PACRA

PATENTS & COMPANIES REGISTRATION AGENCY

Annual Report

2017


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PATENTS & COMPANIES REGISTRATION AGENCY

Annual Report 2017

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ACRONYMS

ARIPO	-	African Regional Intellectual Property Organisation
AG	-	Attorney General
BOZ	-	Bank of Zambia
BRRA	-	Business Regulatory Review Agency
CEEC	-	Citizens Economic Empowerment Commission
CRS	-	Credit Reference System
DFID	-	Department for International Development
DPP	-	Director of Public Prosecutions
FIC	-	Financial Intelligence Centre
FSDZ	-	Financial Sector Deepening Zambia
GIs	-	Geographical Indications
ICT	-	Information Communication Technology
IFC	-	International Finance Corporation
IGC	-	Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore
IP	-	Industrial Property or Intellectual Property
IPAS	-	Intellectual Property Automation System
IPRs	-	Intellectual Property Rights
ISIC	-	International Standard Industrial Classification
IT	-	Information Technology
JETS	-	Junior Engineers, Technicians and Scientists
MCTI	-	Ministry of Commerce, Trade and Industry
MPRS	-	Movable Property Registry System
MSMEs	-	Micro, Small and Medium Enterprises
NAPSA	-	National Pension Scheme Authority
NIPP	-	National Intellectual Property Policy
ONCS	-	Online Name Clearance System
OSS	-	One Stop Shop
OSSIS	-	One Stop Shop Integration System
PACRA	-	Patents and Companies Registration Agency
PCT	-	Patent Cooperation Treaty
PSDIJC	-	Private Sector Development, Industrialisation and Job Creation
R & D	-	Research & Development
RUFEP	-	Rural Finance Expansion Programme
SCP	-	Standing Committee on the Law of Patents
SMEs	-	Small and Medium-Sized Enterprises
TRIPS	-	Trade-Related Aspects of Intellectual Property Rights
WCFCB	-	Workers Compensation Fund Control Board
WIPO	-	World Intellectual Property Organisation
ZACCI	-	Zambia Association of Chambers of Commerce and Industry
ZPPA	-	Zambia Public Procurement Authority
ZRA	-	Zambia Revenue Authority

BOARD CHAIRPERSON'S MESSAGE

I am delighted to present to you the annual report of the Patents and Companies Registration Agency for 2017. The year under review was significant for the Agency as the long awaited Companies and Corporate Insolvency Acts were enacted. The new Companies Act strengthens corporate governance, financial reporting and provides for electronic transactions. The Corporate Insolvency Act, on the other hand, enhances the regulatory framework for insolvency practitioners and provides for business rescue mechanisms.

In promoting innovation and creativity, the Agency, with the participation of stakeholders and support of WIPO, completed the mid-term review of the National IP Policy. The objective of the review was to make the Policy responsive to developments in the field of IP.

The Agency participated in meetings of the WIPO Standing Committee on the Law of Patents. The forum serves as a platform for member states to discuss pertinent issues such as access to medicines.

The Agency's mandate keeps growing and with the coming on board of the copyright portfolio, the institution has embarked on identifying areas of improvements to the law with the aim of strengthening copyright and related rights protection.

In the coming year, the Agency intends to operationalise the Patents Act, Industrial Designs Act, Layout Designs of Integrated Circuits Act, The Protection of Traditional Knowledge, Genetic Resources and Expressions of Folklore Act, Companies Act and Corporate Insolvency Act that were recently enacted.

The Agency is indebted to the Government and all stakeholders that contributed to making 2017 yet another successful year.

Prof. Mpazi Sinjela
BOARD CHAIRPERSON

CHIEF EXECUTIVE OFFICER'S MESSAGE

In 2017 PACRA achieved a number of milestones, some of which are highlighted below:

1. Repeal of the Companies Act CAP 388

The Companies Act chapter 388 of the Laws of Zambia was repealed and replaced by Companies Act No. 10 of 2017. Insolvency related provisions were separated and placed in the Corporate Insolvency Act No. 9 of 2017. Corporate law reform is expected to foster sustainable business growth.

2. Collateral Registry

Following the enactment of the MPSI Act, the Agency successfully developed and implemented the MPRS, a collateral registry in which lenders are able to register and thereby secure their security interest in movable property pledged as collateral. As a result of these achievements, Zambia was ranked first in Africa and second globally in the 2017/2018 World Bank's Doing Business Credit Indicator. The collateral registry was officially launched in November, 2017.

3. Copyright Administration

In 2016, the copyright portfolio was transferred from the Ministry of Information and Broadcasting Services to PACRA in order to make the Agency a full-fledged Intellectual Property Office. During the year under review, the Agency integrated the copyright portfolio in its structures and undertook a review of the Copyright and Performance Rights Act. The review was aimed at identifying gaps in the law. The Agency also engaged various copyright stakeholders in order to develop measures to enhance the administration and enforcement of copyright in the country.

4. Modernisation of Cooperatives Registration Services

The Agency, in collaboration with the department of Cooperatives, introduced an electronic registration system for cooperative societies. This automation process has reduced the registration period from 30 days to 48 hours. In turn, the cost of accessing registration services has reduced significantly. It is anticipated that the reduction in the cost of registration will encourage the formation of cooperative societies.

5. Establishment of Regulatory Services Centres

Under the Business Regulatory Act No. 3 of 2014, the Agency is mandated to establish Regulatory Services Centres countrywide. In 2017, the Livingstone and Kitwe Regulatory Services Centres, (RSCs) were established. The aim of the RSCs is to provide a one stop shop in which all services related to starting a business can be accessed. In addition, a One Stop Shop Integrated System (OSSIS) has been developed which facilitates information sharing among Government Agencies such as PACRA, NAPSA and ZRA.

6. Conclusion

I would like to express my sincere gratitude to MCTI, BOZ, WIPO, IFC, World Bank, DFID, FSDZ, RUFEP and other cooperating partners for their continued support.

May I also thank the Board for their guidance and support as well as Management and Staff for the hard work and commitment exhibited in the implementation of the Agency's activities.

Anthony Bwembya
REGISTRAR & CEO

1. THE ORGANISATION

The Patents and Companies Registration Agency (PACRA) is a Statutory Body under the Ministry of Commerce, Trade and Industry. The Agency is established under the Patents and Companies Registration Agency Act No. 15 of 2010 with the principal mandate of providing business and Intellectual Property services. The Agency confers Intellectual Property Rights and serves as a legal repository for business and intellectual property information.

The following are the services currently provided by the Agency:

a) Companies Incorporation
b) Business Names Registration
c) Registration of Security Interests in Movable Property
d) Industrial Designs Registration
e) Trade Marks Registration
f) Granting of Patents
g) Registration of Copyright and Performance Rights

PACRA has offices in the ten provincial capitals of Zambia as well as in Kitwe and Livingstone. The Agency has strategic partnerships with 53 Local Authorities countrywide aimed at taking services closer to its customers. Further, PACRA is establishing Regulatory Services Centres under the auspice of the Business Regulatory Review Agency (BRRA).

1.1. Core Values

In an effort to provide efficient and effective customer-focused business registration and intellectual property rights protection services, PACRA has committed itself to the following seven (7) core values:

a) **Confidentiality**: being trustworthy by not revealing or disclosing privileged information even after one has left employment;

b) **Impartiality:** acting solely according to the merits of the case and serving the public fairly in a way that reflects commitment to equality and diversity;

c) **Integrity:** putting the interests of the organisation above personal interests and conducting oneself in a manner that is beyond reproach;

d) **Objectivity:** being free from bias when rendering advice and basing decisions on facts and evidence;

e) **Accountability:** being responsible for one's actions and decisions taken;

f) **Excellence:** being diligent, committed, efficient and effective in the execution of one's duties; and

g) **Courtesy:** being respectful and polite to colleagues, clients and stakeholders in the execution of one's duties.

Through the above values, the Agency has committed itself to enhancing its corporate image, instilling public confidence and providing excellent customer service.

1.2. Vision

To be *"A beacon of excellence in business and intellectual property rights registration, promotion and protection."*

1.3. Mission Statement

"To provide customer-focused, efficient and effective business registration services, and protect intellectual property rights in order to promote orderly trade, job creation and industrialisation for the benefit of the nation".

1.4. Functions of the Agency

The functions of the Agency are to:

a) Administer the Companies Act, the Registration of Business Names Act, the Patents Act, the Trademarks Act, the Industrial Designs Act, the Companies (Certificates Validation) Act, The Movable Property (Security Interest) Act, The Protection of Traditional Knowledge, Genetic Resources and Expressions of Folklore Act, the Copyright and Performance Rights Act and the Layout Designs of Integrated Circuits Act;

b) Receive and investigate complaints of alleged or suspected breach of the Acts referred to in paragraph (a) and subject to the directives of the Director of Public Prosecutions or Attorney General prosecute offences under those Acts, as the case may be;

c) Collect, collate and disseminate information on the law relating to the Acts referred to in paragraph (a);

d) Advise Government on all matters pertaining to the Acts referred to in paragraph (a); and

e) Do all such other things as are necessary or incidental to the performance of its functions under the PACRA Act.

2. BOARD MEMBERS

The Board of the Agency comprises the following:

a) a representative of the Ministry of Commerce, Trade and Industry;

b) a representative of the Attorney General;

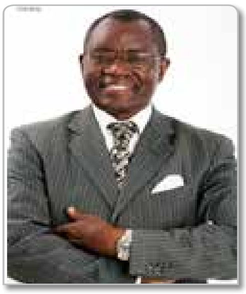
c) an accountant registered with the Zambia Institute of Chartered Accountants;

d) a representative of the Zambia Association of Chambers of Commerce and Industry;

e) one person with expertise in matters of intellectual property and;

f) two other persons.

The following were the members of the Board during the year under review: -



Prof. Mpazi Sinjela
Chairperson

Mr. George Mpundu Kanja
Vice Chairperson

Mrs. Kayula Siame
Permanent Secretary-MCTI
Member

Mr. Joe Simachela
Member

Mr. Rocky Sombe
Member

Mr. Samson Longwe
Member

Mrs. Brigitte Nangoyi Muyenga
Member

Mr. Anthony Bwembya
Board Secretary

3. PACRA MANAGEMENT

Mr. Anthony Bwembya
Registrar & Chief Executive Officer

Mr. Christopher Mapani
Assistant Registrar
(Commercial Unit)

Mr. Benson Mpalo
Assistant Registrar
(Intellectual Property Unit)

Mrs. Dorothy Kahalawe Mbao
Chief Finance Officer

Mr. Harrison Chapu
Information & Communication
Technology Manager

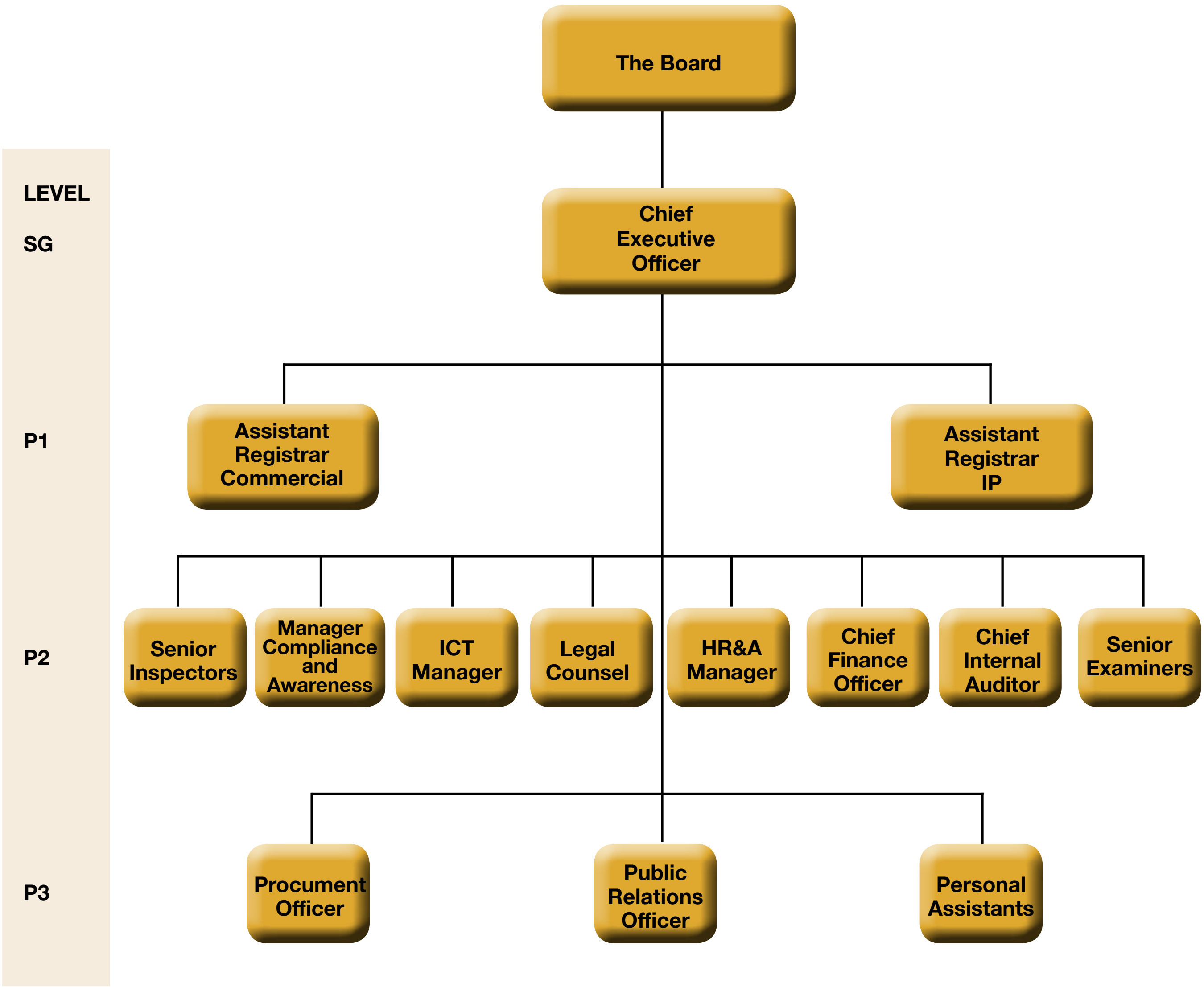
Mr. Maikisa Ilukena
Human Resources & Administration
Manager

Mr. Kelvin Seta
Chief Internal Auditor

Mrs. Belinda M. Siankumo
Legal Counsel

4. ORGANISATIONAL STRUCTURE

Below is the structure for the organisation:



5. ACTIVITIES UNDERTAKEN IN 2017

5.1. Revision of Laws

5.1.1. Legislation

The Agency continued with the reform of intellectual property, company and corporate insolvency laws. The Companies Act No. 10 of 2017 and the Corporate Insolvency Act No. 9 of 2017 were enacted while consultations on a new Trademarks Act, continued.

