Public Disclosure Authorized

Public Disclosure Authorized

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Financial statements

for the year ended 31 December 2017

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Financial statements
for the year ended 31 December 2017

Contents *Page*

Management's report	1 – 5
Management's responsibilities in respect of the preparation of the financial statements	6
Independent auditor's report	7 – 9
Consolidated statement of sources and utilisation of funds for the African Development Bank and World Bank loans	10
Separate statement of sources and utilisation of funds for the African Development Bank loan	11
Separate statement of sources and utilisation of funds for the World Bank loan	12
Notes to the financial statements	13 – 18
Appendix I - Statement of the special account – African Development Bank loan	19
Appendix II - Statement of the special account – World Bank loan	20
Appendix III - Schedule of fixed assets	21 – 24

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Management's report
for the year ended 31 December 2017

Management has pleasure in presenting their report on the activities of Lusaka Water and Sewerage Company Limited (LWSC) – Lusaka Sanitation Program ("the Program") for the year ended 31 December 2017.

Principal activities

The Lusaka Sanitation Program's main objective is to increase access to sustainable sanitation services to Lusaka residents especially the urban poor and strengthen Lusaka Water and Sewerage Company's capacity to manage sanitation services. The project aims to address one of Zambia's most binding constraints to economic growth through infrastructure investment in Lusaka, the rapidly urbanizing capital. The project cost is estimated at US$ 127.83 million, of which African Development Bank (AfDB) is financing US$ 50 million or 39%, the World Bank (WB) US$ 65 million or 51%, and the Government of Zambia/ LWSC 10%. It was expected to start in 2015 but only became effective in June 2016.

The projects under review are part of a broader Lusaka Sanitation Program (LSP) being implemented by LWSC with financing from World Bank (WB), African Development Bank (AfDB), European Investment Bank (EIB) and the German Development Bank (KfW).

The LSP will provide a comprehensive city-wide approach to Lusaka's sanitation challenge and design interventions that can address this challenge in line with the Sanitation Investment Master plan which covers both off-site and on-site systems. The program will implement investments consistent with the Lusaka Sanitation Master Plan and develop LWSC's capacity to manage all aspects of sanitation, from conventional sewerage, to condominium, to on-site systems and fecal sludge management (FSM).

The projects development objective is to increase access to sustainable sanitation services in Lusaka and strengthen LWSC's capacity to effectively manage sanitation services, with particular focus on the poor.

Detailed Project Components

The program has the following components:

Component I:

Sewerage Infrastructure Developmenta and Improvements (US$ 79.5 million).

- **Climate resilient Sewerage Infrastructure Development (US$ 39.5 million) - AfDB**

This sub-component will finance climate resilient collection system upgrade and collection system expansion. The collection system upgrade and expansion will include approximately 72km of sewers to service an additional 100,000 people through 10,000 new connections.

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Management's report *(continued)*
for the year ended 31 December 2017

Detailed Project Components *(continued)*

Component I: *(continued)*

Sewerage Infrastructure Developmenta and Improvements (US$ 79.5 million). *(continued)*

- **Climate resilient Sewerage Infrastructure Development (US$ 39.5 million) – AfDB** *(continued)*

  Works contacts are packaged in five "sewer sheds" (the sewer network serving a particular part of the service area for Lusaka,) identified in the Masterplan (Manchinchi, Chunga and Matero, Ngwerere, Chelstone and Kaunda Square sewer sheds) to be financed by the World Bank and EIB. Conventional climate resilient sewerage and climate resilient condominial sewerage will be considered as appropriate. This component will also finance rehabilitation/construction of climate resilient sewage pump stations and main collectors. The Bank will finance the works in Matero/Chunga sewer shed, Chelstone sewer shed and the Kaunda square sewer shed

- **Sewerage improvements (US$ 38 million) – WB**

  The objective of this component is to upgrade and expand sewerage systems in the Ngwerere and Manchinchi sewer sheds. Collection system upgrading and expansion will be based on priority 1 investments as identified in the Lusaka Sanitation Master Plan by LWSC. Year 1 investments will include sewer network expansion in Emmasdale and Chaisa neighbourhoods and Kafue Road and upgrade of Ngwerere Western Interceptor. Year 2 to 5 investments will be network expansion in Chawama, Kuomboka and Garden, upgrade of Ngwerere Downstream Collector and upgrade and extension of Ngwerere Sewage Ponds.

Component II:

On-site sanitation and Hygiene Promotion (US$ 22 million)

- **Decentralised Sanitation and Hygiene Education (US$ 9 Million) – AfDB**

  This component aims at increasing population awareness on sanitation and hygiene education, will also finance climate resilient on-site sanitation (infrastructure sanitation facilities) in peri-urban areas where there is no sewerage system in addition to construction of climate resilient Feacal Sludge Management Units as a form of decentralised wastewater treatment in peri urban areas. This component therefore will be divided into the following main sub-component:

  (i) Sanitation, Hygiene Promotion and Education;
  (ii) climate resilient On-site Sanitation Infrastructure;
  (iii) climate resilient Public Sanitation facilities; and
  (iv) climate resilient Feacal Sludge Management.

