



ZAMBIA
Registered Chartered Accountants

NORTH WESTERN WATER SUPPLY AND SANITATION COMPANY LIMITED

Financial Statements for the year ended 31 December 2022

North -Western Water Supply and Sanitation Company Limited
(Registration number 119990043642)
Financial statements
for the year ended 31 December 2022

North -Western Water Supply and Sanitation Company Limited

(Registration number 119990043642)

Financial Statements for the year ended 31 December 2022

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North -Western Water Supply and Sanitation Company Limited

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Financial Statements for the year ended 31 December 2022

General Information

Country of incorporation and domicile	Zambia
Nature of business and principal activities	Provision of water and sewerage services to the towns of Solwezi, Chavuma, Zambezi, Kabompo, Mufumbwe, Kasempa, Manyinga and Mwinilunga.
Directors	Mr David S. Kaumba Mrs Mary Musela Ms Florence K. Maliti Mr Adrian Zulu Mr Chilala Samayuwa Mrs Brenda S. Manase Mr Samson Maluza Mr. Stanley Mbewe
Postal address	P.O Box 110184 Solwezi, North -Western Province
Bankers	Zambia National Commercial Bank Investrust Bank Access Bank Natsave Bank Altrsmara Bank First National Bank
Auditors	Ronald Corporate Services (RCS) Plot 55, House # 8 Luwato Road, Roma Lusaka, Zambia

North -Western Water Supply and Sanitation Company Limited

(Registration number 119990043642)

Financial Statements for the year ended 31 December 2022

Directors' Report

The Directors have pleasure in submitting their report on the financial statements of North -Western Water Supply and Sanitation Company Limited for the year ended 31 December 2022.

1. Nature of business

The principal activities of the company comprise provision of water and sewerage services to the towns of Solwezi, Chavuma, Zambezi, Kabompo, Mufumbwe, Kasempa, Manyinga and Mwinilunga.

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

2. Review of financial results and activities

The financial statements have been prepared in accordance with IFRS Accounting Standards and the requirements of the Companies Act of Zambia No 10 of 2017 (as amended). The accounting policies have been applied consistently compared to the prior year.

The company's results are as follows:

	2022	2021
	ZMW	ZMW
Turnover	42,397,519	42,179,606
Profit/(loss) before tax	6,230,782	705,088
Profit / (loss)for the year	13,026,517	3,221,942

3. Share capital

There company's authorized and issued share capital is K15,000 divided into 15,000 ordinary shares of K1.00 each.

4. Dividends

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the Board of Directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the Board of Directors may pass on the payment of dividends.

The Board of Directors do not recommend the declaration of a dividend for the year.

5. Directors

The Directors in office during the year 2022 were as follows:

Mr. Sangazi Timothy Maliti	Appointed 16 February 2022 to16 February 2024
Ms. Caroline Mwiinga Sinkamba	Appointed 16 February 2022 to16 February 2024
Mr. Bornwell Lukonde Luanga	Appointed 16 February 2022 to16 February 2024
Mr. Adrian Zulu	Appointed 16 February 2022 to16 February 2024
Eng. Gift Moonga	Appointed 16 February 2022 to16 February 2024
Mr. Kennedy Kanyinji	Appointed 16 February 2022 to16 February 2024
Mr. Isaac Mulenga Katongo	Appointed 16 February 2022 to16 February 2024
Mr. Kunda Jerome Mwewa	Appointed 16 February 2022 to16 February 2024

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

North -Western Water Supply and Sanitation Company Limited

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Financial Statements for the year ended 31 December 2022

Directors' Report

5. Directors (continued)

Mr David S. Kaumba	Appointed 16 December 2024
Mrs Mary Musela	Appointed 16 December 2024
Ms Florence K. Maliti	Appointed 16 December 2024
Mr Adrian Zulu	Appointed 16 December 2024
Mr Chilala Samayuwa	Appointed 16 December 2024
Mrs Brenda S. Manase	Appointed 16 December 2024
Mr Samson Maluza	Appointed 13 March 2025
Mr. Stanley Mbewe	Appointed 6 May 2025

The Management in office during the year 2022 were as follows:

Happy Musumali	Managing Director
Austin Mungo	Director Finance
Chanda Mulenga	Director Engineering
Mason Sichali	Manager HR & Administration
Kelvin Mwanino	Commercial Manager
Keji Mukosayi	Head Information, Communication & Technology
Essau Banda	Head Procurement
Chris K Kanyembo	Non-Revenue Water Manager
Daniel Mukumbi	Internal Auditor
Christian H Milumbe	Technical Manager (Acting)

The following are the current management in office:

Sekeleti Mwiche	Managing Director
Andrew Chipabika	Director Engineering
Michael Kaoma	Finance Manager
Lukanga Kapeshi	Manager HR & Administration
Kelvin Mwanino	Commercial Manager
Essau Banda	Head Procurement
Chris K Kanyembo	Projects Manager
Bitton Kasenge	Internal Auditor
Christian H Milumbe	Maintenance Manager
Alex Tembo	Technical Manager
Pearson Phiri	Head Peri-Urban
James Phiri	Head Corporate Planning

6. Property, plant and equipment

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

At 31 December 2022 the company's investment in property, plant and equipment amounted to ZMW109,511,566 (2021: ZMW 93,806,632), of which ZMW21,116,324 (2021: ZMW 11,958,301) was added in the current year through additions.

