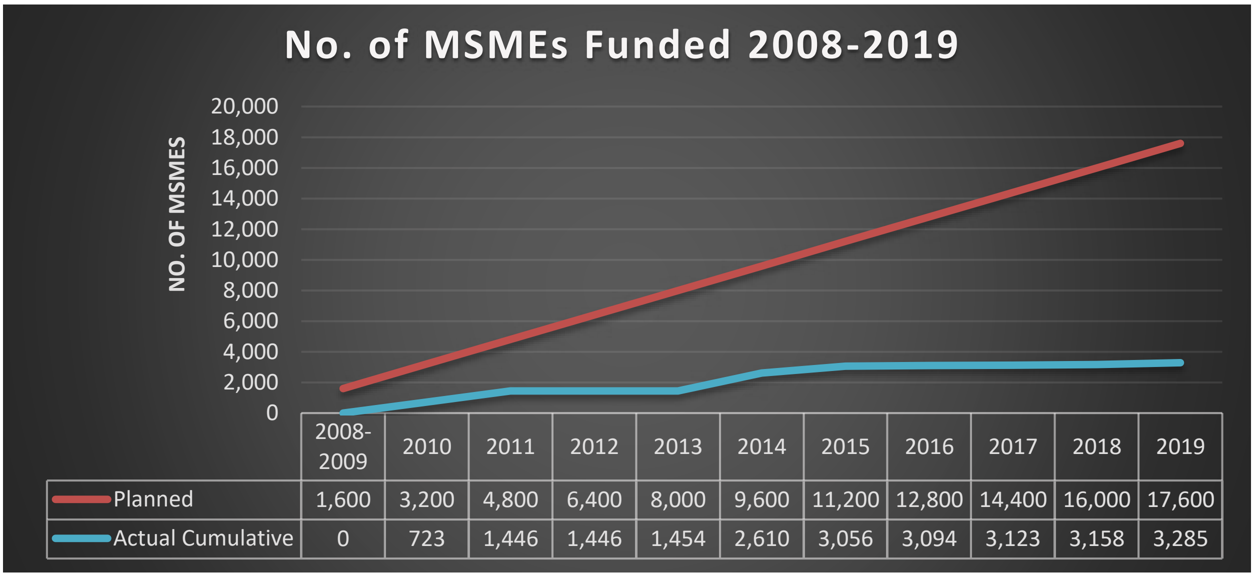
4.4.1 Cumulative Empowerment Funding 2008-2019

Table 4 shows cumulative Empowerment Funding by the Treasury since 2008.

Table 4 Empowerment Funding since 2008

Year	Amount Approved By Parliament (ZMW)	Amount Released By Treasury (ZMW)	(Under)/Over Funding (ZMW)	% Released Funds
2008	150,000,000.00	96,181,000.00	(53,819,000.00)	64%
2009	40,000,000.00	40,000,000.00	-	100%
2010	25,000,000.00	22,000,000.00	(3,000,000.00)	88%
2011	40,000,000.00	18,000,000.00	(22,000,000.00)	45%
2012	47,000,000.00	25,000,000.00	(22,000,000.00)	53%
2013	53,000,000.00	53,000,000.00	-	100%
2014	57,000,000.00	5,000,000.00	(52,000,000.00)	9%
2015	82,000,000.00	10,000,000.00	(72,000,000.00)	12%
2016	187,500,000.00	-	(187,500,000.00)	0%
2017	35,163,540.00	15,000,000.00	(20,163,540.00)	43%
2018	42,743,410.00	-	(42,743,410.00)	0%
2019	46,681,002.00	-	(46,681,002.00)	0%
TOTAL	**806,087,952.00**	**284,181,000.00**	**(521,906,952.00)**	**35%**

Only 3,285 MSMES were funded out of the target of 17,600 in 2019 as Table 6 shows. This was due to funding constraints.



	2008-2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Planned	1,600	3,200	4,800	6,400	8,000	9,600	11,200	12,800	14,400	16,000	17,600
Actual Cumulative	0	723	1,446	1,446	1,454	2,610	3,056	3,094	3,123	3,158	3,285

Figure 4 Number of MSME's funded

4.4.2 Value of funds disbursed.

The Commission disbursed empowerment funds amounting to **K19,357,577** against an annual target of K50 Million. The underperformance was due to the low funding pattern of the Commission by the Treasury since 2014. The failure by Treasury to release amounts appropriated by Parliament to the Commission, negatively impacted participation of citizens in the economy as only a few business proposals could be considered by the Commission for funding.

4.4.3 Special Initiative for Establishment of Commercial Fish Hatcheries and Nurseries in Western, Muchinga and Lusaka Provinces

In Western Province, Leaky Mwiinde Fish Hatcheries was empowered with K1,121,448.27 under the Hatcheries Special Initiative. The project achieved the following:

i. Established a water recirculation system with the capacity to hold 25,000 eggs per day.

Figure 5 Water recirculation system

ii. Building of Thirteen (13) concrete fishponds measuring 800 m^2

iii. Procured a total number of four thousand (4,000) brood stock of *Oreochromis andersonii* (three spotted bream) of which one thousand eight hundred (1,800) are currently being used for breeding (1,350 females and 450 males). Sixteen (16) hapas are currently being used for breeding in earthen ponds.

Figure 6 Concrete Fishponds

Figure 7 Hapas at the hatchery

iv. Produced one hundred and thirty thousand (130,000) fingerlings that have been sold to farmers both within and outside Kaoma.

v. The hatchery manufactures aqua feed and signed an agency agreement with Aller Aqua Zambia Ltd and supplies Kaoma District.

In Muchinga Province, **Nampundu Fish Farming** is a woman-owned project that was empowered with K899,130 under the Hatcheries Special Initiative. The project achieved the following:

i. Constructed seven (7) 25m x 50m fishponds out of which three (3) ponds designed for stocking sex reversed tilapia fingerlings which are sold to fish famers in Muchinga Province. Two (2) ponds were designed for grow-out while the last two (2) were breeding ponds.

Figure 8 Breeding Ponds

In Lusaka Province, **Palabana Fisheries Limited** was empowered K5,029,486.68 under the Hatchery Special Initiative. The project achieved the following:

i. Constructed 58 ponds measuring 25m x 60m, and 24 ponds measuring 25m x 30m.

Figure 9 Fishponds

i. Produced an average of 1,000,000 to 1,800,000 fingerlings every month. The business entered into an agreement with Iban Aqua and First Hatch for distribution.

Figure 10 Fingerlings ready for distribution

Summary: Disbursements made to Fish Hatcheries and Nurseries

Disbursements to Fish Hatcheries and Nurseries are summarized in Table 5.

Table 5 Disbursements made to Fish Hatcheries and Nurseries

Sn	Loan Beneficiary	Loan Amt (K)	Amt Disbursed (K)	Balance (K)
1	Palabana Fisheries Limited	5,029,468.68	5,029,468.68	-
2	Nampundu Fish Farming Ltd	984,164.20	984,164.20	-
3	Leaky Mwiinde Farm Ltd	1,121,448.27	1,121,448.27	-
4	Kaka Procurement	1,509,643.61	1,128,756.00	380,887.61
5	Choate Foods Ltd	1,092,779.00	1,092,779.00	-
6	Chikunto Fish Hatcheries	1,018,281.00	867,574.00	150,707.00
7	Femate Fisheries Limited	577,652.00	200,975.00	376,677.00
8	Flowing Waters Limited	3,246,339.00	3,246,339.00	-
9	Peter Simfukwe	1,924,921.00	11,280.00	1,913,641.00
10	Rohi Fish Farming	2,193,787.00	1,193,625.00	1,000,162.00
11	Si-Gold General Dealers	2,067,343.00	2,067,343.00	-
12	Moses Fwanyangwa	701,796.00	411,712.00	290,084.00
	Total	**20,765,826.76**	**17,355,464.15**	**3,822,074.61**

4.5 Strategic Objective 4: Increased Access to Competitive Markets

The Commission's performance on Access to Competitive Markets is summarised in Table 6.

Table 6 Increased Access to Competitive Markets

Strategic Objective	Key Performance Indicator	Target (2019)	Achieved (2019)	Comments
Increased Access to Competitive Markets	Number of market linkages facilitated	40	21	The Commission embarked on a robust program of linking funded clients to markets to enhance their competitiveness and ability to service their loans. However, the number of market linkages facilitated reduced from 277 to 21 in 2018 and 2019, respectively. The reduction resulted from the reduced number of funded clients due to the non-release of empowerment funds by the Treasury.