The Companies and Corporate Insolvency Acts aim at improving the ease of doing business and the protection of creditors and other stakeholders such as employees. The new Companies Act has strengthened corporate governance, financial reporting, provided for transactions to be carried out electronically and excluded companies from being incorporated for purposes of engaging in religious activities.

The Corporate Insolvency Act, on the other hand, has strengthened the regulatory framework for insolvency practitioners and provided for business rescue mechanisms. Insolvency practitioners will henceforth be required to be accredited by the Registrar while ailing businesses will have the option of being placed under administration with the possibility of being resuscitated.

The review of the Trademarks Act will result in the expansion of protection offered to include Geographical Indications, Service Marks, and enhance sanctions for trademark infringement and counterfeiting of trademark goods. The new Trademarks Act will also domesticate the Madrid Protocol.

Geographical Indications are signs used in trademarks that have a specific geographical origin and possess qualities or a reputation attributable to their origin. Since the quality depends on the geographical place of production, original places of production will have exclusive rights to the use of Geographical Indications. This will protect products coming from original places of production and will result in positive competition among businesses. Service Marks are targeted at protecting Marks emanating from the service industry differentiating them from those of others.

The domestication of the Madrid Protocol will reduce the cost of registration of trademarks for Zambian businesses in foreign jurisdictions in that they will be able to file their applications through the Agency.

5.1.2. Declaration on individual fees under Madrid Protocol

The Zambian Government submitted a declaration in accordance with Article 8(7) of the Madrid Protocol, for individual fees to be payable, instead of a share in the supplementary and complementary fees. The declaration entered into force on 6th October 2017. The individual fees will apply in the following circumstances:

a) where Zambia is designated in an international Mark application;

b) in a subsequent international Mark registration; and

c) in respect of the renewal of an international Mark registration in which Zambia has been designated.

The Madrid system is a one stop solution for registering and managing marks worldwide. Through the system, applicants can apply for and manage their Marks in different Member States by filing for the applications through the Agency or online through WIPO. The Madrid system supports the country's exports because it simplifies the protection of trademarks abroad. Furthermore, it allows individuals and companies established in other Member States of the Madrid system to have easier access to the protection of their trademarks in any of the applicable Member States where they may wish to obtain protection.

5.1.3. Review of the National IP Policy

The Agency, in collaboration with other IP stakeholders, completed the mid-term review of the National IP Policy. Two stakeholder validation workshops were held. The Policy is intended to promote the utilisation of IP as a tool for socio-economic, industrial, technological and cultural development and ultimately lead to industrialisation and job creation. The revised Policy is expected to expand the scope of IPRs and accelerate the development of IP in Zambia.

5.2. Implementation of the MPRS

The Agency completed the development and implementation of the MPRS under the MPSI Act. Consequently, a collateral registry for security interest in movable property was established. The MPRS enables lenders to register security interest in movable property pledged by borrowers. The MPRS was officially launched on 17th November, 2017. This system opens up a new avenue for access to credit for MSMEs.

As a result of the implementation of the MPRS, Zambia was ranked first in Africa and second globally on the "Getting Credit index" under the World Bank's Doing Business Report for 2018.

5.3. Streamlining Copyright Administration

The Agency continued with its streamlining of Copyrights administration following the transfer of the Copyrights portfolio in 2016 from the Ministry of Information and Broadcasting Services to the Agency. This is aimed at enhancing efficiency levels and plans are underway to automate Copyright registration processes.

Several challenges have been identified in the administration of copyright. Firstly, the pace of law reform has lagged behind technological advancements. This has made the law reactive rather than proactive. Secondly, the sector has been under funded and thirdly, infringement of copyrighted works has been on the increase.

The Agency has since identified weaknesses in the Copyright and Performance Rights Act.

5.4. Modernisation

5.4.1. One-Stop-Shop Integration

The Agency continued operating the One-Stop-Shop Integration System (OSSIS), a platform for information sharing among Government Agencies. In the year 2017, new Government Institutions were added to the OSSIS namely; WCFCB and the ZPPA. This brought the total number of participating institutions to six, including PACRA, NAPSA, ZRA and FIC which were connected to the system in 2016.

Some of the notable benefits of the OSSIS are:

a) Businesses are no longer required to submit the same information already provided at PACRA to other OSSIS stakeholders;

b) Effective enforcement of compliance and detection of fraud;

c) Provision of uniform and consolidated reports on classification of Micro, Small and Medium Enterprises (MSMEs) as provided for by the MCTI MSME Policy; and

d) Introduction of a single unique identifier for registered businesses which can be used across statutory bodies that are part of the OSSIS.

5.4.2. Adoption of the ISIC

Following the implementation of the OSSIS, the Agency adopted the ISIC for the classification of business activities. Thus, the classification of businesses at registration is now compatible with that obtaining at the Central Statistical Office and the ZRA. Accordingly, the purpose of this migration was to provide for consistency in statistics for economic activities required by various Government Agencies.

The adoption of the ISIC has nonetheless posed some challenges to the general public in classifying specific business activities. A solution to this would be to provide for a simplified way of classifying business activities, especially for MSMEs.

5.4.3. Establishment of Regulatory Services Centres

The Agency commenced the establishment of Regulatory Services Centres (formerly named One-Stop-Shops for business registration). An RSC was established in Kitwe in collaboration with the BRRA. RSCs are established pursuant to the Business Regulatory Act No. 3 of 2014. Under this Act, the Agency is mandated, together with Local Authorities, to establish RSCs while the BRRA is responsible for coordinating them. The establishment and management of RSCs has nonetheless been adversely affected by inadequate funding.

5.4.4. Modernisation of Cooperatives Registration Services

The Agency, in conjunction with the Department of Cooperatives, developed an electronic system for the registration of cooperatives aimed at reducing the time to register a cooperative. The registration time has now been reduced from

30 days to 48 hours. The department has also been allocated space in the Agency's Customer Services Centre. Consequently, the public is now able to obtain business and cooperatives services under one roof.

The Agency has nonetheless faced the challenge of lack of sufficient office space to accommodate the department. In addition, the automated system has not been decentralised due to lack of funds.

5.5. Sensitisation and Awareness

5.5.1. MPRS Stakeholder Sensitisation

During the year under review, the Agency in collaboration with BOZ, FSDZ and RUFEP, organised stakeholder training sessions on the MPSI Act, MPRS and the CRS. These were held in all provincial capitals as well as Mkushi, Mwinilunga, Kitwe, Livingstone and Mpika, and were targeted at both Financial Service Providers and SMEs such as farmers, marketeers and shop owners. The media and business associations also participated in these sensitisation seminars.

The major challenge encountered was that the Agency had limited capacity to provide counterpart funding required by the cooperating partners. It was equally a challenge to secure the attendance of financial service providers, especially commercial banks.

5.5.2. Collaboration with Ministries of Education

In an effort to enhance compliance and information sharing pertaining to the registration of private schools, the Agency reached an understanding with the Ministry of General Education with the objective of ensuring that only duly registered businesses are licenced to operate as schools.

Further, the Zambia Reprographics Rights Society (ZARRSO), a Collective Management Organisation regulated by the Agency, entered into a licensing agreement with the Ministry of Higher Education. The agreement is binding on public universities and colleges and requires them to pay for use of copyrighted works.

5.5.3. Copyright and Collective Management Training

The Agency held a two day training seminar on Copyright and Collective Management in the Digital Era for Legal Practitioners. Over thirty lawyers attended the training which was held in collaboration with WIPO.

The participants were introduced to the law relating to Copyright and Related Rights and the Copyright and Performance Rights in Zambia. The following topics were covered;

a) effective management of copyrighted works,

b) collective management in Zambia,

c) challenges and opportunities in managing content in the digital environment;

d) WIPO treaties and the internet treaties; and

e) the digital environment and economic growth.

5.5.4. Training of Local Authority Officers

The Agency trained Local Authorities in Northern and Muchinga provinces on business registration services. The training focused on online registration which the Agency introduced in 2015. The training was provided in the context of the Partnership Agreements which the Agency entered into with local authorities in 2013. Following the trainings, the concerned local authorities are expected to facilitate online registration of businesses in their respective locations.

5.5.5. Participation in the 100 Days Rapid Results Initiative

In 2017, the Government through the PSDIJC and Ministry of National Development Planning embarked on a 100 Days Rapid Results Initiative to accelerate the implementation of Doing Business Reforms.

The Agency participated in the 100 Days RRIs in which it was tasked to fully implement the Movable Property Collateral Registry, register a total of 250 transactions on the MPRS and establish the Chipata RSC. All the assigned tasks were achieved.

5.5.6. Ease of Doing Business Conference

The Agency participated in the 2017 Ease of Doing Business Initiative (EDBI) Conference that was held in Livingstone. The conference was held under the theme "Business Reforms for Industrialization, Value Addition and Job Creation" and attracted participants from twenty-three (23) countries. The conference served as a platform for countries to share experiences and ideas in business reforms. Lessons learnt should help accelerate the pace of reforms and thereby create job opportunities and a conducive environment for the private sector to thrive.

5.5.7. Mobile Registrations and Sensitisation

During the year under review, the Agency conducted mobile registration in Central Province. Quarterly mobile registration exercises had been planned in Northern, Eastern, North-Western and Central Provinces, however, only one was undertaken due to budgetary constraints.

The aim of the exercise was to sensitise MSMEs on the benefits of formalising businesses, the use of the online registration system and the need to protect intellectual property rights. The Agency regularly conducts mobile registration exercises in order to reach MSMEs in far flung areas where the Agency has no physical presence. This is done to ease and reduce the cost associated with the formalisation of businesses.

5.5.8. Commemoration of the World IP Day

The Agency, in collaboration with other stakeholders, commemorated the 2017 World IP Day on 26th April under the theme *"Innovation – Improving Lives"*. In line with the theme, IP stakeholders discussed how the Intellectual Property system could support innovation by attracting investment, rewarding and encouraging creators to develop their ideas, and ensuring that their new knowledge is freely available so that tomorrow's innovators can build on today's new technology.

An exhibition was held alongside the commemoration where a number of exhibitors showcased their products and services with a view of educating the public on how to identify counterfeit and pirated products.

5.5.9. ZAM Annual General Meeting and Exhibition Week

The Agency attended the ZAM Annual General Meeting and sensitised the members on the need to protect their IP rights and be compliant with the requirements of the Companies Act. Emphasis was placed on the importance of registering trademarks by manufacturers and the value of brands as a differentiation tool in marketing products. In addition, the Agency participated in the week long manufacturer's exhibition.

5.5.10. International Multi-Disciplinary Conference

The Agency participated in and was one of the sponsors of the International Multi-Disciplinary Conference on "Knowledge Sharing and Innovation Competitiveness for Responsive and Sustainable Development". The Conference attracted researchers, scholars, innovators and entrepreneurs from international and local universities and industry to showcase research and innovations and discuss contemporary issues shaping human development. The Conference was held in Lusaka, Zambia from 23rd to 25th August 2017.

Topics were deliberately identified to respond to the challenges facing both the developing and developed world. In addition to sponsoring the Conference, the Agency facilitated an exhibition by Inventors from all parts of the country.

5.5.11. JETS National Fair

The Agency co-sponsored the 2017 JETS Fair which was held at Petauke Boarding Secondary School in Eastern Province. The Fair was held from 13th to 18th August 2017 under the theme *'Meeting Our Country's Technology Needs Through User Friendly Innovations'*. The Fair brought together representatives from all provinces of Zambia except Muchinga. Ninety-one (91) participants exhibited in twenty-six (26) different project categories divided into Primary, Junior, Secondary, Open and Out-of-School.

The Agency sponsored awards in five categories. The following were the awarded projects:

a) An Integrated Motor Pump;
b) a Cure for different diabetes types;
c) a Three Purpose Brazier;

d) an Alternative Metal Power Battery; and

e) an Electric Jack.