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Financial Statements for the year ended 31 December 2022

Directors' Report

7. Employees

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

	2022	2021
January	170	158
February	171	157
March	169	156
April	168	158
May	168	154
June	169	149
July	173	166
August	163	165
September	167	164
October	165	164
November	161	164
December	186	163

The total remuneration paid to the employees during the year was K25.78 million (2021: K21.9 million)

8. Gifts and Donations

There were no gifts and donations given during the year (2021: Nil).

9. Occupational Health, Safety and Environmental Management

As a responsible member of the community, the company has an obligation to manage the environmental aspects and impacts of its activities, products and services. The company is committed to sustainable development by operating in an environment that meets the needs of all stakeholders.

The company maintains medical schemes for all its employees.

10. Future Developments

Management will continue to strive to improve profitability and reduce Non-Revenue Water. The company intends to explore and develop more water sources and expand the capacity of sanitation service facilities. Staff productivity, customer service and corporate social responsibility are also expected to be enhanced.

11. Events after the reporting period

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

12. Terms of appointment of the auditors

Ronald Corporate Services (RCS) were appointed as the company's Auditors. Included in profit for the year is the agreed auditors' remuneration of ZMW147,500. Shareholder wishing to inspect a copy of the terms on which the company's auditors is appointed and remunerated may do so by contacting the Company Secretary.

North -Western Water Supply and Sanitation Company Limited

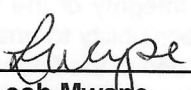
(Registration number 119990043642)

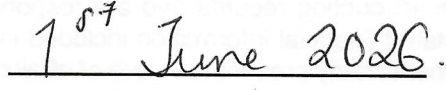
Financial Statements for the year ended 31 December 2022

Directors' Report

The financial statements set out on pages 13 to 37, which have been prepared on the going concern basis, were approved by the Board of Directors on , and were signed on its behalf by:

By Order of the Board


Ms Leah Mwape
Company Secretary


Date

North -Western Water Supply and Sanitation Company Limited

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Financial Statements for the year ended 31 December 2022

Directors' Responsibilities and Approval

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

The financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

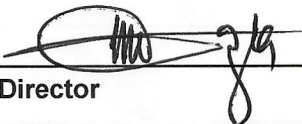
The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control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

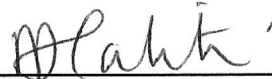
The Directors have reviewed the company's cash flow forecast for the year to 31 December 2023 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 8 to 11.

The financial statements set out on pages 12 to 35, 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


Director


Director

Independent Auditor's Report

To the Shareholder of North -Western Water Supply and Sanitation Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North -Western Water Supply and Sanitation Company Limited (the company) set out on pages 12 to 35, which comprise the statement of financial position as at 31 December 2022; and the statement of profit or loss and other comprehensive income; the statement of changes in equity; and the statement of cash flows for the year then ended; and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of North -Western Water Supply and Sanitation Company Limited as at 31 December 2022, and its financial performance and cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of Zambia No 10 of 2017 (as amended).

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1, 3 and 4A) (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 judgement, 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.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter**How our audit addressed the key audit matter**

Revenue Recognition (NWWSC)

Revenue recognition was considered a key audit matter for the year ended 31 December 2022 due to the heightened risk of material misstatement arising from the completeness and accuracy of billing. The company reported Non - Revenue Water (NRW) of 44% indicating that a significant proportion on water produced was not billed.

This raises concerns regarding potential illegal connections, Faulty metering and system leakages. Furthermore, 2,762 customers representing 14% of the total customer base of 19,220 remained unbilled during the year creating a risk that revenue from active connections may not have been recognized. The existence of 490 inactive accounts also required scrutiny to ensure these were not fictitious or ghost accounts used to conceal consumption or misappropriate revenue.

In addition, reliance on manual production data capture rather than automated billing systems increases the risk of discrepancies between water produced and water billed. Given the significance of revenue to the financial statements and the judgment involved in addressing these risks, revenue recognition was identified as a key audit matter.