5. KEY CONSTRAINTS

The Commission continued to face the following operational constraints:

- MCTI issued a Ministerial Directive for the Commission to raise its loan recovery rate to 80% by 2021. However, The Commission continued to record low ground staff presence at district level to adequately intensify loan recoveries.
- The Commission's operational budget remained inadequate and not aligned to the requirements of its mandate and activities. As a result, associated operational constraints persisted.
- No economic empowerment funding from Treasury in 2019.
- Almost the entire fleet of Headquarters and field vehicles had surpassed their five (5) year economic life. Frequent breakdowns continued and vehicle maintenance costs rose significantly. Fifteen (15) replacement vehicles were required.
- The Commission was impacted by a historical backlog of financial liabilities that could not be liquidated through savings without jeopardizing core operations. These included arrears on contributions to the Zambia Revenue Authority (ZRA).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31st DECEMBER, 2019

Citizens Economic Empowerment Commission

Financial Statements for the year ended 31 December 2019

General Information

Country of incorporation and domicile	Zambia
Nature of business and principal activities	Established under the Citizens Economic Empowerment Act No. 9 of 2006, the Commission's principal activities are to promote the economic empowerment of targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies; promote gender-equality in accessing, owning, managing, controlling and exploiting economic resources; encourage an increase in broad-based and effective ownership and meaningful participation of targeted citizens, citizen empowered companies, citizen influenced companies and citizens owned companies in the economy in order to contribute to sustainable economic growth; remove social customs, statutory provisions or other practices that limit access to any particular gender to skills training that is essential for effective participation in the economic sector; promote the employment of both gender by removing structural and discriminatory constraints that hinder any particular gender from employment opportunities and in so doing ensure equitable income distribution; promote equal opportunity of targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies in accessing and being awarded procurement contracts and other services from State institutions; promote Greenfield investment through joint ventures and partnerships between local and foreign investors in order to enhance broad-based economic empowerment; and provide for matters incidental to or connected to the foregoing.
Commissioners	Nkunga Mulenga Col Retired. Emelda K Chabala Melele Yamba Fredson Chanda Kaziya Kalaluka Likando Bridget Nyau Sule Mulenga Musepa Mushuma Mulenga Mr. Sunday Chanda Mr. Stella Zulu chisanga Dr. David Nama Dr. Coster Mwaba Mr. Mushuma Mulenga Mr.
Postal address **registered office**	P.O. BOX 35068 Plot 6457, Los Angeles Boulevard, Longacres. Lusaka, Zambia
Bankers	Zambia National Commercial Bank, Atlasmara Bank
Auditors	UHY AMO Certified Public Accountants An independent member of UHY International

Citizens Economic Empowerment Commission
Financial Statements for the year ended 31 December 2019

General Information

	10822 Mwinilunga Crescent Off Lake Road Woodlands / Lusaka Zambia
Secretary	Billy Kalunga

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Commissioners' Responsibilities and Approval

The Commissioners are required in terms of the Citizens Economic Empowerment Act, 2006 (CEE Act) 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 Commission 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 Commissioners acknowledge that they are ultimately responsible for the system of internal financial control established by the Commission and place considerable importance on maintaining a strong control environment. To enable the Commissioners to meet these responsibilities, the Commission sets 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 Commission and all employees are required to maintain the highest ethical standards in ensuring the Commission's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Commission is on identifying, assessing, managing and mon itoring all known forms of risk across the Commission. While operating risk cannot be fully eliminated, the Commission endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The Commissioners 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, assuranceagainst material misstatement or loss.

The Commissioners have reviewed the Commission's cash flow forecast for the year to 31 December 2020 and, in light of this review and the current financial position, they are satisfied that the Commission has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Commission's financial statements. The financial statements have been examined by the Commission's external auditors and their report is presented on Pages 8 to 9.

The current board of commissioners was appointed in April 2022. Therefore, these financial statements cover a period that predates the date at which they assumed fiduciary responsibilities over the commission's operations. The current commissioners have approved and signed these audited financial statements for administrative convenience.

The financial statements set out on pages 11 to 47, which have been prepared on the going concern basis, were approved by the board of directors on____________________________and were signed on their behalf by:

Approval of financial statements

Mr. Jason Kaziliman	**Dr. Tecla Ngwenya**

Citizens Economic Empowerment Commission

Financial Statements for the year ended 31 December 2019

Commissioners' Report

The Commissioners have the pleasure in submitting their report on the financial statements of the operations side of the Citizens Economic Empowerment Commission for the year ended 31 December 2019.

1. Principal Activities

Established under the Citizens Economic Empowerment Act No. 9 of 2006, the Commission's principal activities are to promote the economic empowerment of targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies; promote gender-equality in accessing, owning, managing, controlling and exploiting economic resources; encourage an increase in broad-based and effective ownership and meaningful participation of targeted citizens, citizen empowered companies, citizen influenced companies and citizens owned companies in the economy in order to contribute to sustainable economic growth; remove social customs, statutory provisions or other practices that limit access to any particular gender to skills training that is essential for effective participation in the economic sector; promote the employment of both gender by removing structural and discriminatory constraints that hinder any particular gender from employment opportunities and in so doing ensure equitable income distribution; promote equal opportunity of targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies in accessing and being awarded procurement contracts and other services from State institutions; promote Greenfield investment through joint ventures and partnerships between local and foreign investors in order to enhance broad-based economic empowerment; and provide for matters incidental to or connected to the foregoing.

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

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Citizens Economic Empowerment Act, 2006 (CEE Act). 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 Operations Fund are set out in these financial statements.

3. Property, plant and equipment

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

At 31 December 2019 the Commission's investment in property, plant and equipment amounted to K285, 205 (2018: K1, 263,124), of which K Nil (2018: K42, 800) was added in the current year through additions.

4. Events after the reporting period

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

Citizens Economic Empowerment Commission

Financial Statements forthe year ended 31 December 2019

Commissioners' Report

5. **Going concern**

The Commissioners' believe that the Commission has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The Commissioners' have satisfied themselves that the Commission is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Commissioners' are not aware of any new material changes that may adversely impact the Commission. The Commissioners' are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Commission.

The commissioners, however, draw attention to note 20 in the financial statements, which indicates that the Commission recorded a deficit of ZMW4, 074,190 during the year ended 31 December 2019 and, as of that date, the Commission's current liabilities exceeded its total assets by ZMW 21,638,114. As stated in note 20, these events or conditions, along with other matters as set forth in note 16, indicate that a material uncertainty exists that may cast significant doubt on the Commission's ability to continue as a going concern. As the Commission is grant aided by the Government of the republic of Zambia the commissioners' position is not modified in respect of this matter.

6. **Litigation statement**

The Commission becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. The Commission 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 other than those provided for and disclosed.

7. **Commissioners' interests in contracts**

During the financial year, no contracts were entered into which Commissioners or officers of the Commission had an interest and which significantly affected the business of the Commission.

8. **Commissioners' Office**

The Commissioners in office at the date of this report were as follows:

Name	Office
Mr. Jason Kazilimani	Chairperson
Dr. Tecla Ngwenya	Vice-Chairperson
Mr. Paul Kaluba	Commissioner
Eng. Cosmas Mwankaba	Commissioner
Mr. Kennedy Mumba	Commissioner
Eng. Eugene Haazele	Commissioner
Ms. Shella Mudenda	Commissioner
Mrs. Mwila M Daka	Commissioner
Mr. Comfort Mulenga	Commissioner
Mr. Chansa Chibeta	Commissioner
Ms. Inonge Wamunyima	Commissioner
Mr. Muteba Ngonga	Commissioner
Mr. Anderson Matutu	Commissioner
Mr.Jetty Lungu	Commissioner

Citizens Economic Empowerment Commission

Financial Statements for the year ended 31 December 2019

Commissioners' Report

9. Key Management

Dr. Muwe C Mungule	Director General
Mr. Albert Ngimu	Director Credit Control and Risk
Mr. Brian Mayeya	Acting Director Finance
Mr. Caiaphas Habasonda	Director Business Development
Ms. Lucy M Mataka	Director Corporate Services
Ms. Joyce Mulenga	Director Legal Services and Commission Secretary

Citizens Economic Empowerment Commission

Financial Statements forthe year ended 31 December 2019

Commissioners' Report

10. Employees

The average number of employees during the year was 59 (2018: 69). The total remuneration paid to the employees during the year was K20, 668,222.07 (2018:K21, 136,955).

11. Secretary

The Commission's secretary was Ms. Joyce Mulenga

Business address:	Plot 6457 Los Angeles Boulevard Lusaka

The financial statements set out on pages 11 to 47, which have been prepared on the going concern basis, were approved by the Commissioners on 23 August 2024 and were signed on their behalf by:

Approval of financial statements

Mr. Jason Kazilimani **Chairperson**	**Dr Tecla Ngwenya** **Vice Chairperson**

UHY AMO Certified Public Accountants

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Independent Auditor's Report

To the members of Citizens Economic Empowerment Commission

Opinion

We have audited the financial statements of the Operations side of the Citizens Economic Empowerment Commission set out on pages 11 to 47, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash f lows 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 the Operations side of the Citizens Economic Empowerment Commission as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Citizens Economic Empowerment Act, 2006 (CEE Act).

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 Commission 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 withthe 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.

Material uncertainty related to going concern

We draw attention to note 20 in the financial statements, which indicates that the Commission recorded a deficit of K 4,074,190- during the year ended 31 December 2019 and, as of that date, the Commission's current liabilities exceeded its total assets by K21, 638,114. As stated in note 20, these events or conditions, along with other matters as set forth in note 20, indicate that a material uncertainty exists that may cast significant doubt on the Commission's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Commissioners are responsible for the other information. The other information comprises the Commissioners' Report as required by the Citizens Economic Empowerment Act, 2006 (CEE Act) of Zambia, which we obtained prior to the date of this report. 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.

Independent Auditor's Report

Responsibilities of the Commissioners for the Financial Statements

The Commissioners are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Citizens Economic Empowerment Act, 2006 (CEE Act), and for such internal control as the Commissioners 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 Commissioners are responsible for assessing the Commission'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 Commissioners either intend to liquidate the Commission 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioners.
- Conclude on the appropriateness of the Commissioners' 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 Commission'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 Commission 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 Commissioners 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.

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UHY AMO Certified Public Accountants
Dion Dault Banda

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Citizens Economic Empowerment Commission

Financial Statements forthe year ended 31 December 2019

Statement of Financial Position as at 31 December 2019

Figures in Zambian Kwacha	Note(s)	2019	2018
Assets			
Non-Current Assets			
Property, plant and equipment	2	285,205	1,263,124
Current Assets			
Inventories	3	207,521	299,936
Trade and other receivables	4	170,346	1,524,751
Cash and cash equivalents	5	1,214,486	96,170
		1,592,353	**1,920,857**
Total Assets		**1,877,558**	**3,183,981**
Equity and Liabilities			
Equity			
Retained income		(22,044,957)	(17,970,767)
Liabilities			
Non-Current Liabilities			
Financelease liabilities	6	406,843	759,445
Current Liabilities			
Trade and other payables	7	23,163,070	19,812,256
Financelease liabilities	6	352,602	583,047
		23,515,672	**20,395,303**
Total Liabilities		**23,922,515**	**21,154,748**
Total Equity and Liabilities		**1,877,558**	**3,183,981**

The financial statements and the notes on pages 11 to 47, were approved by the Commissioner's on the 23 August 2024 and were signed on its behalf by:

Mr. Jason Kazilimani

Dr. Tecla Ngwenya

The accounting policies on pages 15 to 30 and the notes on pages 31 to 47 form an integral part of the financial statements.