The pupils awarded were from four different provinces namely; Southern, Central, Lusaka and Luapula.

In 2016, the Agency had committed to providing financial support to the hosting of the JETS Fair and sponsoring of awards to deserving pupils. However, due to lack of funding in the year under review, the support by the Agency to JETS was limited.

5.6. Meetings and Conferences

5.6.1. WIPO General Assemblies and Committee meetings

The Fifty-Sixth Series of Meetings of the General Assemblies (GA) of WIPO were held from 2nd to 11th October 2017 in Geneva, Switzerland. The meetings resolved to open up to four external offices between 2018 and 2019, thereby expanding the organisation's external presence.

The GA further adopted the Design Law Treaty which seeks to simplify standards of industrial design registration procedures and appointed the Philippines Intellectual Property Office as an International Searching and Preliminary Examining Authority under the PCT.

5.6.2. Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Expressions of Folklore

The Agency participated in the Thirty-Fourth Session of the Intergovernmental Committee (IGC) on Intellectual Property and Genetic Resources, Traditional Knowledge and Expressions of Folklore in Geneva Switzerland in March 2017. The Agency reiterated the importance of an international instrument for the Protection of Traditional Knowledge, Genetic Resources and Expressions of Folklore and highlighted the progress made at the national level through the enactment of domestic legislation (The Protection of Traditional Knowledge, Genetic Resources and Expressions of Folklore Act No. 16 of 2016).

The Session concluded with a draft treaty on international legal instrument on intellectual property and traditional cultural expressions.

5.6.3. Standing Committee on the Law of Patents meetings

The Agency took part in the Twenty-Seventh and Twenty-Eighth Standing Committee on the Law of Patents in Geneva, Switzerland. The SCP was created to serve as a forum to discuss issues of common interest, facilitate coordination and provide guidance concerning the progressive international development of patent law.

During the meetings, Zambia made presentations to WIPO member states to examine constraints faced by developing and least developed countries (LDCs) in exploiting patent flexibilities and their impact on access to affordable essential medicines for public health purposes. The Zambian delegation urged WIPO to build capacity in third world countries like Zambia to utilise TRIPs flexibilities and thereby facilitate access to affordable drugs.

The Committee resolved to include on the agenda of the next meeting, an informative session on legislative and capacity building support offered by WIPO to member's states.

5.6.4. ARIPO Administrative Council Meeting

Zambia participated in the Forty-First Session of the African Regional Intellectual Property Organisation held in Lilongwe Malawi from 20th to 22nd November, 2017 during which she handed over the chairmanship of both the ARIPO Administrative Council and Council of Ministers to Malawi. Zambia had chaired the grouping for two years. During this period, the country successfully hosted the Administrative Council and Council of Ministers in Lusaka and officially opened the newly constructed ultra-modern building for ARIPO in Harare, Zimbabwe.

5.7. Capacity Building

The Agency held one in-house training for members of staff on the MPRS and enhancements to the online registration system in an effort to improve efficiency and customer service delivery.

The Agency had planned on having a series of trainings regarding newly enacted laws but was unable to due to budgetary constraints. In light of the seven new statutes, the Agency is required to sensitise staff on provisions of these laws and train them on new registration procedures.

6. STATISTICS

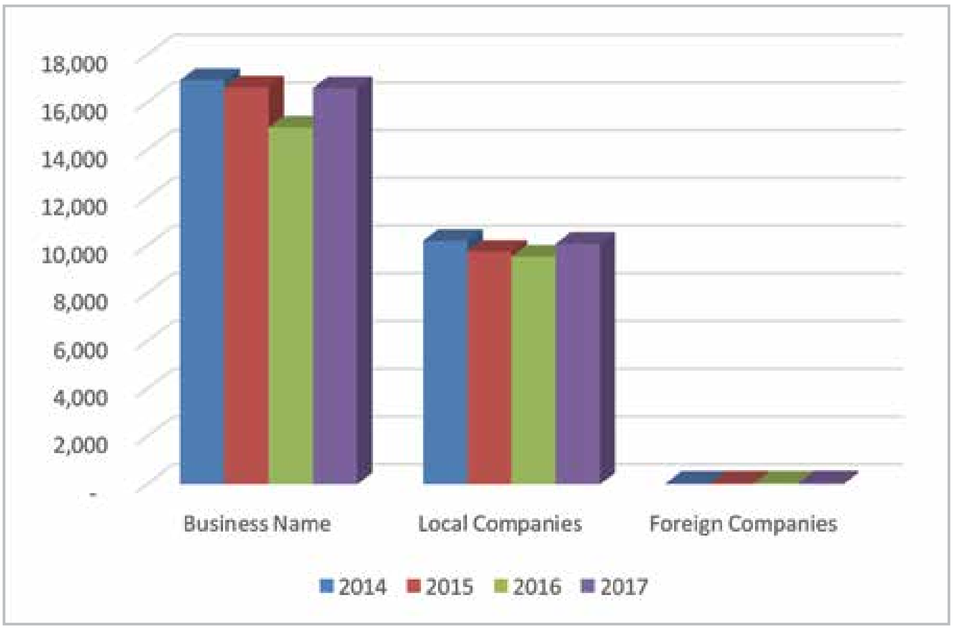
6.1. Companies and Business Names Statistics

6.1.1. Business Registrations 2014 to 2017

Table 1: Registration of Business 2014 to 2017

Year	Business Name	Local Companies	Foreign Companies
2014	16,935	10,199	49
2015	16,640	9,743	56
2016	14,947	9,542	55
2017	16,598	10,078	68

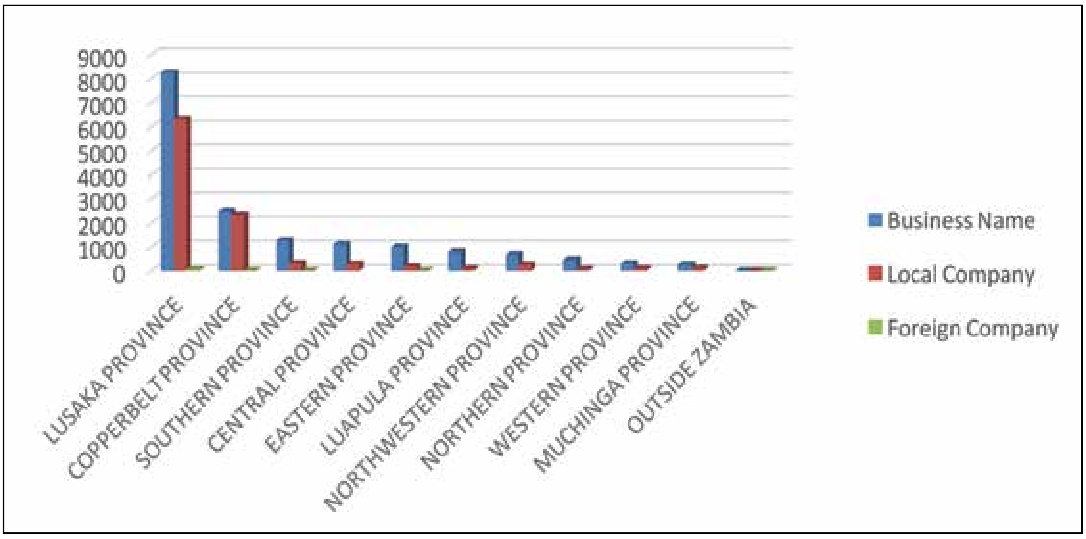
From the table above, it can be seen that business registrations went up in 2017 due to increased economic activity in the country.



6.1.2. Business Registrations by Province 2017

Table 2: Registration of Businesses by Province 2017

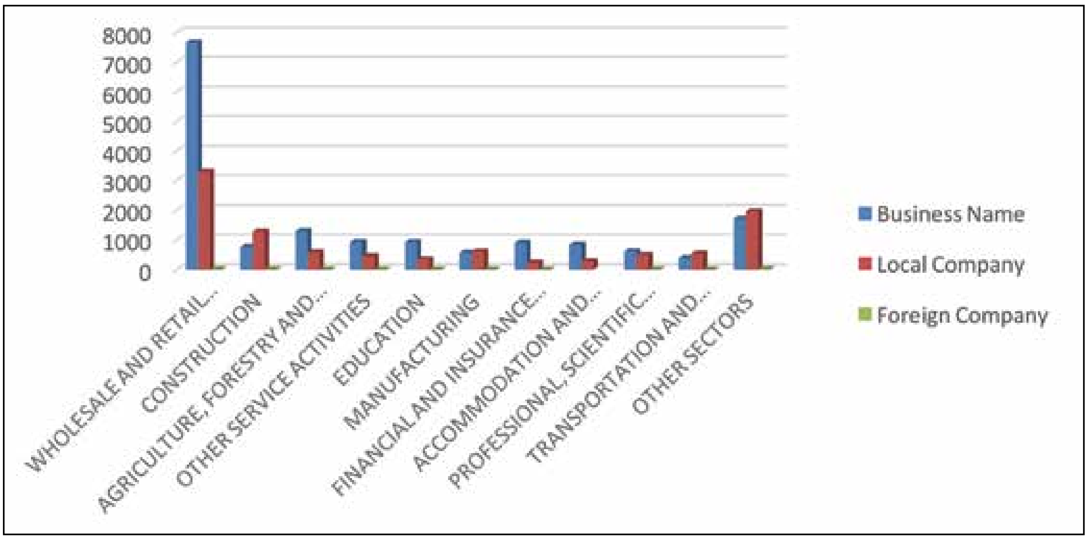
PROVINCE	Business Name	Local Company	Foreign Company
LUSAKA PROVINCE	8,254	6,319	47
COPPERBELT PROVINCE	2,490	2,334	11
SOUTHERN PROVINCE	1,258	321	2
CENTRAL PROVINCE	1,098	286	
EASTERN PROVINCE	979	186	2
LUAPULA PROVINCE	789	93	
NORTHWESTERN PROVINCE	683	254	
NORTHERN PROVINCE	467	67	
WESTERN PROVINCE	313	95	
MUCHINGA PROVINCE	265	122	



6.1.3. Business Registrations by Sector 2017

Table 3: Registration of Business by Sector 2017

Sector	Business Name	Local Company	Foreign Company
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	7,667	3,297	14
CONSTRUCTION	764	1,278	13
AGRICULTURE, FORESTRY AND FISHING	1,294	578	3
OTHER SERVICE ACTIVITIES	923	452	1
EDUCATION	924	346	2
MANUFACTURING	566	605	2
FINANCIAL AND INSURANCE ACTIVITIES	902	235	1
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	837	285	
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	611	495	6
TRANSPORTATION AND STORAGE	390	542	1
OTHER SECTORS	1,720	1,965	25

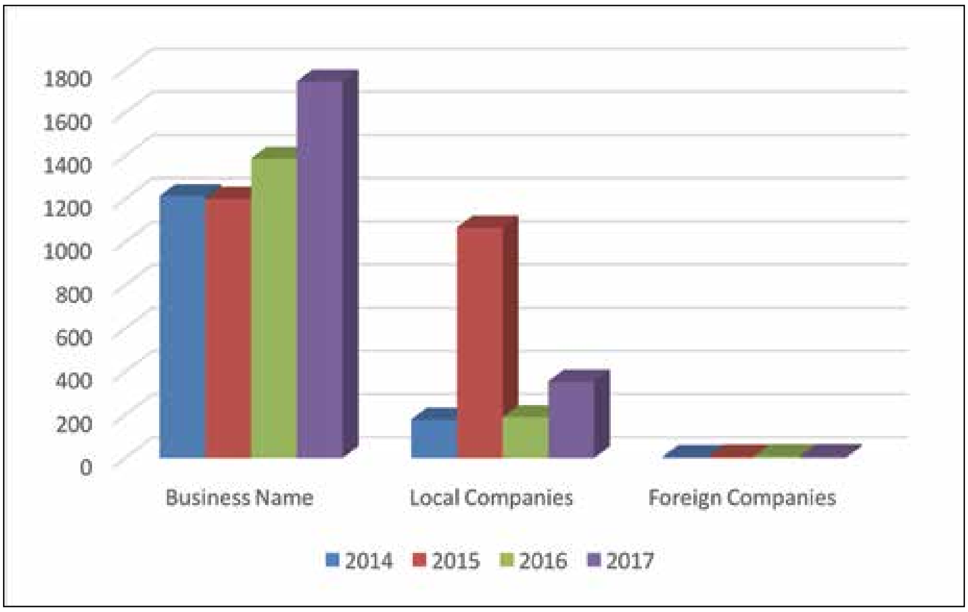


6.1.4. Business Deregistrations 2014 to 2017

Table 4: Deregistration of Businesses 2014 to 2017

Year	Business Name	Local Companies	Foreign Companies
2014	1,213	177	5
2015	1,201	1,067	7
2016	1,387	188	8
2017	1,744	354	8

The Agency deregistered more businesses in 2017 in a quest to encourage compliance with filing of annual returns by businesses.