- **Production Meter Accuracy:** Tested calibration and accuracy of bulk meters at major treatment plants to ensure production figures were reliable (main plant).
- **Unbilled Customer Testing:** Inquired from the billing manager why 2,762 customers were not billed and obtained the unbilled report with documented reasons. We then selected a sample of these customers and conducted site visits to verify whether they were receiving service without being invoiced.
- **Inactive Account Review:** Performed trend analysis on the 490 inactive accounts to confirm they had zero consumption and were properly disconnected in the system.
- **Independent Recalculation:** Independently recomputed the 44% NRW by reconciling monthly production reports against the billing system's consumed volumes.
- **Tariff Compliance:** Crosschecked that the 15,968 billed customers were charged in accordance with NWASCO approved tariffs for 2022.



Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "North -Western Water Supply and Sanitation Company Limited financial statements for the year ended 31 December 2022", which includes the Directors' Report as required by the Companies Act of Zambia No 10 of 2017 (as amended) and the supplementary information as set out on pages 36 to 37. 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 IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of Zambia No 10 of 2017 (as amended), 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 skepticism throughout the audit. We also:

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements of North-Western Water Supply and Sanitation Company Limited as at 31 December 2022 have been properly prepared in accordance with the Companies Act No 10 of 2017 and the Water Supply and Sanitation Act No. 28 of 1997 and the accounting and other records and registers have been properly kept in accordance with the Act.


Ronald Corporate Services (RCS)
Richard K.A Nyirenda
Partner
Practicing certificate number: AUD/F001336

Date: 03/07/2026



North -Western Water Supply and Sanitation Company Limited

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Financial Statements for the year ended 31 December 2022

Statement of Profit or Loss and Other Comprehensive Income

Figures in Zambian Kwacha	Notes	2022	2021
Revenue		42,397,519	42,179,606
Cost of sales		(9,863,752)	(9,343,735)
Gross profit		32,533,767	32,835,871
Other operating income	2	20,074,968	9,832,135
Other operating expenses		(46,377,952)	(41,948,348)
Profit before taxation		6,230,783	719,658
Taxation	3	6,795,735	2,502,284
Total comprehensive income for the year		13,026,518	3,221,942

North -Western Water Supply and Sanitation Company Limited

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Financial Statements for the year ended 31 December 2022

Statement of Financial Position as at 31 December 2022

Figures in Zambian Kwacha	Notes	2022	2021
Assets			
Non-Current Assets			
Property, plant and equipment	6	109,511,566	93,806,632
Deferred tax	5	-	86,757
		109,511,566	93,893,389
Current Assets			
Inventories	7	4,691,691	4,420,036
Trade and other receivables	8	6,864,063	5,880,207
Cash and cash equivalents	9	28,811,861	8,682,463
		40,367,615	18,982,706
Total Assets		149,879,181	112,876,095
Equity and Liabilities			
Equity			
Share capital	10	15,000	15,000
Reserves		80,490,753	80,490,753
Accumulated loss		(58,125,627)	(55,751,914)
		22,380,126	24,753,839
Liabilities			
Non-Current Liabilities			
Deferred tax	5	6,882,492	-
Capital grants	13	61,302,249	32,197,148
Customers deposits	12	1,831,469	1,831,469
Investment plant loan	15	2,177,894	5,565,117
		72,194,104	39,593,734
Current Liabilities			
Trade and other payables	14	51,278,439	44,502,010
Current tax payable	4	4,026,512	4,026,512
		55,304,951	48,528,522
Total Liabilities		127,499,055	88,122,256
Total Equity and Liabilities		149,879,181	112,876,095

The financial statements and the notes on pages 12 to 35, were approved by the Board of Directors on the and were signed on its behalf by:


Director


Director

North -Western Water Supply and Sanitation Company Limited

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Financial Statements for the year ended 31 December 2022

Statement of Changes in Equity

	Share capital	Grant amount pending allotment of shares	Revaluation Reserve	Capital Reserve	Total Reserves	Accumulated loss	Total equity
Figures in Zambian Kwacha							
Balance at 1 January 2021	15,000	74,218,718	2,059,852	4,212,183	80,490,753	(58,973,856)	21,531,897
Total comprehensive income for the year	-	-	-	-	-	3,221,942	3,221,942
Balance at 1 January 2022	15,000	74,218,718	2,059,852	4,212,183	80,490,753	(58,979,561)	21,526,192
Total comprehensive income for the year	-	-	-	-	-	13,026,518	13,026,518
Prior year adjustment	-	-	-	-	-	(12,172,584)	(12,172,584)
Total contributions by and distributions to owners of company recognized directly in equity	-	-	-	-	-	(12,172,584)	(12,172,584)
Balance at 31 December 2022	15,000	74,218,718	2,059,852	4,212,183	80,490,753	(58,125,627)	22,380,126
Note(s)	10	11					