Citizens Economic Empowerment Commission

Financial Statements forthe year ended 31 December 2019

Statement of Profit or Loss and Other Comprehensive Income

Figures in Zambian Kwacha	Note(s)	2019	2018
Revenue	8	20,339,219	21,090,422
Other operating income	9	544,397	365,888
Other operating gains (losses)	10	(392,317)	(211,179)
Employee costs	11	(20,668,223)	(21,136,955)
Operating lease charges	12	(435,265)	(507,231)
Depreciation, amortization and impairment expenses	13	(454,829)	(783,366)
Other operating expenses	14	(2,785,506)	(2,711,758)
Operating Deficit		**(3,852,524)**	**(3,894,179)**
Finance costs	15	(221,666)	(351,823)
Deficit for the year		**(4,074,190)**	**(4,246,002)**
Other comprehensive income		-	-
Total comprehensive deficit for the year		**(4,074,190)**	**(4,246,002)**

The accounting policies on pages 15 to 30 and the notes on pages 31 to 47 form an integral part of the financial statements.

Citizens Economic Empowerment Commission

Financial Statements forthe year ended 31 December 2019

Statement of Changes in Equity

Figures in Zambian Kwacha	Retained income	Total equity
Balance at 01 January 2018	**(13,724,765)**	**(13,724,765)**
Deficit for the year	(4,246,002)	(4,246,002)
Other comprehensive income	-	-
Total comprehensive Deficit for the year	**(4,246,002)**	**(4,246,002)**
Balance at 01 January 2019	**(17,970,767)**	**(17,970,767)**
Deficit for the year	(4,074,190)	(4,074,190)
Other comprehensive income	-	-
Total comprehensive deficit for the year	**(4,074,190)**	**(4,074,190)**
Balance at 31 December 2019	**(22,044,957)**	**(22,044,957)**

Note(s)

The accounting policies on pages 15 to 30 and the notes on pages 31 to 47 form an integral part of the financial statements.

Citizens Economic Empowerment Commission
Financial Statements forthe year ended 31 December 2019

Statement of Cash Flows

Figures in Zambian Kwacha	Note(s)	2019	2018
Cash flows from operating activities			
Cash generated from operations	16	1,792,256	623,523
Financecosts		(221,666)	(351,823)
Net cash from operating activities		**1,570,590**	**271,700**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	-	(42,800)
Sale of property, plant and equipment	2	130,773	65,223
Net cash from investing activities		**130,773**	**22,423**
Cash flows from financing activities			
Finance lease payments		(583,047)	(575,796)
Total cash movement for the year		**1,118,316**	**(281,673)**
Cash at the beginning of the year		96,170	377,843
Total cash at end of the year	5	**1,214,486**	**96,170**

The accounting policies on pages 15 to 30 and the notes on pages 31 to 47 form an integral part of the financial statements.

Citizens Economic Empowerment Commission
Financial Statements for the year ended 31 December 2019

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 Citizens Economic Empowerment Act, 2006 (CEE Act).

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 Commissions 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 Commission 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 recognized as an asset when it is probable that future economic benefits associated with the item will flow to the Commission, 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 capitalization 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 capitalized if it is probable that future economic benefits associated with the expenditure will flow to the Commission 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 Commission. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. 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 derecognized.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	5 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	4 years
Computer equipment	Straight line	4 years

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.

Citizens Economic Empowerment Commission

Financial Statements for the year ended 31 December 2019

Accounting Policies

1.2 Property, plant and equipment (continued)

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 recognized in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognized immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognized 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 derecognized.

1.3 Financial instruments

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

Broadly, the classification possibilities, which are adopted by the Commission, as applicable, are as follows:

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:

- Amortized 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 amortized 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).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortized 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).

Accounting Policies

Financial instruments (continued)

Note 22 Financial instruments and risk management presents the financial instruments held by the Commission based on their specific classifications.

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

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

Citizens Economic Empowerment Commission

Financial Statements for the year ended 31 December 2019

Accounting Policies

Financial instruments (continued)

Loans receivable at amortized cost

Classification

Loans to group companies (note), loans to shareholders (note), loans to directors, managers and employees (note), and loans receivable (note) are classified as financial assets subsequently measured at amortized cost.

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

Recognition and measurement

Loans receivable are recognized when the Commission becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortized cost.

The amortized cost is the amount recognized on the loan initially, minus principal repayments, plus cumulative amortization (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note).

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortized cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortized cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortized cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Loans denominated in foreign currencies

When a loan receivable is denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Zambian Kwacha equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognized in profit or loss in the other operating gains (losses) (note 10).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial instruments and risk management (note 22).

Impairment

The Commission recognizes a loss allowance for expected credit losses on all loans receivable measured at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

Citizens Economic Empowerment Commission
Financial Statements for the year ended 31 December 2019

Accounting Policies

Financial instruments (continued)

The Commission measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

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

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Commission considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the Commission compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The Commission considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the Commission has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The Commission regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the Commission consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Commission considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

Citizens Economic Empowerment Commission

Financial Statements for the year ended 31 December 2019

Accounting Policies

Financial instruments (continued)

The Commission writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the Commission recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Commission has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Commission measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognized for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note).

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 22).

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of a loan receivable is included in profit or loss in derecognition gains (losses) on financial assets at amortized cost (note).

Accounting Policies

Financial instruments (continued)

Loans, advances and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortized cost (note 4).

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 Commission's business model is to collect the contractual cash flows on trade and other receivables.

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Zambian Kwacha equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (losses) (note 10).

Details of foreign currency risk exposure and the management thereof are provided in the trade and other receivables (note 4).

Impairment

The Commission recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Commission measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Write off policy

The Commission writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Commission recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 4) and the financial instruments and risk management note (note 22).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortized cost line item (note).

Citizens Economic Empowerment Commission

Financial Statements for the year ended 31 December 2019

Accounting Policies

Financial instruments (continued)

Accounts payables

Classification

Trade and other payables (note 7), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortized cost.

Recognition and measurement

They are recognized when the Commission 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 amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized 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 (including all fees and 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 liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 15).

Trade and other payables expose the Commission to liquidity risk and possibly to interest rate risk. Refer to note 22 for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Zambian Kwacha equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognized in profit or loss in the other operating gains (losses) (note 10).

Details of foreign currency risk exposure and the management thereof are provided in the trade and other payables note (note 7).

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Citizens Economic Empowerment Commission
Financial Statements for the year ended 31 December 2019

Accounting Policies

Financial instruments (continued)

Derecognition

Financial assets

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

Financial liabilities

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

Reclassification

Financial assets

The Commission only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

1.4 Leases (continued)

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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 first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

Inventories includes a "right to returned goods asset" which represents the Commission right to recover products from customers where customers exercise their right of return under the Commission returns policy. The Commission uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. A corresponding adjustment is recognised against cost of sales.

1.6 Impairment of assets

The Commission 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 Commission estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Commission 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 amortization 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.

Citizens Economic Empowerment Commission
Financial Statements for the year ended 31 December 2019

Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (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.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Commission's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.8 Revenue

Government grants are recognised when there is reasonable assurance that:

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

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

A government 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.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of net assets available in the fund 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 surplus or deficit (separately).

Repayment of a grant related to income is applied first against any un-amortized 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.

Citizens Economic Empowerment Commission

Financial Statements for the year ended 31 December 2019

Accounting Policies

1.8 Revenue (continued)

Interest is recognised, in profit or loss, using the effective interest rate method.

Administrative fees are recognised as revenue over the period during which the administrative service is performed.

1.9 Revenue from contracts with staff

The Commission recognises revenue from the following major sources:

- Interest in loans and advance provided to staff members.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Commission recognises revenue when it transfers control of a product or service to a customer.

1.10 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.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

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.

1.11 Provisions and contingencies

Provisions are recognised when:

- The Commission 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.

Accounting Policies

1.11 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating deficit.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- Has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- The amount that would be recognised as a provision; and
- The amount initially recognised less cumulative amortization.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note.

1.12 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. 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 estimates are revised and in any future periods affected.

1.13 Financial instruments: IAS 39 comparatives

Classification

The Commission classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortized cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Accounting Policies

1.3 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the Commission becomes a party to the contractual provisions of the instruments.

The Commission classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortized cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortized cost are subsequently measured at amortized cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Commission has transferred substantially all risks and rewards of ownership.

Citizens Economic Empowerment Commission
Financial Statements for the year ended 31 December 2019

Accounting Policies

1.3 Financial instruments (continued)

Impairment of financial assets

At each reporting date the Commission assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Commission, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Citizens Economic Empowerment Commission

Financial Statements for the year ended 31 December 2019

Accounting Policies

1.3 Financial instruments (continued)

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.

Bank overdraft and borrowings

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

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalization is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalized do not exceed the total borrowing costs incurred.

The capitalization of borrowing costs commences when:

- Expenditures for the asset have occurred;
- Borrowing costs have been incurred, and
- Activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization is suspended during extended periods in which active development is interrupted.