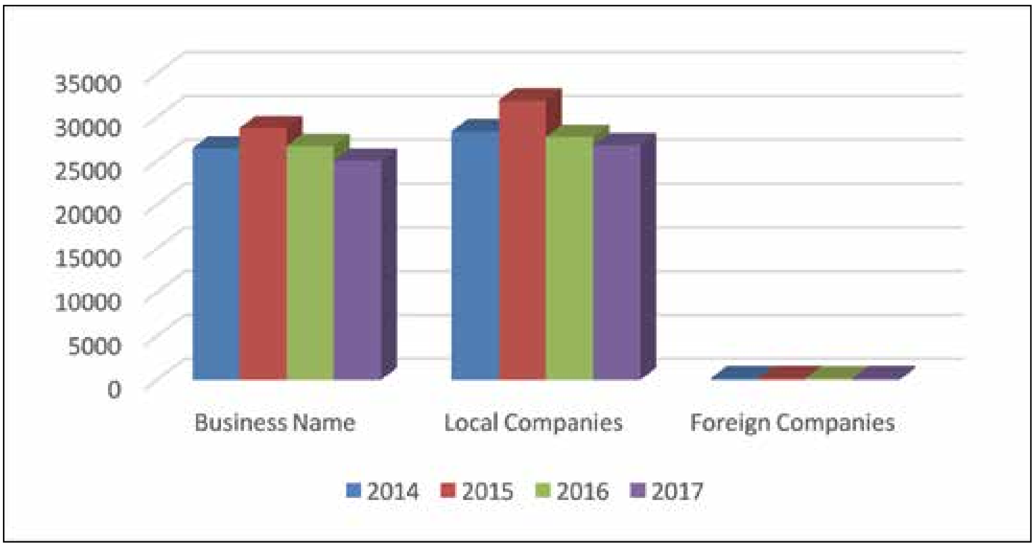


6.1.5. Annual Returns 2014 to 2017

Table 5: Annual Returns 2014 to 2017

Year	Business Name	Local Companies	Foreign Companies
2014	26,427	28,340	164
2015	28,729	31,848	184
2016	26,720	27,729	127
2017	25,018	26,810	169

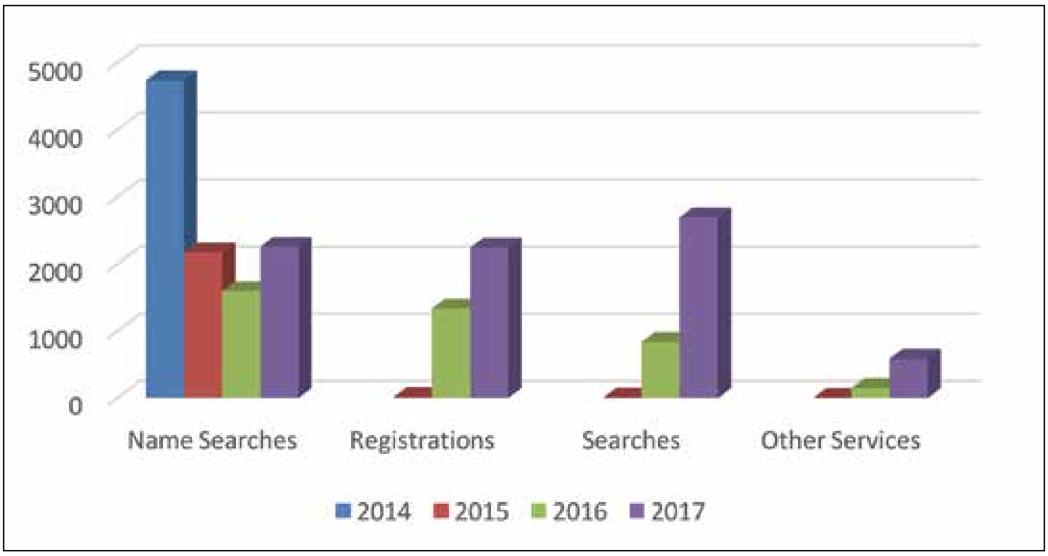
The Agency recorded a decline in filing of annual returns because of inadequate resouces to undertake planned interventions.



6.1.6. Online Services 2014 to 2017

Table 6: Online Service 2014 to 2017

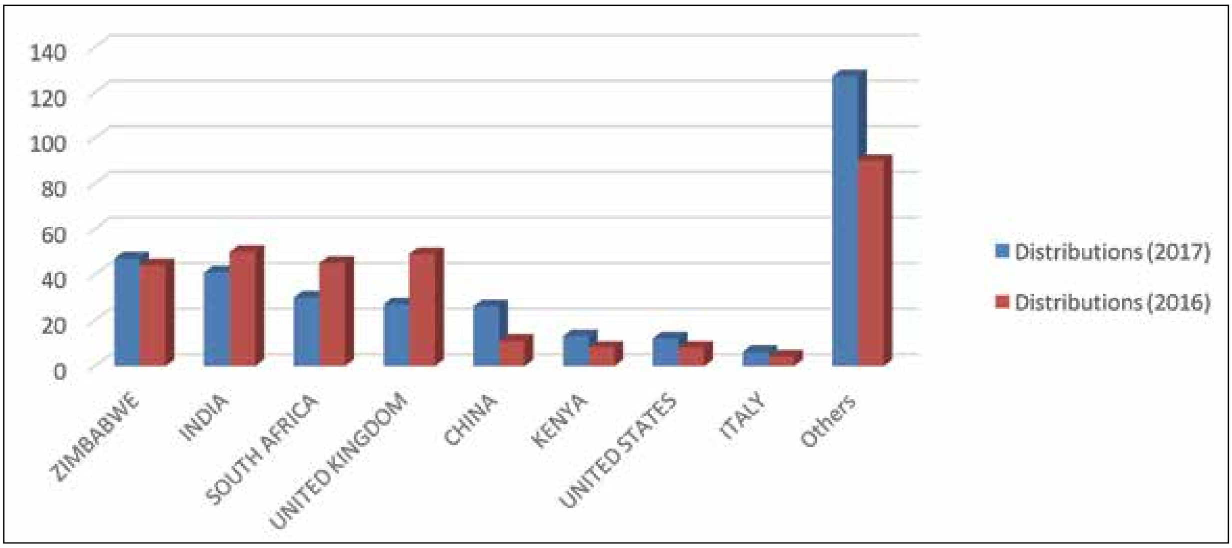
Year	Name Availability Searches	Registrations	Searches	Other Services
2014	4,735			
2015	2,171	15	7	0
2016	1,592	1,334	835	146
2017	2,255	2,240	2,692	584



6.1.7. Foreign Online Service Users

Table 7: Foreign Online Service Users

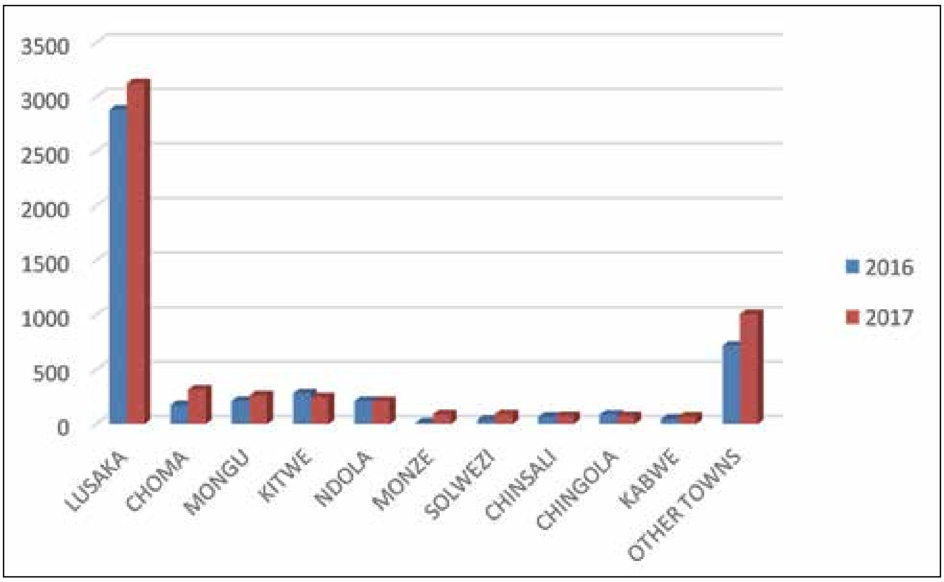
Nationality	Distributions (2016)	Distributions (2017)
ZIMBABWE	44	47
INDIA	50	41
SOUTH AFRICA	45	30
UNITED KINGDOM	49	27
CHINA	11	26
KENYA	8	13
UNITED STATES	8	12
ITALY	4	6
OTHER NATIONALITIES	90	127



6.1.8. Local Online Users by Town 2017

Table 8: Local Online Users by Town 2017

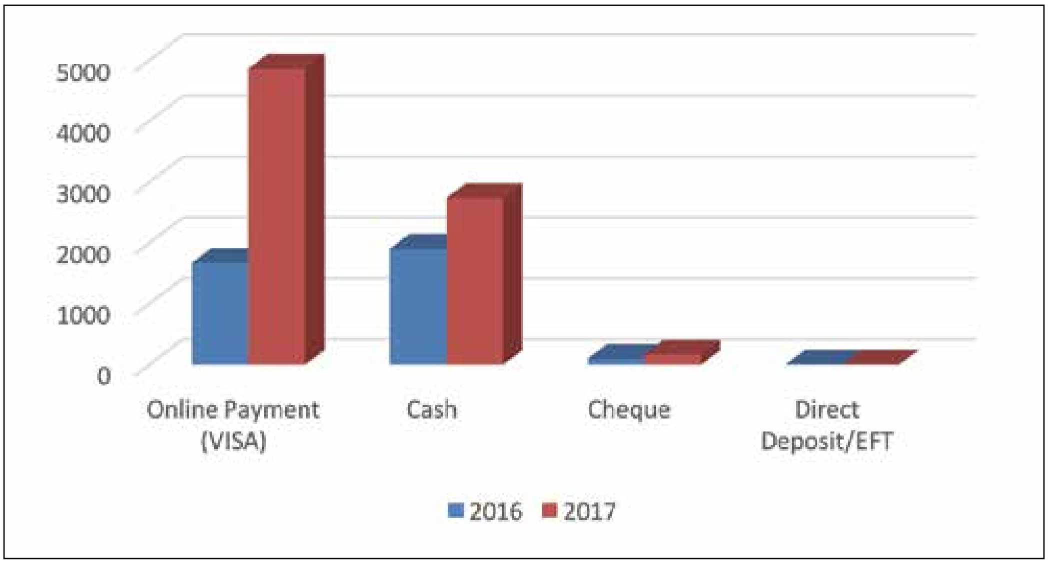
District	2016	2017
LUSAKA	2880	3122
CHOMA	172	317
MONGU	213	262
KITWE	281	244
NDOLA	212	211
MONZE	13	91
SOLWEZI	40	91
CHINSALI	65	75
CHINGOLA	86	73
KABWE	46	68
OTHER TOWNS	719	1009



6.1.9. Payment Methods Used for Online Services 2016 to 2017

Table 9: Payment Methods Used for Online Services 2016 to 2017

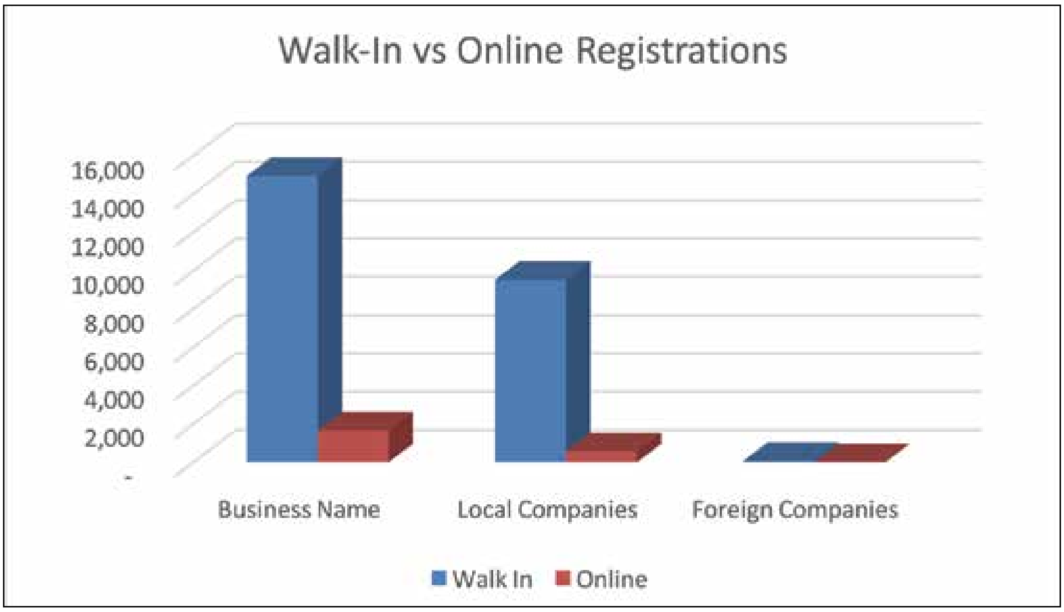
District	2016	2017
Online Payment (VISA)	1,673	4,862
Cash	1,904	2,736
Cheque	97	168
Direct Deposit/EFT	4	5