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Financial Statements for the year ended 31 December 2022

Statement of Cash Flows

Figures in Zambian Kwacha	Notes	2022	2021
Cash flows from operating activities			
Profit before taxation		6,230,782	705,088
Adjustments for non-cash items:			
Depreciation		5,087,602	6,754,908
Changes in working capital:			
(Increase) decrease in inventories		(271,655)	822,310
(Increase) decrease in trade and other receivables		(983,855)	(1,372,310)
Increase (decrease) in trade and other payables		6,776,429	4,447,093
Cash generated from operations		16,839,303	11,357,089
Tax received		-	(409,908)
Net cash from operating activities		16,839,303	10,947,181
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(20,398,122)	(11,958,301)
Proceeds from sale of property, plant and equipment	6	(394,416)	-
Cash flows from financing activities			
Movements in Capital grants	13	29,105,101	9,344,972
Movements in Investment Loan Repayments	15	(3,387,223)	(4,181,113)
Net cash from financing activities		25,717,878	5,163,859
Total cash movement for the year		20,129,549	3,483,579
Cash and cash equivalents at the beginning of the year		8,682,463	5,198,884
Cash and cash equivalents at the end of the year	9	28,811,861	8,682,463

North -Western Water Supply and Sanitation Company Limited

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Financial Statements for the year ended 31 December 2022

Accounting Policies

The Company was incorporated on 12 November 1999 under the Companies Act of Zambia and Water and Sanitation Act No. 28 of 1997.

1. Material accounting policies

Management has considered the principles of materiality in IFRS Practice Statement 2 Making Materiality judgments, and only those accounting policies which are considered material have been presented in these financial statements.

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Income

i) Services rendered

Income recognition

Income is recognized when the significant risks and rewards of ownership have been transferred to the buyer and no significant uncertainties remain regarding the derivation of consideration, associated costs or the possible return of goods or services. This recognition occurs when water is delivered to a customer and is billed or when sewerage services are provided. Water that is not billed because of physical losses from trunk mains and distribution system or from non-physical losses such as errors in supply measurement, consumer meter errors, unmeasured authorized use, illegal use, administration errors and excess use by customers on flat rate terms is treated as Non-Revenue Water (NRW). NRW averages about 42% of production. Income is stated net of the above billing adjustments. Billing adjustments arising from a prior year and remaining unadjusted at year end are carried forward and set off against the following year's revenue.

To determine whether to recognize revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations; and
5. Recognizing revenue when/as performance obligation(s) are satisfied.

1.3 Interest Income

Interest income is recognized on an accrual basis when the company becomes entitled to the interest.

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Financial Statements for the year ended 31 December 2022

Accounting Policies

1.4 Grants

Grants that compensate the company for expenses incurred are recognized as revenue in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the company for the cost of an asset are recognized in the statement of comprehensive income as revenue on a systematic basis over the useful life of the asset.

1.5 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

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 company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and impairment losses except for land which is not depreciated.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	2%
Water reticulation system	Straight line	6.7%
Furniture and fixtures	Straight line	10%
Motor vehicles	Straight line	25%
Distribution systems rising mains and tanks	Straight line	2.5%
Sewer pumping main and sewer lines	Straight line	2%
Computer	Straight line	33.3%
Laboratory equipment's	Straight line	20%

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. No material changes were made.

There were no indicators of impairment for property, plant and equipment and no impairment tests were performed.

1.6 Impairment of assets

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount cannot be determined for an individual asset, then it is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognized immediately in profit or loss.

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Financial Statements for the year ended 31 December 2022

Accounting Policies

1.7 Financial instruments

i) Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

ii) Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

In the periods presented the Company does not have any financial assets categorized as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial assets.
- The contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

iii) Subsequent measurement of financial assets

Financial asset at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those

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Accounting Policies

1.7 Financial instruments (continued)

designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI).

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to “hold to collect” the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Financial assets classified as available for sale (AFS) under IAS 39 (previous periods) AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets (FVTPL) or held to maturity and loans and receivables). The Company’s did not have any investments in listed equity securities during the year.

iv) Impairment of financial assets

IFRS 9’s impairment requirements use more forward-looking information to recognize expected credit losses – the expected credit loss (ECL) model’. This replaces IAS 39’s incurred loss model’. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘Stage 1’) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Stage 2’’).

‘Stage 3’ would cover financial assets that have objective evidence of impairment at the reporting date.

‘12 month expected credit losses’ are recognized for the first category while life time expected credit losses’ recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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Accounting Policies

1.7 Financial instruments (continued)

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as life time expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade and other receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

v) Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Company's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Company's financial liabilities include trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following 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.
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

For the reporting periods under review, the Company did not have any hedging instruments. These arrangements are entered into to mitigate foreign currency exchange risk arising from certain highly probable sales transactions denominated in foreign currency.