Capitalization ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Citizens Economic Empowerment Commission
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Notes to the Financial Statements

Figures in Zambian Kwacha	2019	2018

2. Property, plant and equipment

Citizens Economic Empowerment Commission

Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements

Figures in Zambian Kwacha	2019	2018

2. Property, plant and equipment (continued)

	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	161,153	(125,156)	35,997	161,153	(104,944)	56,209
Motor vehicles	1,071,793	(879,149)	192,644	2,149,083	(1,077,987)	1,071,096
Office equipment	343,524	(342,822)	702	343,524	(317,447)	26,077
Computer equipment	346,811	(291,632)	55,179	346,811	(237,752)	109,059
Capital - Work in progress	683	-	683	683	-	683
Total	**1,923,964**	**(1,638,759)**	**285,205**	**3,001,254**	**(1,738,130)**	**1,263,124**

Citizens Economic Empowerment Commission
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Notes to the Financial Statements

Figures in Zambian Kwacha	2019	2018

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Disposals	Depreciation	Total
Furniture and fixtures	56,209	-	(20,212)	35,997
Motor vehicles	1,071,096	(523,090)	(355,362)	192,644
Office equipment	26,077	-	(25,375)	702
Computer equipment	109,059	-	(53,880)	55,179
Capital - Work in progress	683	-	-	683
	1,263,124	**(523,090)**	**(454,829)**	**285,205**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	40,246	42,800	-	(26,837)	56,209
Motor vehicles	1,989,967	-	(276,402)	(642,469)	1,071,096
Office equipment	85,281	-	-	(59,204)	26,077
Computer equipment	163,915	-	-	(54,856)	109,059
Capital - Work in progress	683	-	-	-	683
	2,280,092	**42,800**	**(276,402)**	**(783,366)**	**1,263,124**

Property, plant and equipment encumbered as security

The following assets have been encumbered as security for the secured long-term borrowings as per note 6 below:

Net carrying amounts of leased assets

	2019	2018
Motor vehicles	-	1,056,832

3. Inventories

	2019	2018
Consumables	207,521	299,936

Inventory represents consumables that the Commission uses in the day to day operation and include stationery and cleaning materials.

Citizens Economic Empowerment Commission

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Notes to the Financial Statements

Figures in Zambian Kwacha	2019	2018

4. Trade and other receivables

	2019	2018
Financial instruments:		
Accrued income	-	9,664
Government Grant	(83,757)	1,295,209
Staff car, education, personal and other loans	83,758	86,971
Other receivables	-	8,580
Non-financial instruments:		
Unretired imprest	74,169	1,600
Prepayments	96,176	122,727
Total Loans, advances and other receivables	**170,346**	**1,524,751**

Split between non-current and current portions

	2019	2018
Current assets	170,346	1,524,751

Categorization of accounts receivables

Accounts receivables are categorized as follows in accordance with IFRS 9: Financial Instruments:

	2019	2018
At amortized cost	1	1,400,424
Non-financial instruments	170,345	124,327
	170,346	**1,524,751**

Exposure to credit risk

Loans and other receivables inherently expose the Commission to credit risk, being the risk that the Commission will incur financial loss if customers fail to make payments as they fall due. A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The loss allowance provision is determined as follows:

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

Fair value of Loans, advances and other receivables

The fair value of trade and other receivables approximates their carrying amounts denominated in Zambian Kwacha.

Citizens Economic Empowerment Commission
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Notes to the Financial Statements

Figures in Zambian Kwacha	2019	2018

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Cash on hand	3,996	9,482
Bank balances	1,210,490	86,688
	1,214,486	**96,170**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating	2019	2018
AA	-	86,688

Citizens Economic Empowerment Commission

Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements

Figures in Zambian Kwacha	2019	2018

6. Finance lease liabilities

	2019	2018
Minimum lease payments due		
- Within one year	687,056	815,259
- In second to fifth year inclusive	199,151	876,768
	886,207	1,692,027
Less: future finance charges	(126,762)	(349,535)
Present value of minimum lease payments	**759,445**	**1,342,492**
Present value of minimum lease payments due		
- Within one year	352,602	583,047
- In second to fifth year inclusive	406,843	759,445
	759,445	**1,342,492**
Non-current liabilities	406,843	759,445
Current liabilities	352,602	583,047
	759,445	**1,342,492**

It is the Commission policy to obtain motor vehicles using bank facilities.

The Commission obtained ZMW 6,850,000 New Medium Term Loan facility in 2016 from Zambia National Commercial Bank (ZANACO) for the purpose of Vehicle Asset Financing of its new vehicle fleet. The New Medium Term Loan is repayable in 60 equal installments with the last payment due on 31 March 2021. The term loan attracts an interest rate of variable Bank of Zambia Policy Rate plus a margin of 12% per annum (The interest rate at the date of the facility was 15.5%+12% = 27.5%). Unpaid interest is compounded at the same rate.

The Commission has since drawn K (2017: K 2,510,162.51) as at 31 December 2018

The Commission's obligations under the facility are secured by
i) Fixed charge over assets to be purchased from the facility of ZK6,850,000 and the bank noted as absolute owner
ii) Comprehensive insurance cover over the vehicles to be purchased with the bank noted as first loss payee
iii) Lien and letter of Set Off over the Borrowers operating Account number 1066202300389 held with ZANACO.

Refer notes 2&5 to these financial statements for assets with lien under this facility.

Market risk

The carrying amounts of finance lease liabilities are denominated in Zambian Kwacha.

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note 22.

Citizens Economic Empowerment Commission

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Notes to the Financial Statements

Figures in Zambian Kwacha		2019	2018
7. Trade and other payables			
Financial instruments:			
Trade payables		1,696,462	2,090,012
PAYE		12,098,164	7,581,361
NAPSA		974,464	960,741
Accrued leave pay		1,165,201	901,352
Accrued gratuity		6,953,785	7,763,796
Other payables		274,994	514,994
		23,163,070	**19,812,256**

Exposure to liquidity risk

Refer to note 22 financial instruments and financial risk management for details of liquidity risk exposure and management.

Fair value of accounts payables

The fair value of trade and other payables approximates their carrying amounts.

		2019	2018
8. Revenue			
Revenue from government			
GRZ operational grant		9,041,667	12,916,667
Revenue other than from contracts with customers			
Interest received-project finance		10,443,319	7,646,713
Income- Facility fees/project finance		854,233	527,042
		11,297,552	**8,173,755**
		20,339,219	**21,090,422**
9. Other operating income			
Other income		1	10,013
Interest from Bank		544,396	349,316
Keymans insurance admin fee		-	6,559
		544,397	**365,888**
10. Other operating gains (losses)			
Gains (losses) on disposals, scrappings and settlements			
Property, plant and equipment	2	(392,317)	(211,179)

Citizens Economic Empowerment Commission
Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements

Figures in Zambian Kwacha	2019	2018

11. Employee costs

	2019	2018
Basic	9,882,932	9,861,749
Commissions	397,191	505,148
Staff Welfare	917,444	1,116,770
Workers compensation	20,219	25,693
Leave pay provision charge	698,938	693,434
Staff Allowances	4,360,857	4,339,617
Relocation	32,448	42,531
Staff Welfare	35,221	99,042
NAPSA	614,670	617,816
Gratuity pay	3,708,303	3,835,155
	20,668,223	**21,136,955**

Average number of persons employed during the year		
Other 1	-	69

12. Operating leases charges

Heading	2019	2018
Rent	12,000	24,000
Lusaka Province	271,307	207,987
Western Province	24,000	12,000
Northern Province	-	66,600
Luapula Province	16,539	19,847
Northwestern Province	47,982	39,258
Lusaka One Stop Shop	4,037	63,139
Muchinga Province	26,400	38,400
(OFFICE RENTALS/Southern Province)	33,000	36,000
	435,265	**507,231**

It is the Commission's policy to enter into cancellable short term operating leases for some of its office. The leases have an average tenure of three (3) years.

13. Depreciation, amortization and impairment losses

Depreciation	2019	2018
Property, plant and equipment	454,829	783,366

Citizens Economic Empowerment Commission
Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements

Figures in Zambian Kwacha	2019	2018

14. Other operating expenses

Heading		
Advertising	5,790	61,452
Bad debts	-	83,758
Bank charges	19,514	10,675
Board travel and accommodation	22,028	78,466
Cleaning	253,039	179,701
Computer expenses	44,746	75,717
Consulting and professional fees	500	40,826
Consumables	69,056	157,166
Electricity	43,059	51,403
Insurance	58,708	112,044
Legal expenses	390,788	167,700
Magazines, books and periodicals	36,960	52,390
Motor vehicle expenses	274,901	251,368
Postage	24,607	54,909
Printing and stationery	162,478	181,673
Procurement expenses	84,650	45,090
Repairs and maintenance - deductible	13,956	40,231
Security	301,433	227,345
Staff recruitment costs	13,979	39,036
Subscriptions	60,175	7,391
Telephone and fax	717,905	378,247
Training	30,800	76,319
Travel - local	117,298	159,107
Travel - overseas	2,115	110,305
Water	1,626	12,495
Workshops and seminars	35,395	56,944
	2,785,506	**2,711,758**

15. Finance costs

Finance leases	221,666	351,823

16. Cash generated from operations

Loss before taxation	(4,074,190)	(4,246,002)
Adjustments for:		
Depreciation and amortization	454,829	783,366
Losses on disposals, scrappings and settlements of assets and liabilities	392,317	211,179
Finance costs	221,666	351,823
Changes in working capital:		
Inventories	92,415	21,881
Trade and other receivables	1,354,405	(463,668)
Trade and other payables	3,350,814	3,964,944
	1,792,256	**623,523**

Citizens Economic Empowerment Commission
Financial Statements forthe year ended 31 December 2019

Notes to the Financial Statements

Figures in Zambian Kwacha	2019	2018

17. Relatedparties

Compensation to directors and other key management		
Short-term employee benefits- Board sitting allowances	189,334	360,237

18. Taxation

No provision has been madefor tax as the Commission is exempt from taxes under paragraph 5 of the second schedule of the Income Tax Act, 1996 (as amended).