6.1.10. Business Registrations Walk-In vs Online 2017

Table 10: Registration of Business 2017

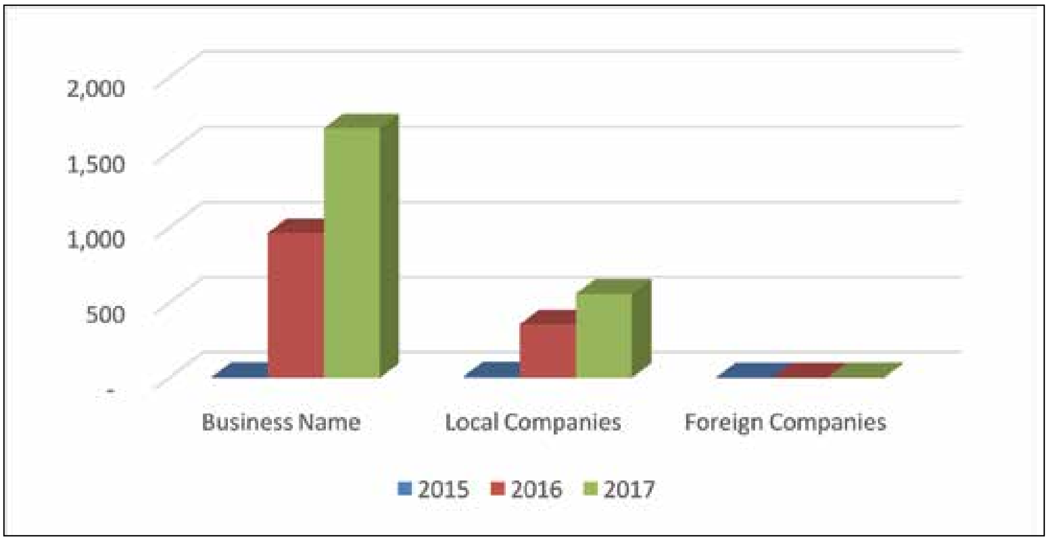
Application Method	Business Name	Local Companies	Foreign Companies
Walk In	14,593	9,339	66
Online	1,658	558	2



6.1.11. Online Registrations by Business Type 2015 to 2017

Table 11: Online Registration by Business Type 2015 to 2017

Year	Business Name	Local Companies	Foreign Companies
2015	4	9	-
2016	962	354	1
2017	1,658	558	2

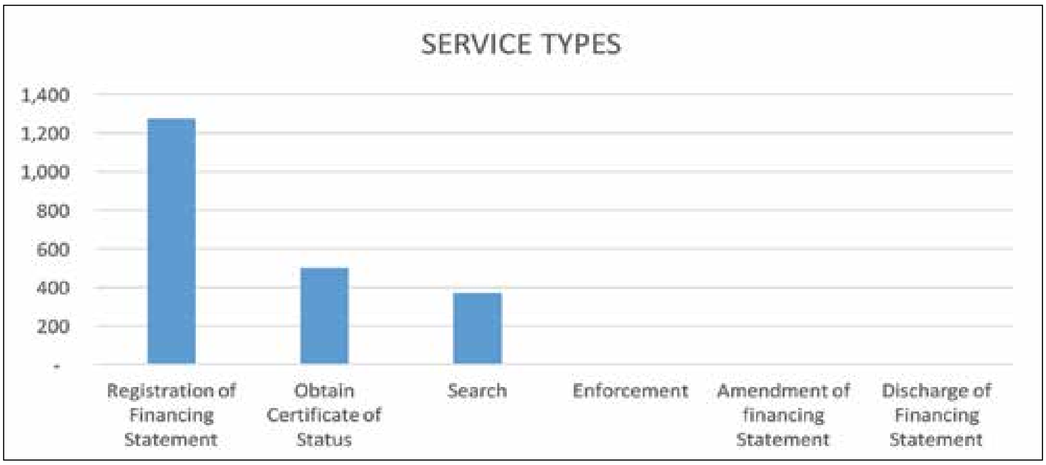


6.2. MPRS Statistics

6.2.1. MPRS Service Applications 2017

Table 12: MPRS Service Applications 2017

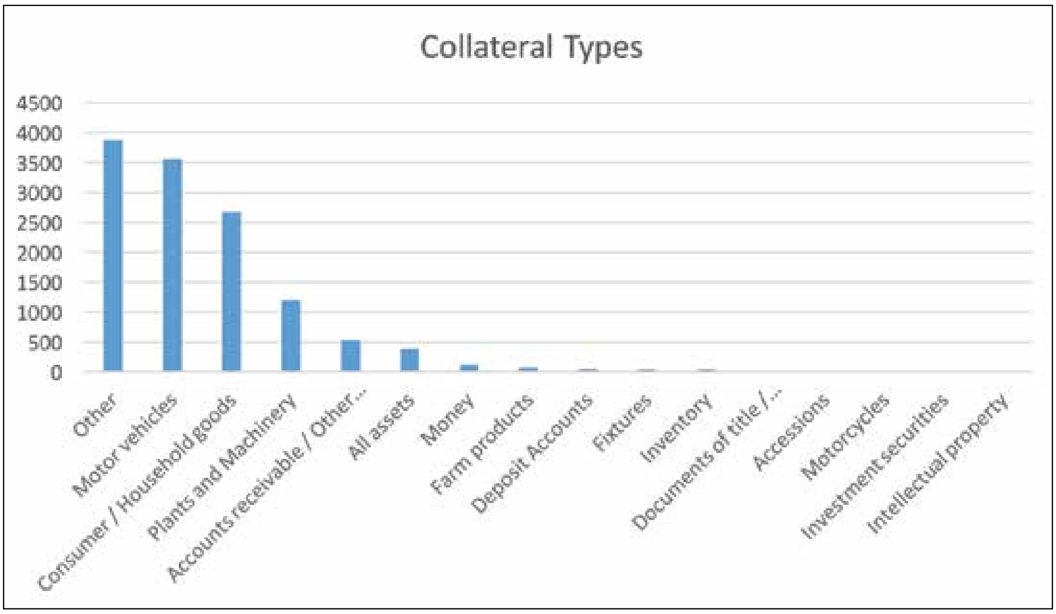
SERVICE TYPE	Total Applications
Registration of Financing Statement	1,272
Obtain Certificate of Status	500
Search	374
Enforcement	5
Amendment of Financing Statement	4
Discharge of Financing Statement	1



6.2.2. Collaterals Used for Financing Statements 2017

Table 13: Collateral Used for Financing Statements 2017

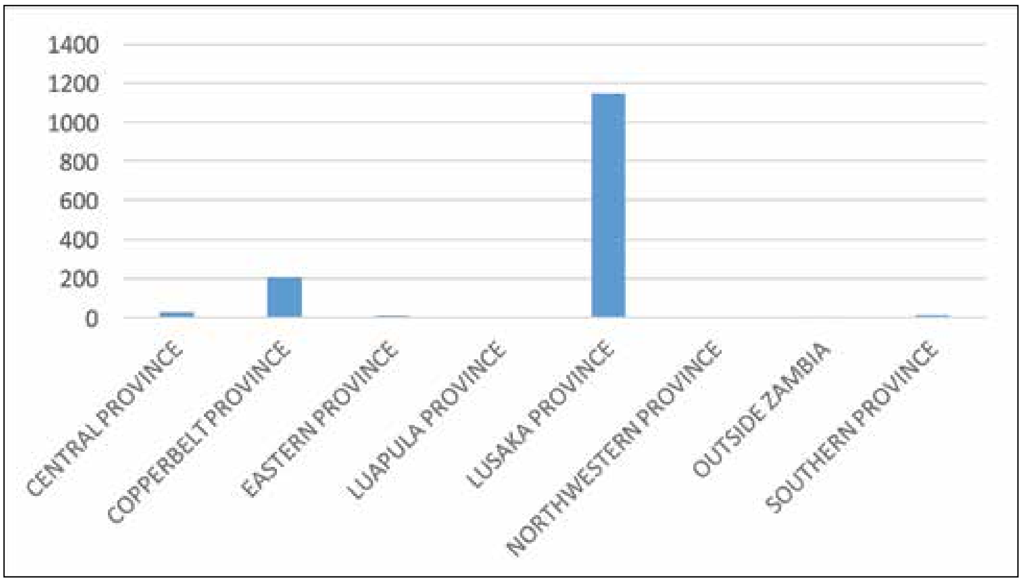
COLLATERAL TYPES	TOTAL FOR COLLATERAL TYPE
Other	3,875
Motor vehicles	3,552
Consumer / Household goods	2,673
Plants and Machinery	1,202
Accounts receivable / Other rights to payment	523
All assets	379
Money	126
Farm products	69
Deposit Accounts	51
Fixtures	41
Inventory	41
Documents of title / Instruments / Chattel paper	15
Accessions	10
Motorcycles	4
Investment securities	2
Intellectual property	1



6.2.3. Debtors by Province 2017

Table 14: Debtors by Province 2017

Debtors By Province	Total
CENTRAL PROVINCE	25
COPPERBELT PROVINCE	206
EASTERN PROVINCE	8
LUAPULA PROVINCE	3
LUSAKA PROVINCE	1147
NORTHWESTERN PROVINCE	2
OUTSIDE ZAMBIA	6
SOUTHERN PROVINCE	13



6.2.4. Total value of financing facilitated by Debtor Type 2017

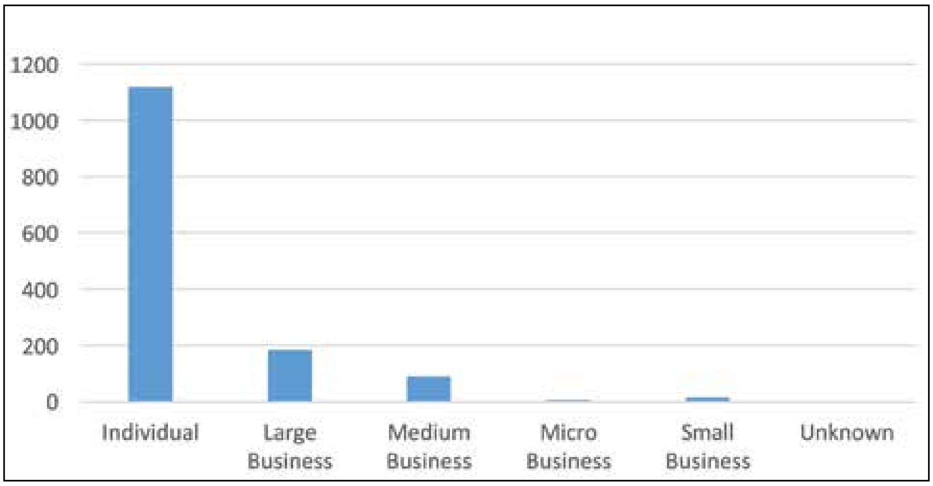
Table 15: Total value of financing facilitated Type 2017

Debtor Type	Currency	Total Amount
Individual	Afghanistan Afghani	17,000.00
Individual	South Africa Rand	288,500.03
Individual	United States Dollar	9,367,958.79
Individual	Zambian Kwacha	70,936,950.19
Individual	Zimbabwe Dollar	8,000.00
Large Business	South Africa Rand	607,448.70
Large Business	United States Dollar	11,444,654,075.24
Large Business	Zambian Kwacha	473,085,860.67
Medium Business	South Africa Rand	2,315,420.27
Medium Business	United States Dollar	99,839,745.97
Medium Business	Zambian Kwacha	34,934,862.39
Micro Business	United States Dollar	98,181.48
Micro Business	Zambian Kwacha	470,022.00
Small Business	United States Dollar	3,524,654.32
Small Business	Zambian Kwacha	2,850,647.34
Unknown	United States Dollar	255,980.00

6.2.5. Total Facilities provided by Debtor Type 2017

Table 16: Total Facilities provided by Debtor Type 2017

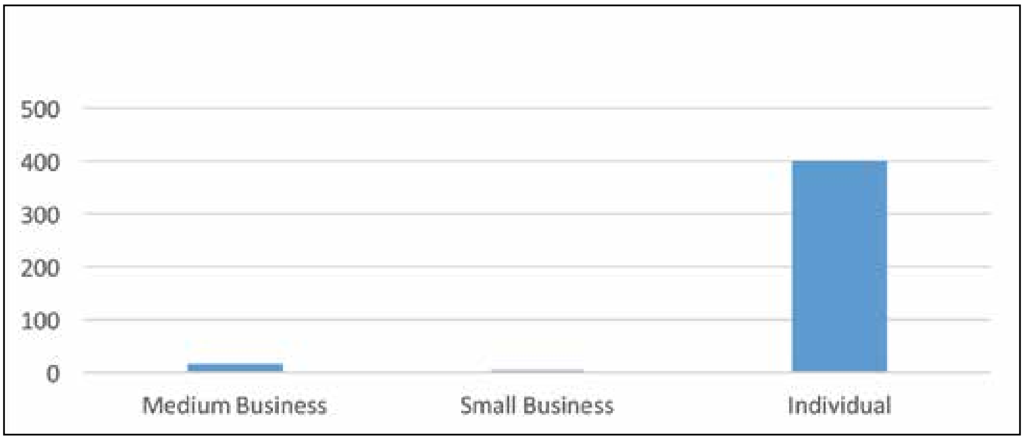
Debtor Type	Number
Individual	1,120
Large Business	183
Medium Business	89
Micro Business	4
Small Business	13
Unknown	1