All derivative financial instruments used for hedge accounting are recognized initially at fair value and reported subsequently at fair value in the net assets statement.

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Accounting Policies

1.7 Financial instruments (continued)

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognized immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognized as a result of the hedged transaction, the gains and losses previously recognized in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognized in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

1.8 Inventories

Inventories, which include chemicals, motor vehicle spares, general spares and office supplies, are stated at the lower of cost and net realizable value. Cost is calculated on a first in first out basis and includes all expenditure incurred in bringing the inventories to their present location and condition. Net realizable value is the price at which inventory can be realized in the normal course of business and takes into account all directly related costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving and defective inventories.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments, balances held with banks.

1.10 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

1.11 Short/long term Indebtedness

Short term indebtedness includes all amounts due to be repaid within twelve months from the reporting date, including installments due on loans of longer duration. Long term indebtedness represents all amounts repayable more than twelve months from the reporting date.

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Accounting Policies

1.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Tax currently payable is based on the results for the year as adjusted for items, which are non-assessable or disallowed for tax purposes.

Deferred taxation liabilities are recognized for all taxable temporary differences. Temporary differences can arise from the recognition for tax purposes of items of income or expense in a different accounting period from that in which they are recognized for financial accounting purposes. The tax effect of these temporary timing differences is computed by applying enacted statutory tax rates to any differences between carrying values per the financial statements and their tax base, and accounted for as deferred tax.

Deferred taxation assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

1.13 Employee benefits

Defined contribution plans

Payments are charged as an expense as they fall due.

Defined benefit plans

The cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries.

Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling and return on plan assets (excluding interest) are recognized immediately to the statement of financial position and to other comprehensive income in the period they occur. The amount recognized in other comprehensive income is not subsequently reclassified to profit or loss.

Current service costs are recognized as an expense in the period in which the related services are performed.

Net interest income or expense are recognized in investment income and finance costs respectively.

1.14 Borrowing costs

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

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Accounting Policies

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Zambian Kwachas, 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.

Foreign currency monetary items are translated at the end of the reporting period using the closing rate.

Cash flows arising from transactions in a foreign currency are recorded in Zambian Kwachas 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.

Refer to the individual accounting policies for financial instruments for the detailed foreign exchange accounting policies.

1.16 Employee Benefits

i) Pension obligations

Employees are registered with the statutory defined contribution pension scheme. A defined contribution scheme is a pension plan under which the company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods. For the defined contribution scheme, the company makes mandatory contributions to the National Pension Scheme Authority. These contributions constitute net periodic costs and are charged to the statement of comprehensive income as part of staff costs in the year to which they relate. The company has no further obligation once the contributions have been paid.

ii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

1.17 Provisions

Restructuring costs and legal claims

Provisions for restructuring costs and legal claims are recognized when: the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1.18 Dividend Distribution

Dividend distribution to the company's shareholders is recognized as a liability in the financial statements in the year in which the dividends are approved by the company's shareholders.

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Accounting Policies

1.19 Critical accounting estimates and judgements

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in note 3(e) above.

Income taxes

Signification judgement is required in determining the company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax return outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provision in the period in which such determination is made.

Impairment of assets

In the process of applying the company's accounting policies, management has made judgements in determining the classification of material assets; whether the assets are impaired and the level of provisioning required.

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Accounting Policies

1.20 New and revised standards that are effective for annual periods beginning on or after 1 January 2022.

During the year ended 31 December 2022, the Company adopted the following amendments to International Financial Reporting Standards (IFRS), all effective from 1 January 2022:

IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

Prohibits deducting proceeds from selling items produced while bringing an asset to its intended use from the asset's cost. Instead, such proceeds are recognized in profit or loss.

Impact: No material effect, as the Company did not generate significant proceeds from assets under construction.

IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract

Clarifies that costs of fulfilling a contract include both incremental costs and an allocation of other costs directly related to fulfilling the contract.

Impact: No material effect, as the Company's contracts did not meet the definition of onerous.

IFRS 9 – Financial Instruments: Fees in the '10% Test' for Derecognition

Clarifies that only fees paid or received between the borrower and lender are included in the derecognition test for financial liabilities.

Impact: No material effect on the Company's financial instruments.

Annual Improvements to IFRS Standards 2018–2020

Minor amendments to IFRS 1, IFRS 9, IAS 41, and IFRS 16 to remove inconsistencies and clarify wording.

Impact: No material effect.

Overall, the adoption of these amendments did not result in any material impact on the Company's financial position, performance, or cash flows.