19. Commitments

Operating leases – as lessee (expense)

Operating lease payments represent rentals payable by the Commission for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

20. Going concern

We draw attention to thefact that for the year ended 31 December 2019, the Commission had a deficit of ZK4, 074,190 (2018; ZK4, 246,002) and as at that date the Commission's total current liabilities exceeded its assets by ZMW 21,638,114 (2018; ZMW 17,211,322).

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 realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Commission to continue as a going concern is dependent on several factors. The most significant of these is that the Commissioners continue to procure funding for the ongoing operations for the Commission.

21. Operations Funds

Section 6 of the schedule to the Citizen Economic Empowerment Act No. 9 of 2006, provides for the establishment of the Operations Fund of the Citizens Economic Empowerment Commission. Section 6 of the Citizen Economic Empowerment Act No 9 of 2006 further vest the Fund to the Commission.

The Financial statements have been prepared for the Fund in line with the requirements of Citizen Economic Empowerment Act No 9 of 2006. The Commissioners believe that consolidation of the Operations and the Empowerment Fund would not be a fair presentation of the state of affairs of both Funds.

Citizens Economic Empowerment Commission
Financial Statements for the year ended 31 December 2019

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Figures in Zambian Kwacha	2019	2018

22. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2019

	Note(s)	Amortized cost	Leases	Total	Fair value
Loans, advances and other receivables	4	1	-	1	1
Cash and cash equivalents	5	1,214,486	-	1,214,486	1,214,486
		1,214,487	**-**	**1,214,487**	**1,214,487**

2018

	Note(s)	Amortized cost	Leases	Total	Fair value
Loans, advances and other receivables	4	1,400,424	-	1,400,424	1,400,424
Cash and cash equivalents	5	96,170	-	96,170	96,170
		1,496,594	**-**	**1,496,594**	**1,496,594**

Categories of financial liabilities

2019

	Note(s)	Amortized cost	Leases	Total	Fair value
Accounts payables	7	23,163,070	-	23,163,070	-
Finance lease obligations	6	-	759,445	759,445	-
		23,163,070	**759,445**	**23,922,515**	**-**

2018

	Note(s)	Amortized cost	Leases	Total	Fair value
Accounts payables	7	19,812,256	-	19,812,256	-
Finance lease obligations	6	-	1,342,492	1,342,492	-
		19,812,256	**1,342,492**	**21,154,748**	**-**

Citizens Economic Empowerment Commission

Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements

Figures in Zambian Kwacha	2019	2018

22. 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 maximize stakeholder returns sustainably.

The company's objective when managing capital are to safeguard the Commission's ability to continue as a going concern i.e. meeting financial obligation as and when the fall due. The Adequacy of capital of the Commission is maintained on a regular basis. In line with the CEEC Act, funds not immediately needed for operations are invested in short-term instruments whose maturity coincides with payments of obligations.

The Commissions, on its own or in consultation with relevant financial institution may establish or surce venture capital funds to promote investments as specified in the CEE Act. In addition, the Commission uses financial institution to source capital for the acquisition of motor vehicles.

Citizens Economic Empowerment Commission
Financial Statements for the year ended 31 December 2019

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Figures in Zambian Kwacha	2019	2018

22. Financial instruments and risk management (continued)

financial risk management

Overview

The Commission is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk-interest rate risk

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

The Commission 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 Commission. 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 Commission if a staff member or counterparty to a financial instrument fails to meet its contractual obligations.

The Commission is exposed to credit risk on trade and other receivables, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analyzed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the Commission through dealing with well-established financial institutions with high credit ratings or financial institutions without a history of counterparty default (where credit ratings are not available).

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Citizens Economic Empowerment Commission

Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements

Figures in Zambian Kwacha	2019	2018

22. Financial instruments and risk management (continued)

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.

For loans, advances and other receivables or contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables, contract assets and lease receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

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

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Figures in Zambian Kwacha	2019	2018

22. Financial instruments and risk management (continued)

		2019			2018		
		Gross carrying amount	Credit loss allowance	Amortized cost / fair value	Gross carrying amount	Credit loss allowance	Amortized cost / fair value
Accounts receivables	4	83,759	(83,758)	1	1,484,182	(83,758)	1,400,424
Cash and cash equivalents	5	1,214,486	-	1,214,486	96,170	-	96,170
		1,298,245	**(83,758)**	**1,214,487**	**1,580,352**	**(83,758)**	**1,496,594**

Citizens Economic Empowerment Commission

Financial Statements for the year ended 31 December 2019

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Figures in Zambian Kwacha	2019	2018

22. Financial instruments and risk management (continued)

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. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

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.

2019

		Less than 1 year	1 to 2 years	Total	Carrying amount
Non-current liabilities					
Finance lease liabilities	6	-	-	-	406,843
Current liabilities					
Trade and other payables			6	-	23,163,070
Finance lease liabilities			6	-	352,602
				-	**23,922,515**

2018

		Carrying amount
Non-current liabilities		
Finance lease liabilities	6	759,445
Current liabilities		
Trade and other payables	7	19,812,256
Finance lease liabilities	6	583,047
		21,154,748

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

Citizens Economic Empowerment Commission
Financial Statements for the year ended 31 December 2019

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Figures in Zambian Kwacha	2019	2018

22. Financial instruments and risk management (continued)

The debt of the company is comprised of Term loan, which bear interest at floating interest rates. Borrowing at floating interest rates expose the Commission to interest rate risk.

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Note	Average effective interest rate		Carrying amount	
		2019	2018	2019	2018
Assets					
Trade and other receivables	4	12.00 %	12.00 %	-	-
Liabilities					
Finance lease liabilities	6	21.75 %	21.75 %	759,445	1,342,492

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Commission

At 31 December 2019, if the interest rate had been 10.000 % per annum (2018: -10%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been ZK 407,419 (2018: ZK424,600-) lower and ZK 407,419 (2018: ZK424,600-) higher as a result of interest bearing Term Loans.

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We have positioned ourselves to be accessible to you. *Our partners are involved in the performance of all our services* that include; Tax and Business Planning, Business Strategy, Accounting and Book Keeping, Performance Monitoring and Control, Internal Audit, External Audit and Assurance Services, Secretarial Services, Market Research, Training and HR Development and Payroll Services.

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CITIZENS ECONOMIC EMPOWERMENT FUND

Financial Statements
For the year ended 31st December, 2019

Citizens Economic Empowerment Fund

Financial statements
for the year ended December 31, 2019

Citizens Economic Empowerment Fund

Financial Statements for the year ended December 31, 2019

Country of incorporation and domicile	Zambia
Nature of business and principal activities	Established under the Citizens Economic Empowerment Act No. 9 of 2006, the Commission's principal activities are to promote the economic empowerment of targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies; promote gender-equality in accessing, owning, managing, controlling and exploiting economic resources; encourage an increase in broad-based and effective ownership and meaningful participation of targeted citizens, citizen empowered companies, citizen influenced companies and citizens owned companies in the economy in order to contribute to sustainable economic growth; remove social customs, statutory provisions or other practices that limit access to any particular gender to skills training that is essential for effective participation in the economic sector; promote the employment of both gender by removing structural and discriminatory constraints that hinder any particular gender from employment opportunities and in so doing ensure equitable income distribution; promote equal opportunity of targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies in accessing and being awarded procurement contracts and other services from State institutions; promote Greenfield investment through joint ventures and partnerships between local and foreign investors in order to enhance broad-based economic empowerment; and provide for matters incidental to or connected to the foregoing.
Commissioners	Nkunga C Mulenga Col Retired Mr. Bridget Nyau Sule Ms Yamba Fredson Emelda K Chabala Melele Mrs Kalaluka Likando SC Mr. Chanda Kaziya Mr. Mulenga Musepa Mr. Mushuma Mulenga Mr. Sunday Chanda Mr. Stella Zulu chisanga Dr. David Nama Dr. Coster Mwaba Mr. Mushuma Mulenga Mr.
Registered office	Plot 6457, Los Angeles Boulevard, Longacres. Lusaka, Zambia
Postal address	P.O. BOX 35068 Lusaka, Zambia

Citizens Economic Empowerment Fund
Financial Statements for the year ended December 31, 2019

General Information

Bankers	AtlasMara Bank Zambia, Barclays Bank Zambia, Investrust Bank Zambia
Auditors	UHY AMO Certified Public Accountants
Secretary	Mr. Billy Kalunga

Citizens Economic Empowerment Fund
Financial Statements for the year ended December 31, 2019

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Commissioners' Responsibilities and Approval

The Commissioners are required in terms of the Citizens Economic Empowerment Act No. 9 of 2006 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 Commission 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 Commissioners acknowledgethat they areultimately responsible for thesystem ofinternal financial control established by the Commission and place considerable importance on maintaining a strong control environment. To enable the Commissioners to meet these responsibilities, the Commission sets 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 responsibilitieswithin 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 Commission and all employees are required to maintain the highest ethical standards in ensuring the Commission's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Commission is on identifying, assessing, managing and monitoring all known forms of risk across the Commission. While operating risk cannot be fully eliminated, the Commission endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The Commissioners 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 Commissioners have reviewed the Commission's cash flow forecast for the year to December 31, 2020 and, in light of this review and the current financial position, they are satisfied that the Commission has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Commission's financial statements. The financial statements have been examined by the Commission's external auditors and their report is presented on pages 7 to 9.

The current board of commissioners was appointed in April, 2022. Therefore, these financial statements cover a period that predates the date at which they assumed fiduciary responsibilities over the commission's operations. The current commissioners have approved and signed these audited financial statements for administrative convenience.