6.2.6. Total Facilities provided to Female Debtors Type 2017

Table 17: Total Facilities provided by Female Debtors Type 2017

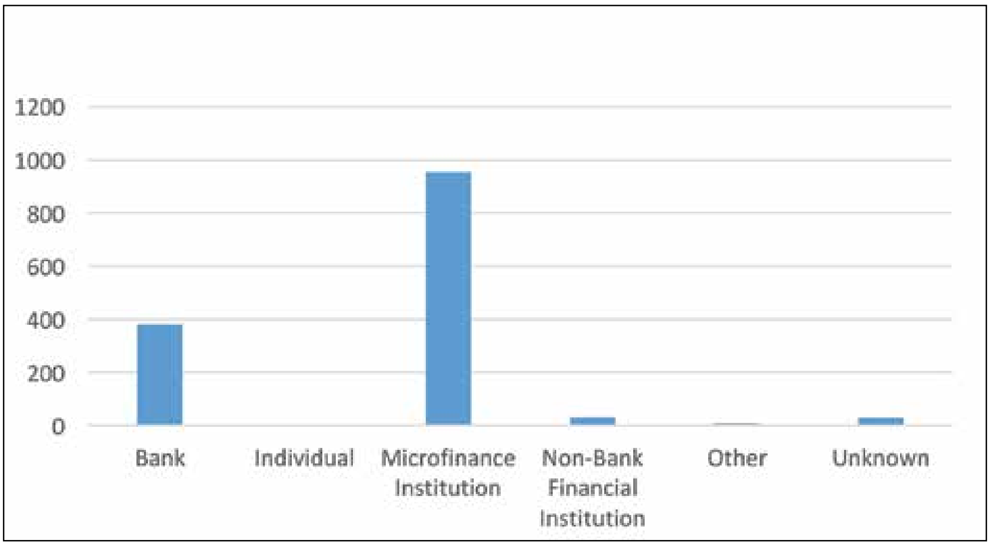
Female Debtor Type	Number
Medium Business	16
Small Business	5
Individual	401



6.2.7. Total Facilities provided to Lender Type 2017

Table 18: Total Facilities provided by Lender Type 2017

Secured Creditor Type	Number
Bank	381
Individual	5
Microfinance Institution	953
Non-Bank Financial Institution	32
Other	10
Unknown	29



6.3. Call Centre Statistics

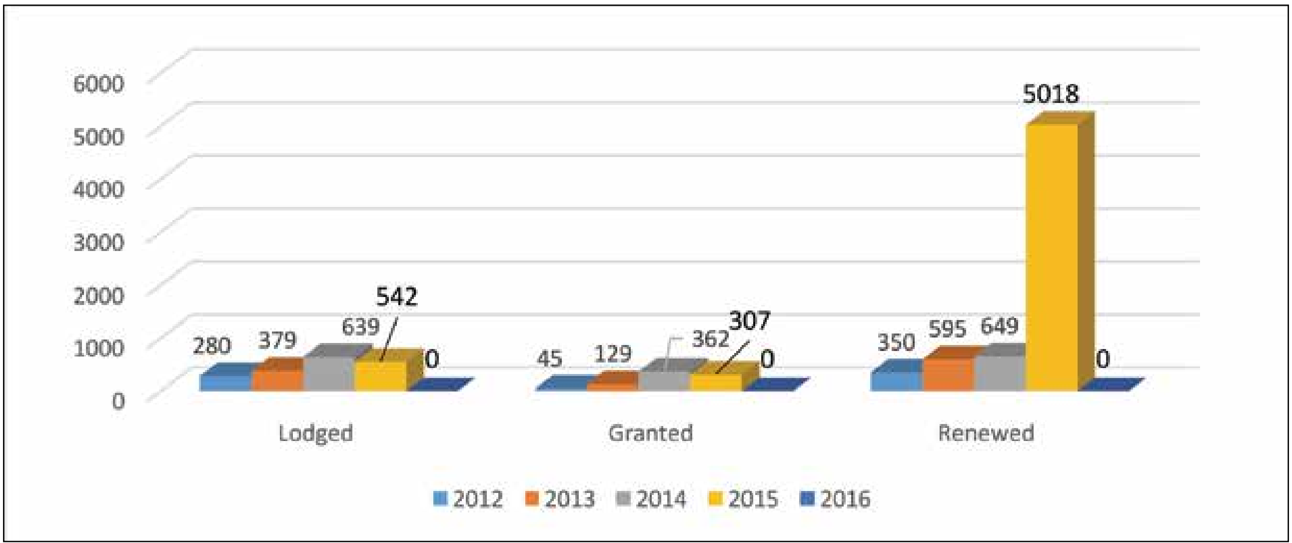
The PACRA Call Centre received a total of 15678 Calls between January and December 2017.

6.4. Intellectual Property Statistics

6.4.1. ARIPO 2014 to 2017

Table 19: ARIPO 2014 to 2017

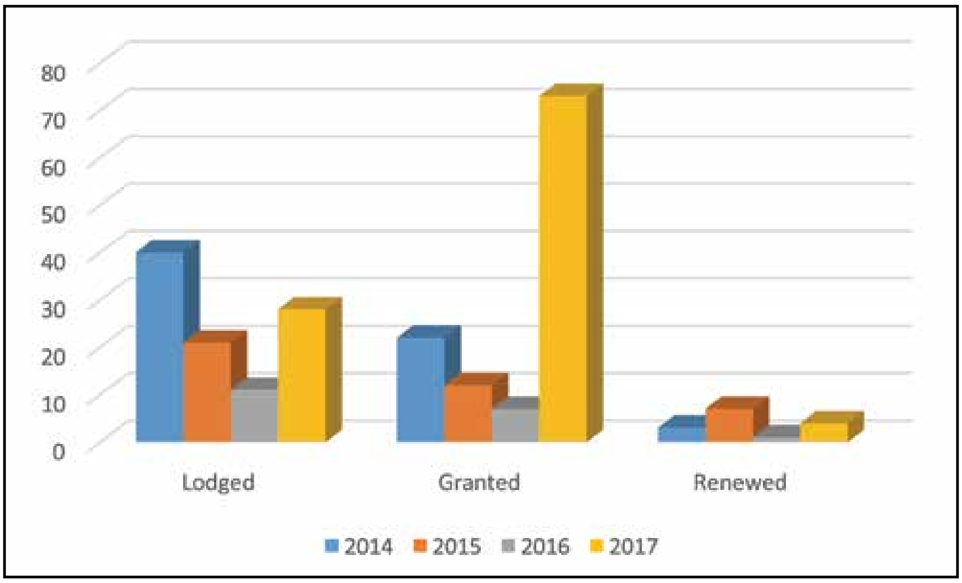
Year	Lodged	Granted	Renewed
2014	639	362	649
2015	542	307	5018
2016	431	311	0
2017	555	354	



6.4.2. Designs 2014 to 2017

Table 20: Designs 2014 to 2017

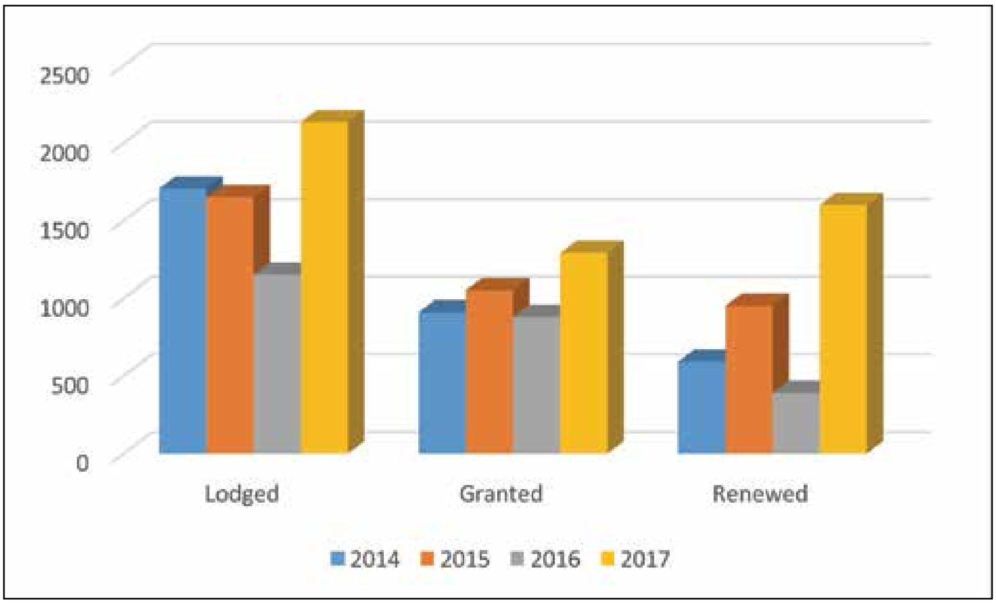
Year	Lodged	Granted	Renewed
2014	40	22	3
2015	21	12	7
2016	69	14	5
2017	28	73	4



6.4.3. Trademarks 2014 to 2017

Table 21: Trademarks 2014 to 2017

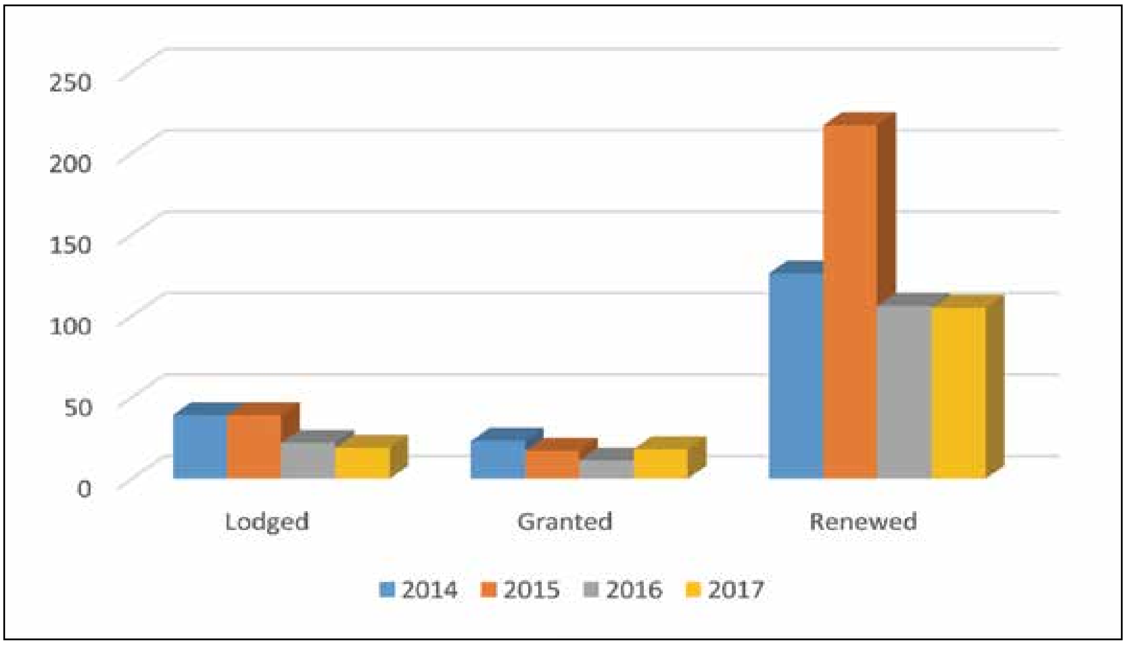
Year	Lodged	Registered	Renewed
2014	1,705	908	591
2015	1,650	1,051	950
2016	1,687	1,606	578
2017	2,134	1,291	1,598



6.4.4. Patents 2014 to 2017

Table 1: Patents 2014 to 2017

Year	Lodged	Granted	Renewed
2014	39	23	126
2015	39	17	217
2016	33	27	120
2017	20	18	105



6.4.5. Comparison of Lodgements Trademarks, Patents, Designs and ARIPO Patents 2013 to 2017

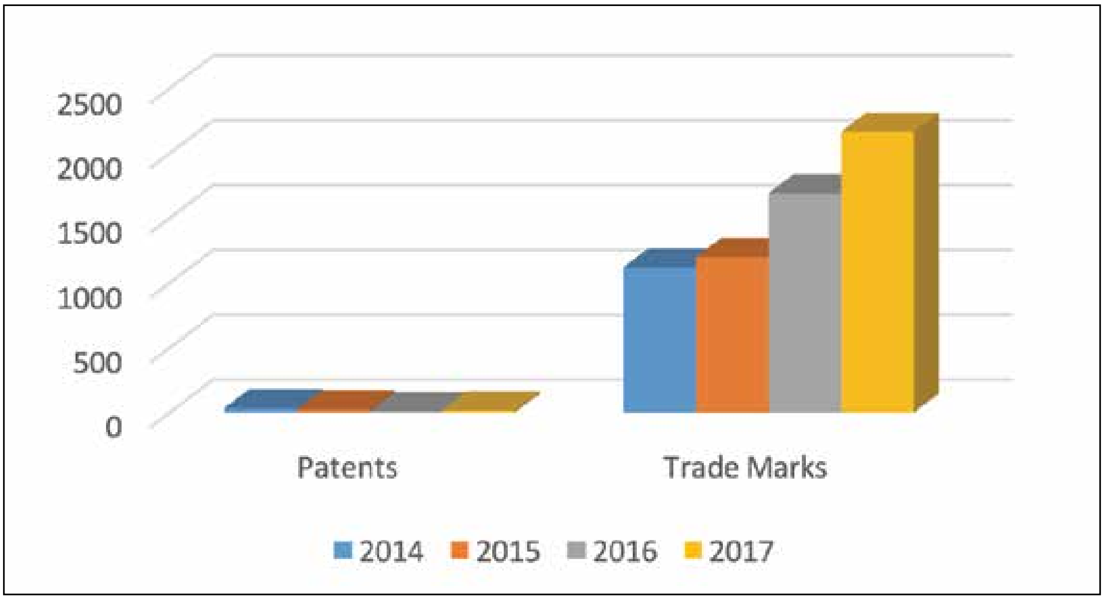
Table 2: IP Lodgments Comparison 2013 to 2017

Year	Trademarks	Patents	Designs	ARIPO Patents
2013	1,397	28	43	379
2014	1,705	39	40	639
2015	1,650	39	21	542
2016	1,687	33	69	00
2017	2178	20	28	553

6.4.6. Patent Office Journal Publications 2014 to 2017

Table 24: Patent Office Journal Publications 2014 to 2017

Year	Patents	Trade Marks
2014	33	1120
2015	24	1198
2016	12	1691
2017	17	2166



6.4.7. Holograms Affixed 2017

Table 25: Holograms Affixed 2017

Year	Holograms Affixed
2017	95,439

PICTURE FOCUS

Participants of the validation workshop for the National IP Policy pose for a picture at Intercontinental Hotel, Lusaka.