Standards Issued but Not Yet Effective

Several new standards and amendments are effective for annual reporting periods beginning on or after 1 January 2023, including:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current

Amendments to IAS 8 – Definition of Accounting Estimates

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company has not adopted these standards early. Based on management's assessment, their initial application is not expected to have a significant impact on the Company's financial statements.

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Figures in Zambian Kwacha	2022	2021
2. Other Operating Income		
Revenue Grants	7,548,000	8,500,000
Capital grant amortization	11,951,738	669,160
Donations	114,266	382,427
Miscellaneous Income	148,388	58,782
Rental Income	154,762	164,215
Interest Received	75,344	57,551
Profit on Disposal	82,470	-
	20,074,968	9,832,135
3. Taxation		
Major components of the tax income		
Current		
Charge for the year	-	2,430,141
Deferred		
Charge for the year	(6,795,735)	(4,932,425)
	(6,795,735)	(2,502,284)
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	6,230,783	719,658
Tax at the applicable tax rate of 35% (2021: 35%)	2,180,774	251,880
Tax effect of adjustments on taxable income		
Disallowable expenses	3,642,085	2,538,497
Allowable expenses	(5,822,859)	(345,666)
Deferred Tax	(6,795,735)	(4,946,995)
	(6,795,735)	(2,502,284)
4. Current tax payable (receivable)		
Normal tax	(4,026,512)	(4,026,512)

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Notes to the Financial Statements

Figures in Zambian Kwacha	2022	2021
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5. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(6,882,492)	86,757
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Reconciliation of deferred tax asset / (liability)

At beginning of year	86,757	4,860,238
Deferred tax charge for the year	(6,795,735)	(4,946,995)
Permanent difference	(173,514)	173,514
	(6,882,492)	86,757

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Notes to the Financial Statements

Figures in Zambian Kwacha	2022	2021
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6. Property, plant and equipment

Reconciliation of property, plant and equipment - Company

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Capital - Work in progress	Total
Cost						
At 1 January 2021	9,616,152	92,482,934	3,625,286	7,369,800	43,519,976	156,614,148
Additions	-	1,843,439	375,563	-	9,739,299	11,958,301
At 31 December 2021	9,616,152	94,326,373	4,000,849	7,369,800	53,259,275	168,572,449
Additions	66,580	17,863,662	176,129	-	3,009,953	21,116,324
Disposal of subsidiary	-	-	-	(394,416)	-	(394,416)
Transfers from capital work in progress	-	38,684,285	-	-	(38,684,287)	(2)
At 31 December 2022	9,682,732	150,874,320	4,176,978	6,975,384	17,584,941	189,294,355
Depreciation and impairment						
At 1 January 2021	(2,689,601)	(55,317,906)	(3,078,616)	(6,924,786)	-	(68,010,909)
Depreciation	(192,323)	(6,250,508)	(188,014)	(124,063)	-	(6,754,908)
At 31 December 2021	(2,881,924)	(61,568,414)	(3,266,630)	(7,048,849)	-	(74,765,817)
Disposals	-	-	-	394,416	-	394,416
Depreciation	(191,402)	(5,103,054)	(116,932)	-	-	(5,411,388)
At 31 December 2022	(3,073,326)	(66,671,468)	(3,383,562)	(6,654,433)	-	(79,782,789)

Carrying amount

Cost	9,616,152	94,326,373	4,000,849	7,369,800	53,259,275	168,572,449
Accumulated depreciation and impairment	(2,881,924)	(61,568,414)	(3,266,630)	(7,048,849)	-	(74,765,817)
At 31 December 2021	6,734,228	32,757,959	734,219	320,951	53,259,275	93,806,632
Cost	9,682,732	150,874,320	4,176,978	6,975,384	17,584,941	189,294,355
Accumulated depreciation and impairment	(3,073,326)	(66,671,468)	(3,383,562)	(6,654,433)	-	(79,782,789)
At 31 December 2022	6,609,406	84,202,852	793,416	320,951	17,584,941	109,511,566

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Figures in Zambian Kwacha	2022	2021
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7. Inventories

Finished goods	4,691,691	4,420,036
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8. Trade and other receivables

Trade receivables	23,120,937	21,592,211
Loss allowance	(17,701,264)	(17,701,264)
Trade receivables at amortized cost	5,419,673	3,890,947
Other receivables	1,444,390	1,989,260
Total trade and other receivables	6,864,063	5,880,207

The other receivables consist of the following:

Salary Advances	260,102	161,336
Net Pay	649,148	605,593
Long Service Bonus	102,009	82,009
ZSIC Life Policy	54,961	12,342
Salary Bonus	7,340	7,340
Retirement Benefits	362,653	-
Madison Life	8,178	-
Other Current Assets	-	14,490
Investrust Plant Loan	-	594,534
Gratuity	-	559,066
	1,444,391	2,036,710

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3,949	12,667
Bank balances	28,805,857	8,667,741
Control Accounts	2,055	2,055
	28,811,861	8,682,463

10. Share capital

Issued

15,000 Ordinary shares of K1 each	15,000	15,000
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11. Grant amount pending allotment of shares

Unallocated Grant Pending Allotment

Capital grants pending reclassification with PACRA (application submitted May 2022; process awaiting completion due to cash flow constraints).