The financial statements set out on pages 11 to 44, which have been prepared on the going concern basis, were approved by the Commissioners on 23 August 2024 and were signed on their behalf by:

Signature area

Approval of financial statements

Mr. Jason Kazilimani

Dr. Tecla Ngwenya

Citizens Economic Empowerment Fund

Financial Statements for the year ended December 31, 2019

Commissioners' Report

The Commissioners have the pleasure in submitting their report on the financial statements of Citizens Economic Empowerment Fund for the year ended December 31, 2019.

1. Principal Activities

Established under the Citizens Economic Empowerment Act No. 9 of 2006, the Commission's principal activities are to promote the economic empowerment of targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies; promote gender-equality in accessing, owning, managing, controlling and exploiting economic resources; encourage an increase in broad-based and effective ownership and meaningful participation of targeted citizens, citizen empowered companies, citizen influenced companies and citizens owned companies in the economy in order to contribute to sustainable economic growth; remove social customs, statutory provisions or other practices that limit access to any particular gender to skills training that is essential for effective participation in the economic sector; promote the employment of both gender by removing structural and discriminatory constraints that hinder any particular gender from employment opportunities and in so doing ensure equitable income distribution; promote equal opportunity of targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies in accessing and being awarded procurement contracts and other services from State institutions; promote Greenfield investment through joint ventures and partnerships between local and foreign investors in order to enhance broad-based economic empowerment; and provide for matters incidental to or connected to the foregoing.

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

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Citizens Economic Empowerment Act No. 9 of 2006. 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 Empowerment Fund are set out in these financial statements.

3. Commissioners' Office

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

Name	Office
Nkunga Mulenga Col Retired.	Chairperson
Emelda K Chabala Melele.	Vice-Chairperson
Yamba Fredson	Commissioner
Chanda Kaziya	Commissioner
Kalaluka Likando	Commissioner
Bridget Nyau Sule	Commissioner
Mulenga Musepa	Commissioner
Mushuma Mulenga Mr.	Commissioner
Sunday Chanda Mr.	Commissioner
Stella Zulu chisanga Dr.	Commissioner
David Nama Dr.	Commissioner
Coster Mwaba Mr.	Commissioner
Mushuma Mulenga Mr.	Commissioner

4. **Key Management**

Dr. Muwe C Mungule	Director General
Mr. Albert Ngimu	Director Credit Control and Risk
Mr. Brian Mayeya	Acting Director Finance
Mr. Caiaphas Habasona	Director Business Development
Mr. Lucy M Mataka	Director Corporate Services
Ms. Joyce Mulenga	Directors Legal Services and Commission Secretary

5. **Property, plant and equipment**

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

At December 31, 2019 the Commission's investment in property, plant and equipment amounted to Kwacha1, 162,292 (2018: Kwacha 1,300,009), of which Kwacha- (2018: Kwacha 212,414) was added in the current year through additions.

6. **Events after the reporting period**

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

7. **Going concern**

The Commissioners believe that the Empowerment Fund has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The Commissioners have satisfied themselves that the Empowerment Fund is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Commissioners are not aware of any new material changes that may adversely impact the Empowerment Fund. The Commissioners are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Empowerment Fund.

8. **Secretary**

The Commission secretary was Mr. Billy Kalunga.

The financial statements set out on pages 11 to 44, which have been prepared on the going concern basis, were approved by the Commissioners on________________________________, and were signed on its behalf by:

Independent Auditor's Report

To the directors of Citizens Economic Empowerment Fund

Opinion

We have audited the financial statements of Citizens Economic Empowerment Fund set out on pages 11 to 43, which comprise the statement of net assets available in the fund as at December 31, 2019, 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 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 Citizens Economic Empowerment Fund as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Citizens Economic Empowerment Act No. 9 of 2006.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
1. CEEC Fund -Partial Disbursement of Loans The Commission has a policy of Partial disbursement of Loans. The policy requirements for a partially disbursed loan are as follows: ❖ No interest is charged on the loan until the loan is fully funded (disbursed)-at 100%. ❖ The principle is not repayable until fully funded (disbursed)	-We reviewed the commission's credit policy and we confirmed the relevant clause(s) to be in section 7.5.11 of the said policy. . - We discussed with management the potential risks associated with this policy/clause(s). - We visited a sample of projects under the status "Partially disbursed" for our own independent verification and a test for existence. - We reviewed the loan files for a sample of "Partially

	This is a significant matter because: a) There is potential for abuse of policy and fraud. b) CEEC has in effect become a charitable organisation providing "soft loans" to SMEs As at year end the total value of partially disbursed loans amounted to **K9, 577,526.57** relating to **278 projects.** This amount is irrecoverable until the loan is fully disbursed and no interest in being earned on this amount.	disbursed" loans. - We have included this matter and the related risks in our report to those charged with governance. - We have recommended that this policy be reviewed to manage the risk cited. -We have considered the impact this policy may have on our audit opinion prior to issuing the audit opinion. -Our recommendation on this matter will be follow up in the next audit.
2.	**CEEC Fund-Un allocated receipts (Suspense Account):** The commission trial balance includes suspense accounts. The Commission could not trace the clients (loanee) that where making payments directly into the CEEC Funds' bank account. This is a significant matter not only because of its quantum value but also because: a) There is potential for misstatement of receivables. b) KYC requirements on clients were not followed before issuing the loan. c) There is a systematic failure in follow ups and reconciliations of receivables. As at year end, a suspense account under the CEEC Fund had a credit balance of **K56, 416,313.99** relating to unknown loan receipts.	-We reviewed the suspense account ledger to identify entries posted in it, which should be have been allocated to specific clients. -We discussed with management the potential risks associated with this suspense accounts. -We have included this matter and the related risks in our report to those charged with governance. - We have recommended that this suspense accounts be dismantled to manage the risk cited. -We have considered the impact this suspense account may have on our audit opinion prior to issuing the audit opinion. -Our recommendation on this matter will be follow up in the next audit.

Independent Auditor's Report

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Citizens Economic Empowerment Fund financial statements for the year ended December 31, 2019", which includes the Commissioners' Report as required by the Citizens Economic Empowerment Act No. 9 of 2006, which we obtained prior to the date of this report. 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 Citizens Economic Empowerment Act No. 9 of 2006, 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

- 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 conclusion s 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 theunderlying 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.

AUD 2067

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Dion B Dault
Partner

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Citizens Economic Empowerment Fund
Financial Statements for the year ended December 31, 2019

Statement of Surplus or Deficit and Other Comprehensive Income

Figures in Zambian Kwacha	Note(s)	2019	2018
Revenue	2	6,934,685	7,646,713
Other operating income	3	3,956	-
Earned Interest Transfered to Operations	4	(6,924,090)	(7,646,713)
Credit loss allowances	5	-	1,452,464
Employee costs	6	-	(1,701,835)
Depreciation, amortisation and impairment expenses	7	(137,717)	(143,818)
Other operating expenses	8	(1,487,591)	(1,973,199)
Operating deficit		**(1,610,757)**	**(2,366,388)**
Finance costs	10	(475)	(1,790)
Deficit for the year		**(1,611,232)**	**(2,368,178)**
Other comprehensive income		-	-
Total comprehensive deficit for the year		**(1,611,232)**	**(2,368,178)**

The accounting policies on pages 14 to 28 and the notes on pages 29 to 43 form an integral part of the financial statements.

Citizens Economic Empowerment Fund

Financial Statements for the year ended December 31, 2019

Statement of Net Assets Available In the Fund as at December 31, 2019

Figures in Zambian Kwacha	Note(s)	2019	2018
Assets			
Non-Current Assets			
Property, plant and equipment	11	1,162,292	1,300,009
Loans receivable	12	9,527,173	4,010,062
		10,689,465	**5,310,071**
Current Assets			
Trade and other receivables	13	1,590,862	10,445
Repossessed Property	14	6,230,500	6,230,500
Cash and cash equivalents	15	8,783,830	17,841,176
		16,605,192	**24,082,121**
Total Assets		**27,294,657**	**29,392,192**
Equity and Liabilities			
Equity			
Retained income		27,143,862	28,755,094
Liabilities			
Current Liabilities			
Trade and other payables	16	150,795	637,098
Total Equity and Liabilities		**27,294,657**	**29,392,192**

Citizens Economic Empowerment Fund

Financial Statements for the year ended December 31, 2019

Statement of Changes in Equity

Figures in Zambian Kwacha	Retained income	Total equity
Balance at January 1, 2018	**31,123,272**	**31,123,272**
Deficit for the year	(2,368,178)	(2,368,178)
Other comprehensive income	-	-
Total comprehensive deficit for the year	**(2,368,178)**	**(2,368,178)**
Balance at January 1, 2019	**28,755,094**	**28,755,094**
Deficit for the year	(1,611,232)	(1,611,232)
Other comprehensive income	-	-
Total comprehensive deficit for the year	**(1,611,232)**	**(1,611,232)**
Balance at December 31, 2019	**27,143,862**	**27,143,862**

Note(s)

The accounting policies on pages 14 to 28 and the notes on pages 29 to 43 form an integral part of the financial statements.

Citizens Economic Empowerment Fund

Financial Statements for the year ended December 31, 2019

Statement of Cash Flows

Figures in Zambian Kwacha	Note(s)	2019	2018
Cash flows from operating activities			
Cash generated from operations	17	3,384,330	4,927,338
Finance costs		(475)	(1,790)
Net cash from operating activities		**3,383,855**	**4,925,548**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	-	(212,414)
Receipts from loans receivable at amortised cost		(5,517,111)	19,360,606
Sale of credit loss allowance		(6,924,090)	(7,646,713)
Purchase of repossessed property		-	(6,230,500)
Net cash from investing activities		**(12,441,201)**	**5,270,979**
Total cash movement for the year		**(9,057,346)**	**10,196,527**
Cash at the beginning of the year		17,841,176	7,644,649
Total cash at end of the year	15	**8,783,830**	**17,841,176**

Citizens Economic Empowerment Fund

Financial Statements for the year ended December 31, 2019

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 Citizens Economic Empowerment Act No. 9 of 2006.