The Minister of Commerce Trade and Industry, Honourable Margaret Mwanakatwe, MP officially launching the Movable Property Registry System.

PICTURE FOCUS

Mr. Anthony Bwembya giving his welcome remarks at the launch of the Movable Property Registry System.

PACRA staff making a donation at Mother Theresa Kalingalinga.

PICTURE FOCUS

Members of Staff at the PACRA stand during the Ease of Doing Business Conference in Livingstone.

Cycorp Limited exhibiting counterfeit products during IP Day.

PICTURE FOCUS

Mkushi Business Community during the Movable Property Security Interest Act senstisation workshop.

PACRA staff with children at Mother Theresa.

PICTURE FOCUS

Patent Examiner Mr. Chewe Chilufya (left) attending the WIPO Standing Committee on the law of Patents in Geneva Switzerland.

Solwezi Business Community during the Movable Property Security Interest Act sensitisation workshop

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2017

Patents and Companies Registration Agency
Report and Financial Statements
For the year ended 31st December 2017

Table of contents **Page**

Patents and Companies Registration Agency
Directors' Report
For the year ended 31st December 2017

The directors have the pleasure of presenting their report and audited financial statements for the year ended 31st December 2017.

1. Principal activities

The principal activities of the Patents and Companies Registration Agency are to administer the following:

- The Companies Act;
- The Registration of Business Names Act;
- The Patents Act;
- The Trade Marks Act;
- The Industrial Design Act;
- The Companies Certificate Validation Act;
- The Moveable Property Act; and
- The Copyrights Act.

2. The Registered office and principal place of business

The address of the Agency's registered office and principal place of business is:

Patents and Companies Registration Agency,
PACRA House, Longacres
Haile Selassie Avenue,
P.O Box 32020,
LUSAKA.

3. Financial results

The Agency's financial year is from 1st January to 31st December.

During the financial year ended 31st December 2017, the Agency recorded a surplus of K168, 000.00 as compared to a surplus of K78, 452.00 during the year ended 31st December 2016.
The following is a summary of the financial results:-

	2017 K'000	2016 K'000
Revenue	63,805	59,745
Expenditure	(63,637)	(59,667)
Surplus	**168**	**78**

4. Directors

The following directors held office during the year under review:

Prof. Mpazi Sinjela	- Chairperson
Mr. George Mpundu Kanja	- Vice Chairperson
Mrs. Kayula Siame	- Board member
Mrs. Brigitte Nangoyi Muyenga	- Board member
Mr. Joe Hantebe Simachela	- Board member
Mr. Samson Longwe	- Board member
Mr. Rocky Sombe	- Board member
Mr. Anthony Bwembya	- Board Secretary and CEO

5. Directors' fees and Remuneration

The Agency paid fees to the members of the board of directors in the period under review amounting to K889, 067.00 (2016 – K1, 001,265.00).

6. Loans to Directors

There were no loans made to non-executive directors during the year or any outstanding loans from them at the year end.

7. Directors' Pensions

Members of the Board were not entitled to any form of defined pension benefits from the Agency.

8. Health, Safety and Environmental Issues

The Agency is committed to ensuring the health, safety and welfare at work of its employees and for protecting other persons against risks to health and safety arising out of, and in connection with, the activities at work of those employees.

9. Corporate Governance

The Directors continue to be committed to high standards of corporate governance, which is fundamental to discharging their leadership responsibilities. The Directors apply integrity, principles of good governance and accountability.

10. Number of employees

The average number of persons employed by the Agency and their remuneration during the financial year was as follows: -

Month	Salaries and allowances		Number of employees	
	2017	2016	2017	2016
	K'000	K'000		
January	3,761	3,206	171	177
February	3,320	3,123	171	176
March	3,161	3,059	171	179
April	3,722	3,277	169	179
May	3,232	3,016	170	180
June	3,386	3,165	171	179
July	3,424	3,306	173	179
August	4,067	3,349	171	181
September	3,292	3,210	173	182
October	3,232	3,178	172	181
November	3,369	3,147	172	183
December	4,714	4,098	172	183

The Agency paid out education allowance in January, April and August as per Condition of service while in December a performance based bonus was paid. In addition to the numbers above, the Agency does engage students on attachment to expose them to practical experience.

11. Research and development

During the year, the Agency did not incur any costs on research and development (2016: Nil).

12. Gifts and donations

During the year, the Agency made donations of K86, 200 (2016: K1, 312) to charitable organisations.

13. Property, plant and equipment

The Agency made additions to its fixed assets by purchasing property, software and equipment amounting to K3.3 million (2016: K2.7 million) during the year. In the opinion of the directors, the carrying value of property and equipment is not less than its recoverable amount.

14. Other material facts, circumstances and events

The directors are not aware of any material fact, circumstance or event which occurred between the accounting date and the date of this report which might influence an assessment of the Agency's financial position or the results of its operations.

15. Annual financial statements

The annual financial statements set out on pages 40 to 63 have been approved by the directors.

16. Auditors

The auditor, Mark Daniels, have indicated their willingness to continue in office.

By order of the Board

Secretary

22/3 2018

Patents and Companies Registration Agency
Statement of directors' responsibilities
For the year ended 31st December 2017

Section 17 of the PACRA Act, No 15 of 2010 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Agency as at the end of the financial year and of its surplus or deficit. It also requires the Directors to ensure that the Agency keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Agency. They are also responsible for safeguarding the assets of the Agency.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the law. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Agency and of its surplus or deficit in accordance with International Financial Reporting Standards. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the Directors to indicate that the Agency will not remain a going concern for at least twelve months from the date of this statement.

Board Chairperson

22.03. 2018

Board Secretary

22.03.2018

Report of the Independent Auditors

To the Members of the Patents and Companies Registration Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Patents and Companies Registration Agency (PACRA), which comprise the statement of financial position as at 31st December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the financial statements give a true and fair view of the financial position of the Patents and Companies Registration Agency as at 31st December 2017 and of its financial performance and cash flows for the year ended and have been properly prepared in accordance with the International Financial Reporting Standards

Basis for Opinion

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

Other information

Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or have no realistic alternative but to do so. Those charged with Governance are responsible for overseeing the Agency's reporting process.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PATENTS AND COMPANIES REGISTRATION AGENCY (CONTINUED)

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 Agency's internal controls.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency'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 Agency 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Agency to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Agency audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PATENTS AND COMPANIES REGISTRATION AGENCY (CONTINUED)

Report on other Legal and Regulatory Requirements

In our opinion, the financial statements of **Patents and Companies Registration Agency** as of 31st December 2017 have been properly prepared in accordance with the PACRA Act, and the accounting and other records and registers have been properly kept in accordance with the Act.

Mark Daniels

Chartered Accountants 22 March **2018**
Lusaka

Winston Kasongo

Winston Kasongo AUD/F003127
Partner signing on behalf of the firm

Patents and Companies Registration Agency
Financial statements
For the year ended 31st December 2017

Statement of comprehensive income

	Notes	2017 K'000	2016 K'000
Grant income	6	53,889	53,889
Other income	6	9,916	5,856
		63,805	59,745
Operating expenditure		(63,637)	(59,667)
Surplus before taxation		168	78
Income tax expense	3(h)	-	-
Surplus for the year		**168**	**78**

There were no items of other comprehensive income.

The notes on pages 44 to 62 form an integral part of these financial statements

Statement of financial position

	Notes	2017 K'000	2016 K'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	28,058	31,710
Intangible assets	9	6,403	5,506
		34,461	37,216
Current assets			
Inventories	10	111	-
Trade and other receivables	11	10,866	11,901
Cash and cash equivalents	12	26,715	26,957
		37,692	38,858
Total assets		**72,153**	**76,074**
EQUITY AND LIABILITIES			
Capital and reserves			
Accumulated fund		40,205	45,531
Revaluation reserve		23,647	25,347
Capital Grant		2,648	-
		66,500	70,878
Current liabilities			
Trade and other payables	13	5,653	5,196
		5,653	5,196
Total equity and liabilities		**72,153**	**76,074**

The financial statements on pages 40 to 63 were approved for issue by the Board members on________________ and signed on its behalf by:

Chairperson

Chief Executive Officer

Patents and Companies Registration Agency
Financial statements
For the year ended 31st December 2017

Statement of changes in equity

	Capital Grant K'000	Revaluation reserves K'000	Accumulated fund K'000	Total K'000
At 1st January 2016	-	27,047	49,199	76,246
Prior year adjustment			(3,746)	(3,746)
Amortisation	-	(1,700)		(1,700)
Surplus for the year			78	78
Total comprehensive income	-	-	78	78
At 31st December 2016	**-**	**25,347**	**45,531**	**70,878**
At 1st January 2017	-	25,347	45,531	70,878
Prior year adjustment		-	(289)	(289)
Additions	2,648			2,648
Reserves appropriation			(5,205)	(5,205)
Amortisation	-	(1,700)		(1,700)
Surplus for the year			168	168
Total comprehensive income	-	-	168	168
At 31st December 2017	**2,648**	**23,647**	**40,205**	**66,500**

Patents and Companies Registration Agency
Financial statements
For the year ended 31st December 2017

Statement of cash flows

	Notes	2017 K'000	2016 K'000
Cash flow from operating activities			
Surplus for the year		168	78
(Profit) on disposal of non-current assets		-	(77)
Prior year adjustments		(289)	(3,747)
Depreciation		4,221	4,353
Amortisation of software		1,866	1,635
Amortisation of revaluation reserve		(1,700)	(1,700)
Reserves appropriation		(5,205)	-
Interest received		(2,936)	(4,080)
Donated assets		2,648	-
Decrease/(increase) in receivables		1, 020	(5,702)
Increase in inventories		(111)	-
Increase/(decrease) payables		457	(2,294)
Net cash from/(used) in operations		139	(11,534)
Returns on investments and serving of finance			
Interest received		2,936	4,080
Net cash inflow on returns on investments and serving of finance		2,936	4,080
Investing activities			
Proceeds from sale of assets		-	1,434
Purchase of property, plant and equipment	8	(569)	(1,295)
Purchase of intangible assets	9	(2,763)	(1,465)
Net cash used in investing activities		(3,332)	(1,326)
Decrease in cash and cash equivalents		(257)	(8,780)
Opening cash and cash equivalents		26,972	35,752
Closing cash and cash equivalents		**26,715**	**26,972**
Represented by:			
Cash and cash equivalents	12	**26,715**	**26,972**

Notes

1. Basis of preparing financial statements

The financial statements of PACRA have been prepared on the going concern basis and in accordance with the International Financial Reporting Standards (IFRS) and comply with the requirements of the PACRA Act. They have been prepared under the historical cost convention adjusted by the revaluation of tangible fixed assets. The financial statements are presented in Kwacha and all values are rounded to the nearest thousands (K'000) except where otherwise indicated.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 Amendments to IFRSs that is mandatorily effective for the current year.

In the current year, the Agency has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

Amendments to IAS 7 Disclosure Initiative

The Agency has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both cash and non-changes.

The Agency's liabilities arising from financing activities consists of borrowings and certain other financial liabilities. The application of these amendments had had no impact on the Agency's financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The Agency has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Agency's financial statements as the Agency already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to IFRSs 2014-2016 Cycle

The Agency has applied the amendments to IFRS 12 included in the *Annual Improvements to IFRSs 2014-2016 Cycle* for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Entity.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified as held for sale. The amendments clarify that this is only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Agency's financial statements.

Notes (continued)

2.2 New and revised IFRSs in issue but not yet effective

The Agency has not applied the following new and revised IFRSs that have been issued but are not yet effective

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with customers (and the related clarifications) [1]
IFRS 16	Leases[2]
Amendments to IFRS 2	Classification and measurement of share-based payments transactions[1].
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[1]
Amendments to IAS 40	Transfers of investment property[1]
Amendments to IFRSs	Annual improvements to IFRS Standards 2014-2016 Cycle[1]
IFRIC 22	Foreign currency transactions and advance consideration[1]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

IFRS 9 financial instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:
All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes (continued)

IFRS 9 financial instruments (continued)

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and

  The types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Notes (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

IFRS 15 Revenue from contracts with customers(continued)

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet)except for short-term leases and leases of low value assets the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease

Amendments to IFRS 10 and IAS 28 sale or contribution of assets or between an investor and its associate or joint venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair

Notes (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

Amendments to IFRS 10 and IAS 28 sale or contribution of assets or between an investor and its associate or joint venture (continued)

value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Agency anticipate that the application of these amendments may have an impact on the Agency's financial statements in future periods should such transactions arise.