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Figures in Zambian Kwacha	2022	2021
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11. Grant amount pending allotment of shares (continued)

	74,218,718	74,218,718
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12. Customers deposits

Customer Deposits	1,831,469	1,831,469
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Until 2013, the Company charged customers a security deposit upon connection, which was recognized as a liability. Following a Directive from the regulator (NWASCO) in 2013, this practice was discontinued. Management is in the process of identifying customers who had previously paid deposits, and the amounts will be credited to their accounts and applied against water bills.

13. Capital grants

Ministry of Local Government and Housing	55,045,069	25,939,968
Devolution Trust Fund Grant	5,962,639	5,962,639
Other Investment Grants	294,542	294,542
	61,302,250	32,197,149

14. Trade and other payables

Trade payables	17,683,731	17,363,393
PAYE	25,640,053	21,927,543
Leave days	2,788,687	1,903,011
NAPSA	1,572,459	1,521,104
Gratuity	1,919,503	-
Accrued bonus	463,988	375,601
Other payables	384,973	376,160
ZICS Pension	442,902	633,157
Nhima	295,313	310,259
ZICS Education Policy	42,115	44,220
Sanlam Insurance	37,170	39,317
Personnel Levy	7,545	4,808
Madison Life	-	3,437
	51,278,439	44,502,010

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Figures in Zambian Kwacha	2022	2021
15. Investment plant loan		
Investment Plant Loan	2,177,894	5,565,117

The Leases are secured by:

i) Legal Mortgage over Stand No. 1249 Solwezi, by North Western Water Supply & Sanitation Company Limited to secure the sum of EUR1,848,000.00 (Euro One Million Eight Hundred and Forty-Eight Thousand only) plus compound interest.

ii) Legal Mortgage over Stand No. 8124 Solwezi, by North Western Water Supply & Sanitation Company Limited to secure the sum of EUR1,848,000.00 (Euro One Million Eight Hundred and Forty-Eight Thousand only) plus compound interest.

iii) Legal Mortgage over Stand No. 8127 Solwezi, by North Western Water Supply & Sanitation Company Limited to secure the sum of EUR1,848,000.00 (Euro One Million Eight Hundred and Forty-Eight Thousand only) plus compound interest.

iv) Legal Mortgage over Stand No. 8128 Solwezi, by North Western Water Supply & Sanitation Company Limited to secure the sum of EUR1,848,000.00 (Euro One Million Eight Hundred and Forty- Eight Thousand only) plus compound interest.

v) Legal Mortgage over Stand No. 8129 Solwezi, by North Western Water Supply & Sanitation Company Limited to secure the sum of EUR1,848,000.00 (Euro One Million Eight Hundred and Forty-Eight Thousand only) plus compound interest.

vi) Debenture creating fixed and floating charge over all assets of North Western Water Supply & Sanitation Company Limited to secure the sum of EUR1,848,000.00 only.

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Notes to the Financial Statements

Figures in Zambian Kwacha	2022	2021
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16. Financial instruments and risk management

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 manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

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

Trade and other payables	14	51,278,439	44,502,010
Cash and cash equivalents	9	28,811,861	(8,682,463)
Net borrowings		22,466,578	35,819,547
Equity		21,526,192	21,526,192
Gearing ratio		104 %	166 %

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Figures in Zambian Kwacha	2022	2021
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16. Financial instruments and risk management (continued)

Financial risk management

a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from commercial transactions, recognized assets and in the procurement or settling of liabilities denominated in a currency other than Zambian Kwacha. The company is not affected by foreign currency risk as it does not hold Bank balances in a currency other than its functional currency (Zambian Kwacha).

(ii) Fair value price risk

The Company is not exposed to fair value price risk as it does not hold publicly-traded equity.

(iii) Cash flow interest rate risk

The Company is exposed to cash flow interest risk as it holds variable interest earning financial liabilities in the form of motor vehicle leases and plant loans.

b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of dealing only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to identify immediately exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Company, which comprise mainly cash and cash equivalents the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company's bank accounts are placed with banks registered in Zambia.

At the reporting date, the Company is exposed to credit risk related to trade and other receivables balance of K5,193,766 (2021: K5,927,654).

c) Liquidity Risk

Prudent liquidity risks management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Company's liquidity reserve and cash and cash equivalents on the basis of expected cash flow. In addition, the company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet liabilities.