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 Kwachas, which is the Commission's functional currency.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. 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 estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Commission uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Commission's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Impairment testing

The Commission reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the fund 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 Commission, and the cost of the item can be measured reliably.

Citizens Economic Empowerment Fund
Financial Statements for the year ended December 31, 2019

Accounting Policies

1.3 Property, plant and equipment (continued)

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 fund and the cost can be measured reliably. Day to day servicing costs are included in surplus or deficit 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 Commission. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. 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
Furniture and fixtures	Straight line	5 Years
Motor vehicles	Straight line	5 Years
Office equipment	Straight line	4 years
Computer equipment	Straight line	4 years

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 surplus or deficit unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in surplus or deficit to bring the carrying amount in line with the recoverable amount.

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 surplus or deficit when the item is derecognised.

1.4 Financial instruments

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

Broadly, the classification possibilities, which are adopted by the Commission ,as applicable, are as follows:

Financial assets which are equity instruments:

Citizens Economic Empowerment Fund

Financial Statements for the year ended December 31, 2019

Accounting Policies

Financial instruments (continued)

- Mandatorily at fair value through surplus or deficit; 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 surplus or deficit. (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 surplus or deficit. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through surplus or deficit.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through surplus or deficit. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through surplus or deficit. (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 surplus or deficit).

Note 19 Financial instruments and risk management presents the financial instruments held by the Commission based on their specific classifications.

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

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

Citizens Economic Empowerment Fund
Financial Statements for the year ended December 31, 2019

Accounting Policies

Financial instruments (continued)

Loans receivable at amortised cost

Classification

Loans receivable (note 12) are classified as financial assets subsequently measured at amortised cost.

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

Recognition and measurement

Loans receivable are recognised when the Commission becomes a party to the contractual provisions of the loan. The loans 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 loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 9).

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The Commission recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Commission measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

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

Citizens Economic Empowerment Fund
Financial Statements for the year ended December 31, 2019

Accounting Policies

Financial instruments (continued)

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Commission considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the Commission compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The Commission considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the Commission has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The Commission regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the Commission consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Commission considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

Citizens Economic Empowerment Fund
Financial Statements for the year ended December 31, 2019

Accounting Policies

Financial instruments (continued)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Commission has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Commission measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 5).

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 19).

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Citizens Economic Empowerment Fund

Financial Statements for the year ended December 31, 2019

Accounting Policies

Financial instruments (continued)

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 13).

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 Commission'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 Commission 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) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in surplus or deficit in investment income (note 9).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The Commission recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Commission measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The Commission makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

Citizens Economic Empowerment Fund

Financial Statements for the year ended December 31, 2019

Accounting Policies

Financial instruments (continued)

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 13.

An impairment gain or loss is recognised in surplus or deficit with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in surplus or deficit as a movement in credit loss allowance (note 12).

Credit risk

Details of credit risk are included in the trade and other receivables note (note 13) and the financial instruments and risk management note (note 19).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in surplus or deficit in the derecognition gains (losses) on financial assets at amortised cost line item (note 13).

Trade and other payables

Classification

Trade and other payables (note 16), 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 Commission 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.

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 (including all fees and 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in surplus or deficit in finance costs (note 1019).

Trade and other payables expose the Commission to liquidity risk and possibly to interest rate risk. Refer to note 19 for details of risk exposure and management thereof.

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Citizens Economic Empowerment Fund
Financial Statements for the year ended December 31, 2019

Accounting Policies

Financial instruments (continued)

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets

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

Financial liabilities

The Commission derecognises financial liabilities when, and only when, the Commission 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 surplus or deficit.

1.5 Financial instruments: IAS 39 comparatives

Classification

The Commission classifies financial assets and financial liabilities into the following categories:
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the Commission becomes a party to the contractual provisions of the instruments.

The Commission classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at .

Citizens Economic Empowerment Fund

Financial Statements for the year ended December 31, 2019

Accounting Policies

1.4 Financial instruments: IAS 39 comparatives (continued)

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Commission has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

At each reporting date the Commission assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Commission, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Citizens Economic Empowerment Fund

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Accounting Policies

1.4 Financial instruments: IAS 39 comparatives (continued)

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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.

Bank overdraft and borrowings

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

1.6 Repossessed property

In certain circumstances, the Commission can repossess property following the foreclosure on loans that are in defaul Repossessed properties are measured at the lower of carrying amount and fair value less cost to sell and reported wit 'Other assets'.

The Commission shall advertise for sale the repossessed properties after fourteen (14) days of the repossession in orde to recover the outstanding loan amounts, legal fees, sheriff's fees and any other incidental costs like security.

The Commission will have the choice of disposing the repossessed properties through estate agents who may hav running contracts with the Commission or using the in-house tender procedures. The repossessed properties may b valued at the point of sale in order to arrive at the reserve prices. The higher bidder shall be offered the right t purchase the property with priority given to Zambian Citizens.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Citizens Economic Empowerment Fund

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Accounting Policies

1.7 Leases (continued)

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.8 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 first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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 sold, 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.

Inventories includes a "right to returned goods asset" which represents the company right to recover products from customers where customers exercise their right of return under the company returns policy. The company uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. A corresponding adjustment is recognised against cost of sales.

1.9 Impairment of assets

The Commission 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 Commission estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Commission 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.

Citizens Economic Empowerment Fund

Financial Statements for the year ended December 31, 2019

Accounting Policies

1.9 Impairment of assets (continued)

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 surplus or deficit. 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.

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.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 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.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Commission's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.12 Revenue

Government grants are recognised when there is reasonable assurance that:

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

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

A government 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.

Citizens Economic Empowerment Fund

Financial Statements for the year ended December 31, 2019

Accounting Policies

1.12 Revenue (continued)

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of net assets available in the fund 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 surplus or deficit (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.

Interest is recognised, in profit or loss, using the effective interest rate method.

Administrative fees are recognised as revenue over the period during which the administrative service is performed.

1.13 Hedge accounting

At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the company actually hedges and the quantity of the hedging instrument that the company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The company designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The company excludes the time value of options and designates only the intrinsic value of options as the hedging instruments in hedges involving options as the hedging instruments. The change in fair value attributable to the time value of options is recognised in other comprehensive income and accumulated in equity as deferred hedging gains (losses). The company only hedges time period related hedged items using options. The change in the aligned time value is recognised in other comprehensive income and is amortised on a systematic and rational basis over the period during which the hedge adjustment for the option's intrinsic value could affect profit or loss (or other comprehensive income, if the hedged item is an equity instrument at fair value through other comprehensive income). However, if hedge accounting is discontinued the net amount (i.e. including cumulative amortisation) that has been accumulated in the deferred hedging reserve is immediately reclassified into profit or loss.

1.14 Revenue from contracts with customers

The Commission recognises revenue from the following major sources:

Citizens Economic Empowerment Fund

Financial Statements for the year ended December 31, 2019

Accounting Policies

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Commission recognises revenue when it transfers control of a product or service to a customer.

Citizens Economic Empowerment Fund

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Notes to the Financial Statements

Figures in Zambian Kwacha	2019	2018

2. Revenue

Revenue from contracts with customers		
Project finance	6,934,685	7,646,713

3. Contribution to the fund

Other income 1	3,956	-

As at 31st December 2019 the total amount of K 3,956.00 was earned from NATSAVE BAnk. under IFRS 15 the revenue from contracts with customers was introduced by the internaional Accounting Standard Board to provide one comprehensive revenue recognition model for all contracts with customers .t

4. Earned Interest Transfered to Operations

Gains (losses) on disposals, scrappings and settlements		
Earned Interest Transfered to Operations	(6,924,090)	(7,646,713)

5. Credit Loss Allowance

Trade loans	-	(1,538,051)
Provision for impairment	-	85,587
	-	**(1,452,464)**

6. Employee costs

Employee costs		
Basic	-	813,744
Leave pay	-	82,949
Allowances	-	333,004
Gratuity pay	-	472,138
	-	**1,701,835**

7. Depreciation, amortisation and impairment losses

Depreciation		
Property, plant and equipment	137,717	143,818

Citizens Economic Empowerment Fund

Financial Statements for the year ended December 31, 2019

Notes to the Financial Statements

Figures in Zambian Kwacha	2019	2018

8. Other operating expenses

Heading		
Advertising	59,053	-
Audit fees	-	222,193
Bank charges	9,583	10,516
Consulting and professional fees	-	12,127
Debt collection	28,677	553,358
Delivery expenses	735,531	466,219
Legal expenses	631,999	-
Motor vehicle expenses	1	224,217
Printing and stationery	-	360
Property transfer tax	20,760	168,006
Sundry accounting	-	1,500
Telephone and fax	-	163,177
Travel - local	-	149,726
Travel - overseas - deductable	-	1,800
	1,485,604	**1,973,199**

9. Investment income

Investment income on financial instruments which are available for sale or held to maturity are only presented for comparative purposes for financial instruments held in the prior reporting period but which were disposed of prior to the beginning current reporting period, which is the date of adoption of IFRS 9 Financial Instruments. Investment income on all other financial assets has been reclassified in compliance with IFRS 9.