Amendments to IAS 40 Transfer of Investment Property
The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply. The directors of the Agency anticipate that the application of these amendments may have an impact on the Agency's consolidated financial statements in future periods should there be a change in use of any of its properties.

Annual improvements to IFRSs 2014-2016 Cycle

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Agency. The package also includes amendments to IFRS 12 which is mandatorily effective for the Agency in the current year.

The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. The directors of the Agency do not anticipate that the application of the amendments in the future will have any impact on the Agency's financial statements as the Agency is neither a first-time adopter of IFRS nor a venture capital organisation. Furthermore, the Agency does not have any associate or joint venture that is an investment entity.

Notes (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

IFRIC 22 Foreign currency transactions and advance consideration
IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non- monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

Annual improvements to IFRSs 2014-2016 Cycle (Continued)

The directors of the Agency do not anticipate that the application of the amendments in the future will have an impact on the Agency's financial statements. This is because the Agency already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

3. Principal accounting policies

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

(a) Revenue

Revenue represents receipts from grants, interest earnings and miscellaneous income is accounted for on an accrual basis.

(b) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement.

Notes (continued)

(b) **Property, plant and equipment (continued)**

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost, net of any related deferred income tax, is transferred from the revaluation surplus to retained earnings.

Depreciation is calculated to write off the cost of property, plant and equipment on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Description	Useful life	Depreciation rate
Leasehold land and buildings	50 years	2%
Furniture and fittings	4 years	25%
Computer equipment and software	4 years	25%
Motor vehicles	4 years	25%

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement in the other operating income. When revalued assets are sold, the amounts included in the revaluation surplus relating to these assets are transferred to retained earnings.

(c) Leased assets

Where property, plant and equipment are financed by leasing agreements which give rights approximating to ownership (finance leases) the assets are treated as if they had been purchased and the capital element of the leasing commitment is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements; the capital element is applied to reduce the outstanding obligations and the interest element is charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability under the lease agreement for each accounting period.

(d) Financial assets

The Agency classifies its investments into the following categories: financial assets at fair value through profit or loss, debtors and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(i) *Financial assets at fair value through income*

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial assets at fair value through income' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management.

Notes (continued)

3. Principal accounting policies (continued)

(d) Financial assets (continued)

Financial assets designated as at fair value through profit or loss at inception are those that are:

- Held in internal funds to match investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- Managed and whose performance is evaluated on a fair value basis. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

(ii) *Debtors and receivables*
Debtors and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Agency intends to sell in the short term or that it has designated as at fair value through income or available for sale. Debtors and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors and receivables is established when there is objective evidence that the Agency will not be able to collect all amounts due according to their original terms.

(iii) *Held-to-maturity financial assets*
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of debtors and receivables that the Agency's management has the positive intention and ability to hold to maturity. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Agency will not be able to collect all amounts due according to their original terms

(iv) *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Agency has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Debtors and receivables and held-to-maturity financial assets are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity.

Notes (continued)

3. Principal accounting policies (continued)

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as net realised gains or losses on financial assets.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as net realised gains or losses on financial assets.

(e) Impairment of assets

(i) *Financial assets carried at amortised cost*

The Agency assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Agency about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Agency, including:
  - adverse changes in the payment status of issuers or debtors in the Agency; or
  - National or local economic conditions that correlate with defaults on the assets in the Agency.

The Agency first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Agency determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred on debtors and receivables or Held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's

Notes (continued)

3. Principal accounting policies (continued)

(e) Impairment of assets (continued)

Original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract.
If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(ii) *Financial assets carried at fair value*
The Agency assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired. 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 the financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not subsequently reversed. The impairment loss is reversed through the income statement, if in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(iii) *Impairment of other non-financial assets*
Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(f) Cash and cash equivalents

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

(g) Borrowings

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

Notes (continued)

3. Principal accounting policies (continued)

(h) **Taxation**
The Patents and Companies Registration Agency is a statutory body exempt from income tax.

(i) **Foreign currencies**

(i) *Functional and presentation currency*
Items included in the financial statements are measured using the currency of the primary economic environment in which the Agency operates (the 'functional currency'). The financial statements are presented in Zambian Kwacha, which is the Agency's presentation currency.

(ii) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the rates of exchange prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available for sale financial assets, are included in fair value reserve in equity.

(j) **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 Agency 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. Furthermore, the Agency makes mandatory contributions to the National Pension Scheme Authority. These contributions constitute net periodic costs and are charged to the profit and loss account as part of staff costs in the year to which they relate. The Agency has no further obligation once the contributions have been paid.

(ii) **Gratuity obligations**
Under the terms of some employment contracts the Agency is obliged to pay 35% of earnings for employees serving under such employment contracts as gratuity. Provision is made in the financial statements on an accrual basis as such contracts are served out.

Notes (continued)

(k) **Provisions**

Restructuring costs and legal claims
Provisions for restructuring costs and legal claims are recognised when: the Agency 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 recognised 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 recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

4 Critical accounting estimates and judgments

The Agency makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments 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.

5 Financial risk management

During the year the Agency managed its risk within the following policies

Financial risk management objectives and policies
The Agency's principal financial liabilities comprise loans still outstanding and other payables. The main purpose of these financial liabilities is to finance the Agency's operations and to provide guarantees to support its operations. The Agency has loans, other receivables, cash and short-term deposits that arise directly from its operations.

The Agency is exposed to market risk, credit risk and liquidity risk.

The Agency's senior management oversees the management of these risks. The Agency's senior management ensures that the Agency's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Agency policies and Agency risk appetite. It is the Agency's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Market risk
Market risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Agency is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Notes (continued)

5 Financial risk management (Continued)

Liquidity risk

The Agency monitors its risk to a shortage of funds and managers liquidity risk through proper management of working capital and monitoring forecast cash flows to ensure that adequate cash resources are available to meet cash commitments.

The Agency's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Agency's reputation.

Capital management

The primary objective of the Agency's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise stakeholder value.

The Agency manages its capital structure and makes adjustments to its in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December 2017 and 2016.

6. **Revenue**

Revenue represents receipts from grants, interest earnings and miscellaneous income.

	Notes	2017 K'000	2016 K'000
(i) **Grant income**			
Ministry of finance		49,399	53,889
Grant Receivable		4,490	
Total Grant Income		**53,889**	**53,889**
(ii) **Other Income**			
Interest		2,936	4,080
Board approved Budget financing		5,205	-
Rental income		56	-
Amortisation		1,700	1,700
Miscellaneous income		19	-
Profit on disposal of assets		-	76
Total Other Income		**9,916**	**5,856**
Grand Total		**63,805**	**59,745**

7. **Surplus for the year**

The surplus for the year is stated after charging

	2017	2016
Total remuneration	43,235	39,133
Depreciation	6,088	4,353
Directors remuneration	889	1,001

Notes (continued)

8. Property, plant and equipment

(a) Summary

	Leasehold land, buildings K'000	Motor vehicles K'000	Office furniture and equipment K'000	Total K'000
Cost or valuation				
At 1 January 2016	25,025	6,287	10,128	41,440
Additions	350	-	944	1,294
Disposals	-	(379)	(2,063)	(2,442)
At 31 December 2016	25,375	5,908	9,009	40,292
Additions	-	389,	180	569
At 31st December 2017	25,375	6,297	9,189	40,861
Depreciation				
At 1 January 2016	651	2,149	2,515	5,315
Charge for the year	384	1,674	2,295	4,353
Disposals	-	(187)	(898)	(1,085)
At 31 December 2016	1,035	3,635	3,912	8,582
Charge for the year	404	1,486	2,331	4,221
At 31st December 2017	1,439	5,121	6,243	12,803
Net book value				
At 31st December 2017	**23,936**	**1,176**	**2,946**	**28,058**
At 31 December 2016	24,340	2,273	5,097	31,710

(b) In the opinion of the Directors there are no major components of property, plant and equipment which have different useful lives that would require to be depreciated separately and allocated separate residual values.

The Directors consider that the carrying value of property, plant and equipment approximates to its fair value

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Notes (continued)

	2017 K'000	2016 K'000
9. Intangible asset		
At start of year	5,506	5,675
Additions	2,763	1,465
Amortisation	(1,866)	(1,634)
At end of year	**6,403**	**5,506**

The intangible asset represents the cost of software that is amortised over the useful life of the asset.

	2017 K'000	2016 K'000
10. Inventories		
Stationery stocks	111	-
	111	**-**

	2017 K'000	2016 K'000
11. Trade and other receivables		
Trade receivables	4,496	4,671
Staff Imprest	8	-
Staff loans and advances	6,362	7,230
	10,866	11,901
Less:		
Provision for impairment losses	-	-
	10,866	**11,901**

The Directors consider that the carrying amounts of trade and other receivables approximate their fair values.

In determining the recoverability of a trade receivable the Agency considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Performance of trade receivables are reviewed by management on an on-going basis.

Maturity analysis of staff loans and advances

	2017 K'000	2016 K'000
Amounts falling due within one year	373	722
Amounts falling due after more than one year	5,997	6,508
	6,370	**7,230**

Interest is charged on staff loans at 7% pa

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Notes (continued)

	2017 K'000	2016 K'000
12. Cash and cash equivalents		
Cash and bank balances	26,715	26,972
	26,715	**26,972**
13. Trade and other payables		
Trade payables	1,065	1,025
Other payables	1,873	1,450
Provision for leave	2,714	2,721
	5,653	**5,196**

Trade and other payables principally comprise amounts outstanding in respect of trade purchases and on-going costs, as well as amounts accrued in respect of operating costs.

No interest is charged on trade payables. The Agency ensures that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

14. **Financial instruments**

The Agency's financial risk management policies and objectives have been described in detail under note 6 to the financial statements.

(a) **Categories of financial instruments**	2017 K'000	2016 K'000
Financial assets:		
-Trade receivables	4,496	7,230
-Sundry receivables	6,370	4,671
-Bank and cash	26,715	26,957
	37,581	**38,858**
Financial liabilities:		
-Trade payables	1,065	1,025
-Other payables	4,588	4,171
	5,653	**5,196**

Notes (continued)

(b) **Exposure to credit risk**

The Agency's maximum exposure to credit risk is analysed below

	2017 K'000	2016 K'000
-Trade receivables	4,496	4,671
-Sundry receivables	6,370	7,230
-Bank and cash	26,715	26,957
	37,581	**38,858**

(c) **Liquidity risk management**

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

At 31st December 2017	**1 to 12 months K'000**	**1to 5 years K'000**	**Total K'000**
Financial liabilities			
-Trade and other payables	5,653	-	5,653
	5,653	**-**	**5,653**
Financial assets			
-Staff receivables	5,989	373	6,362
-Sundry receivables	4,698	-	4,698
-Bank and cash balances	26,715	-	26,715
	37,402	**373**	**37,775**
At 31 December 2016			
Financial liabilities			
-Trade and other payables	5,196	-	5,196
	5,196	**-**	**5,196**
Financial assets			
-Staff receivables	722	6,508	7,230
-Sundry receivables	4,671	-	4,671
-Bank and cash balances	26,957	-	26,957
	32,350	**6,508**	**38,858**

Notes (continued)

15. **Related party transactions**

In the context of the Agency, related party transactions include any transactions made by any of the following:

(a) The Government of the Republic of Zambia
(b) The Board of Directors and Key management of the Agency

The following transactions were carried out with related parties:

	2017 K'000	2016 K'000
i) Grant income from GRZ		
Funding	53,889	53,889
	53,889	**53,889**
ii) Key management compensation		
Salaries and other short-term employment benefits	7,769	7,102
Defined contribution pension schemes	395	361
	8,164	**7,463**
iii) Directors' remuneration		
Fees for services as a director	889	1,001
Other emoluments (included in key management compensation above)	-	-
	889	**1,001**
iv) Loans to key management personnel		
At the start of year	2,467	2,202
Loans advanced	1,285	1,630
Loans (repaid)	(2,909)	(1,365)
At the end of year	**843**	**2,467**

Notes (continued)

16. **Contingent liabilities**
    There were no contingent liabilities as at the period-end (2016:Nil)

17. **Events subsequent to balance sheet date**
    There has not arisen since the end of the financial year any item, transactions or event of a material and unusual nature likely, in the opinion of the directors of the Agency, affect substantially the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years.

18. **Comparative figures**
    Comparative figures are restated where necessary to afford a reasonable comparison.

Detailed operating Statement

	2017	2016
Revenue	**K'000**	**K'000**
Grants	53,889	53,889
Other income	9.916	5,856
Operating income	63,805	59,745
Expenditure		
Information provision and dissemination	676	539
International meetings and conferences	1,112	808
Transport management	841	629
Asset management	7,003	6,570
Events	688	427
Corporate social responsibility	121	18
Contributions and subscriptions	265	145
Capacity building	1,019	1,840
Budget preparation	123	97
MSME development	418	180
Law reform	573	548
Health management	916	888
Cross cutting issues	276	426
Personnel emoluments	43,235	39,134
Monitoring, compliance and awareness	595	1,009
Financial management and accounting	262	128
Board administration	889	1,001
Human resource management	275	662
General administration	2,781	3,609
Information and communication technology management	834	222
Internet and data links	725	787
Impairment	11	-
	63,637	59,667
Surplus before tax	**168**	**78**

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