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

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Financial Statements for the year ended 31 December 2022

Notes to the Financial Statements

Figures in Zambian Kwacha	2022	2021
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16. Financial instruments and risk management (continued)

Financial Liabilities

Trade & other payables	17,536,231 312,444,832	-	-
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d) Interest rate risk

Interest rate risk is the risk to which non-trading portfolios are exposed to the risk from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. The company is exposed to interest rate risk to the extent of its loans and borrowings, bank overdrafts and cash and cash equivalents.

The company ensures that the net exposure is kept to a minimum by maintaining positive bank balances, and through the repayment of instalments on the borrowings within the agreed dates.

17. Related parties

The company has a related party relationship with the following municipalities:

Relationships	
Joint Stakeholder	Chavuma
Joint Stakeholder	Zambezi
Joint Stakeholder	Kabompo
Joint Stakeholder	Mufumbwe
Joint Stakeholder	Kasempa
Joint Stakeholder	Mwinilunga District Council
Joint Stakeholder	Solwezi Municipal Council

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18. Distribution loss on Water sales- Non Revenue Water

During the year the company suffered an average distribution loss of 42 percent of water supplied to its customers. The approximate industrial norm of this distribution loss is between 20 and 25 per cent. We have been unable to confirm the reasonableness of this additional loss and its impact on the company's income generation system.

The management have confirmed that various measures have been put in place in order to reduce the distribution loss to acceptable levels. These measures include inter alia:

- Holding monthly meetings as NRW Committee to analyze issues contributing to NRW using IWA diagram and institute corrective measures.
- Reducing reservoir overflows at distribution centers by repairing leaks and installing level indicators.
- Weekly and monthly inspections of rising and distribution mains.
- Carrying out pressure management in the water networks.
- Verification of properties with no billing or meter rental billing and updating the system.
- Partial replacement of the most deteriorated pipes on water transmission lines.
- Capturing of all metered properties into the system so that billing is on actual water consumption.

19. Capital Commitments

There were no material outstanding orders or contracts for the purchase of property, plant and equipment at the reporting date, except for the filtration plant that has been ordered. The Directors do not expect any losses to be sustained as a result of purchase commitments in excess of normal requirements or at prices in excess of the prevailing market prices.

20. Contingent Liabilities

There were no known contingent liabilities at the reporting date requiring provision or disclosure in the financial statements (31 December 2021: nil).

21. Events after the reporting period

There has not arisen since the end of the financial period any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the company, to affect substantially the operations of the company, the results of its operations or state of affairs of the company in subsequent financial years.

22. Prior year figures

Prior year figures have been restated where necessary so as to provide better comparison.

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Financial Statements for the year ended 31 December 2022

Detailed Income Statement

Figures in Zambian Kwacha	Notes	2022	2021
Revenue			
Sale of goods		42,397,519	42,179,606
Cost of sales			
Purchases		(9,863,752)	(9,343,735)
Gross profit		32,533,767	32,835,871
Other operating income			
Revenue grants		7,548,000	8,500,000
Capital grant amortization		11,951,738	669,160
Commissions received		114,266	382,427
Miscellaneous Income		148,388	58,782
Other front office Income		154,762	164,215
Interest Received		75,344	57,551
Profit on Disposal		82,470	-
	2	20,074,968	9,832,135
Other operating expenses			
Advertising		87,444	236,572
Board expenses		500,933	411,974
Legal costs		4,085,769	330,073
Audit fees		522,107	397,562
Medical funerals		935,998	1,094,660
Depreciation		5,087,602	6,374,571
Salaries Wages and Allowances		25,782,553	23,233,194
Fuel		360,680	396,299
Motor vehicles repairs		461,526	202,601
Consultancy		557,010	156,299
Seminars, training and conferences		997,878	811,575
Bank Charges		98,678	98,292
Printing & Stationary		539,894	485,299
Office expenses		981,964	490,526
Rent & rates		769,130	552,073
Insurance		415,295	808,875
Meal Allowances		177,847	411,146
Other Statutory		532,467	570,242
Withholding Tax		149,175	395,338
Workers Compensation		201,907	95,558
Postage and courier		7,020	8,000
Bad Debts Written off		53,795	1,926,276
Repairs and maintenance		309,002	260,269
Security costs		740,966	852,478
Communications		413,834	363,143
Recruitment		80,921	1,140
Travel and Subsistence		1,526,557	984,313

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Financial Statements for the year ended 31 December 2022

Detailed Income Statement

Figures in Zambian Kwacha	Note	2022	2021
(s	)		
		46,377,952	41,948,348
Profit before taxation		6,230,783	719,658
Taxation	3	6,795,735	2,502,284
Total comprehensive income for the year		13,026,518	3,221,942



ZAMBIA
Registered Chartered Accountants

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