10. Finance costs

Interest paid	475	1,790

Notes to the Financial Statements

Figures in Zambian Kwacha	2019	2018

11. Property, plant and equipment

	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	645,587	(636,996)	8,591	645,587	(627,869)	17,718
Motor vehicles	2,474,126	(2,474,126)	-	2,474,126	(2,474,126)	-
Office equipment	583,653	(580,267)	3,386	583,653	(566,360)	17,293
Computer equipment	977,021	(960,964)	16,057	977,021	(883,401)	93,620
Other property, plant and equipment	148,480	(74,240)	74,240	148,480	(37,120)	111,360
Capital - Work in progress	1,060,018	-	1,060,018	1,060,018	-	1,060,018
Total	**5,888,885**	**(4,726,593)**	**1,162,292**	**5,888,885**	**(4,588,876)**	**1,300,009**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Depreciation	Total
Furniture and fixtures	17,718	(9,127)	8,591
Office equipment	17,293	(13,907)	3,386
Computer equipment	93,620	(77,563)	16,057
Other property, plant and equipment	111,360	(37,120)	74,240
Capital - Work in progress	1,060,018	-	1,060,018
	1,300,009	**(137,717)**	**1,162,292**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	23,846	2,951	(9,079)	17,718
Office equipment	31,199	-	(13,906)	17,293
Computer equipment	177,333	-	(83,713)	93,620
Other property, plant and equipment	-	148,480	(37,120)	111,360
Capital - Work in progress	999,035	60,983	-	1,060,018
	1,231,413	**212,414**	**(143,818)**	**1,300,009**

Citizens Economic Empowerment Fund

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Figures in Zambian Kwacha	2019	2018

12. Loans receivable

Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:

Trade loans	22,159,823	2,730,951
Generic breeders	522,300	522,300
Project finance	(13,154,950)	756,811
	9,527,173	**4,010,062**

Split between non-current and current portions

Non-current assets	9,527,173	4,010,062

Exposure to credit risk

Loans receivable inherently exposes the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for loans receivable is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

In determining the amount of expected credit losses, the company has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate or are employed. This information has been obtained from the counterparties themselves, as well as from economic reports, financial analyst reports and various external sources of actual and forecast data and is applied to estimate a probability of default occurring as well as estimating the loss upon default.

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below.

The Fund holds collateral for the loans upto 50% of the loan amounts with the balance covered by mortgage or lien on business assets purchased with CEEC loan.

Citizens Economic Empowerment Fund

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Figures in Zambian Kwacha	2019	2018

12. Loans receivable (continued)

Credit loss allowances

The Commission's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows::

	2018		2017	
Expected credit loss rate:	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Trade loans	-	20,364,756	-	23,506,627
Generic breeders	-	522,300	-	522,300
Project loans	-	198,190,209	-	215,948,195
	-	**219,077,265**	**-**	**239,977,122**

2019

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying Lo amount
Trade loans	-BBB	Fitch	N/a	12m ECL	22,159,823
Generic breeders	-BBB	S&P	N/a	12m ECL	522,300
Project loan				Lifetime ECL (credit impaired)	201,913,452
					224,595,575

2018

Instrument	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Trade loans	12m ECL	20,364,756	(17,633,805)	2,730,951
Generic breeders	12m ECL	522,300	-	522,300
Project loan	Lifetime ECL (credit impaired)	198,191,409	(197,434,598)	756,811
		219,078,465	**(215,068,403)**	**4,010,062**

Citizens Economic Empowerment Fund

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12. Loans receivable (continued)

Reconciliation of loss allowances

The following tables show the movement in the loss allowances for loans receivable.

[Insert class of instrument: For example Debentures or housing loans]: Loss allowance measured at lifetime ECL (credit impaired):

[Insert class of instrument: For example Debentures or housing loans]: Loss allowance measured at lifetime ECL (credit impaired):

Total Credit loss allowances		
Trade loan	-	(1,538,051)

Exposure to currency risk

Refer to note 19 Financial instruments and financial risk management for details of currency risk management for loans receivable.

Exposure to interest rate risk

Refer to note 19 for details of interest rate risk management for investments in loans receivable.

Fair value of loans receivable

The fair value of approximates their carrying amounts.

13. Trade and other receivables

Trade receivables	1,459,953	-
Provincial imprest	108,095	8,095
Non-financial instruments:		
Employee costs in advance	17,440	-
Prepayments (if immaterial)	5,374	2,350
Total trade and other receivables	**1,590,862**	**10,445**

Split between non-current and current portions

Current assets	1,590,862	10,445

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13. Trade and other receivables (continued)

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	1,568,048	8,095
Non-financial instruments	22,814	2,350
	1,590,862	**10,445**

Exposure to credit risk

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

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	2019	2019	2018	2018
Expected credit loss rate:	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Not past due: 0% (2017: 0%)	-	-	10,445	-
More than 120 days past due: 100% (2017: 0%)	-	-	85,587	(85,587)
Total	-	-	**96,032**	**(85,587)**

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Figures in Zambian Kwacha	2019	2018

13. Trade and other receivables (continued)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

Remeasurement of loss allowance - comparative	-	85,587

Exposure to currency risk

Refer to note 19 for details of currency risk management for trade receivables.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

14. Repossessed Property

During the year, the Commission obtained assets by taking possession of collateral held as security as follows:

Other assets		
Repossessed property	6,230,500	6,230,500

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the oustanding indebtedness. repossed property is classified in the statement of financial position within other assets.

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	8,783,830	13,841,176
Short-term deposits	-	4,000,000
	8,783,830	**17,841,176**

**In anticipation to future receipts the Commission issued out cheques which took the balance into negatives.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
AA	-	6,007,120
A	-	502,894
Other	-	11,332,362
	-	**17,842,376**

Citizens Economic Empowerment Fund

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15. Cash and cash equivalents (continued)

Exposure to currency risk

Refer to note 19 Financial instruments and financial risk management for details of currency risk management for cash and cash equivalents.

16. Trade and other payables

Financial instruments:		
Trade payables - related parties	-	13,096
Accrued audit fees	1,612	483,264
Other payables	149,183	140,738
	150,795	**637,098**

Exposure to currency risk

Refer to note 19 Financial instruments and financial risk management for details of currency risk management for trade payables.

Exposure to liquidity risk

Refer to note 19 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to interest rate risk

Refer to note 19 Financial instruments and financial risk management for details of interest rate risk management for trade and other payables.

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

17. Cash generated from operations

Deficit before taxation	(1,611,232)	(2,368,178)
Adjustments for:		
Depreciation and amortisation	137,717	143,818
Losses on disposals, scrappings and settlements of assets and liabilities	6,924,090	7,646,713
Finance costs	475	1,790
Net impairments and movements in credit loss allowances	-	(1,452,464)
Changes in working capital:		
Trade and other receivables	(1,580,417)	1,547,166
Trade and other payables	(486,303)	(591,507)
	3,384,330	**4,927,338**

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18. Related parties

Relationships	
Commissioners	Nkunga Mulenga Col Retired - Board Chairperson Mrs Emelda K Chabala Melele Mr Fredson Yamba Mr Likando Kalaluka SC Mr Chanda Kaziya Mr Mulenga Musepa Mr Mushuma Mulenga Mr Sunday Chanda Dr Stella Zulu Chisanga Dr David Nama Mr Coster Mwaba Ms Bridget Nyau Sule
Members of key management	Director General Mukumbuta Likando Director Finance Christopher Sichinga Acting Director Business Development Muma Bwalya Munansangu Acting Director Credit & Risk Aurtha luywa Legal manager Billy Kalunga Operations manager Helen Masiye Mwanza

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19. Financial instruments and risk management

Categories of financial instruments

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.

19. **Financial instruments and risk management (continued)**

Financial risk management

Overview

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

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

Credit risk

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

The commission is exposed to credit risk on loans receivable, debt instruments at fair value through other comprehensive income, trade and other receivables, contract receivables, lease receivables, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The commission only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

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

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19. Financial instruments and risk management (continued)

		2019			2018		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans receivable	12	224,595,575	(215,068,402)	9,527,173	219,078,465	(215,068,403)	4,010,062
Trade and other receivables	13	1,568,048	-	1,568,048	8,095	-	8,095
Cash and cash equivalents	15	8,783,830	-	8,783,830	17,841,176	-	17,841,176
		234,947,453	**(215,068,402)**	**19,879,051**	**236,927,736**	**(215,068,403)**	**21,859,333**

Liquidity risk

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

The commission 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. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

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.

2019

		Carrying amount
Current liabilities		
Trade and other payables		150,795

2018

		Carrying amount
Current liabilities		
Trade and other payables	16	637,098

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19. Financial instruments and risk management (continued)

Foreign currency risk

There Commission was not exposed to foreign currency risk.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The debt of the commision is comprised of different instruments, which bear interest at either fixed or floating interest rates. The ratio of fixed and floating rate instruments in the loan portfolio is monitored and managed, by incurring either variable rate bank loans or fixed rate bonds as necessary. Interest rate swaps are also used where appropriate, in order to convert borrowings into either variable or fixed, in order to manage the composition of the ratio. Interest rates on all borrowings compare favourably with those rates available in the market.

The commision policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Note	Average effective interest rate		Carrying amount	
		2019	2018	2019	2018
Assets					
Trade and other receivables	13	12.00 %	12.00 %	-	-
Loans receivable	12	12.00 %	12.00 %	-	-
				-	-
Assets					
Heading					
Loans receivable	12	- %	- %	12	12
Other 1	12	- %	- %	12	12
				24	**24**

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

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19. Financial instruments and risk management (continued)

Company

At December 31, 2019, if the interest rate (BOZ Benchmark Lending Rate)) had been 10% per annum (2018: 10%) higher or lower during the period, with all other variables held constant, surplus or deficit for the year would have been Kwacha 236,818 (2018: Kwacha 2,368,180) lower and Kwacha 1,509,824 (2018: Kwacha 2,368,180) higher.

Citizens Economic Empowerment Commission

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