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Management's report *(continued)*
for the year ended 31 December 2017

Detailed Project Components *(continued)*

Component II: *(continued)*

On-site sanitation and Hygiene Promotion (US$ 22 million) *(continued)*

- **Decentralised Sanitation and Hygiene Education (US$ 9 Million) – AfDB** *(continued)*

  The component shall also support sanitation marketing and hygiene promotion, which will involve developing of Gender, informed Communication Materials in consultation with Ministry of Health and Millennium Challenge Corporation (MCC) to promote improved sanitation and hygiene in the Matero/Chunga and Chelstone/ Kaunda Square Sewer sheds covered by the Bank intervention and particularly at the household level.

- **On-site sanitation (US$ 13 million) – WB**

  The objective of this component is to develop a comprehensive response to the on-site sanitation challenge facing Lusaka and support on-site sanitation services and systems in priority areas.

  This component will focus on priority peri-urban areas that will not be sewered in the medium to long-term due to technical and financial considerations. Investments will include a support fund for on-site sanitation facilities, support to the development of FSM infrastructure and service providers, construction of a number of Decentralised Wastewater Treatment Systems (DEWATS) systems, sanitation and hygiene promotion. The areas to be covered under this component will be selected after the completion of the feasibility study.

Component III:

Institutional strengthening and Capacity Buiding (US$ 13 million)

- **Institutional Support and Capacity Building (US$ 4 million) – AfDB**

  The Project will provide technical assistance focused on capacity development through training, and improving operation and maintenance of sewerage infrastructure by providing adequate specialised equipment, sewer cleaning tools and utility vehicles to replace aged equipment and vehicles. Laboratory equipment, chemicals and reagents will be provided to enhance the quality and timeliness of water quality and wastewater quality tests.

  Institutional strengthening activities will also target National and Municipal Agencies such as National Water and Sanitation Council (NWASCO), Zambia Environmental Management Agency (ZEMA) and Lusaka City Council. A Memorandum of Understanding (MOU) will be needed between LWSC and LCC outlining roles and responsibilities for implementation of component 2 of the program. This will be the basis of establishing a formal mechanism of all stakeholders in the form of a Component Coordinating Committee with clear strategy and budget to steer sanitation, hygiene and education.

Detailed Project Components *(continued)*

Component III: *(continued)*

Institutional strengthening and Capacity Building (US$ 13 million) *(continued)*

- **Institutional Support and Capacity Building (US$ 4 million) – AfDB** *(continued)*

  In addition, one staff member each from LCC, MLGH, and MCDMCH/MoH will be seconded to LWSC Project Management Unit (PMU). Their role is to act as liaison officers with their respective parent institutions and strengthen the capacity of LWSC in their respective fields of expertise.

- **Institutional strengthening (US$ 9 million) - WB**

  This component will provide technical assistance (TA) to enhance LWSC's capacity to implement the project, operate and maintain the facilities going forward, and to support the reforms needed to deliver sanitation services effectively and efficiently and to respond better to customer demand. This will include:

  (i) project management support to LWSC to implement the project,

  (ii) TA to strengthen the capacity of LWSC to provide sanitation services and preparation funds for future investments and equipment for sewer maintenance and labs, and

  (iii) building capacity for monitoring program implementation and impacts in LWSC, LCC, MCDMCH and MoH.

  Specific activities to be included under the Technical Assistance include:

  (a) HR strategy to consider realigning sewerage and sanitation departments;
  (b) revenue enhancement strategies to ensure cost recovery of sewerage and sanitation services,
  (c) asset management strategy to improve management of sanitation assets;
  (d) improved customer care, in particular around sewerage blockages and new sanitation activities;
  (e) continuation of the shadow credit rating undertaken during preparation (funded by PPIAF);
  (f) continuation of the performance contract between LWSC management and branches; and
  (g) various training activities and strategic studies (such as an update of the Sanitation Master Plan).

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Management's report *(continued)*
for the year ended 31 December 2017

Detailed Project Components *(continued)*

Component IV:

Programme Management (US$ 3 million) – AfDB

This component includes Engineering Services and accompanying measures: A consulting firm will be recruited to carry out design reviews, detailed designs were required, prepare tender documents, assist with procurement and supervise works construction. Incremental operating costs related to Management and implementation of the project are also included, as well as the cost of annual project audits. This component also includes land acquisition and compensation, if sewers shall pass through private land, the owners will be compensated for any damage to property, trees and crops, etc, by Government and according to Government's established procedures.

The Project Implementation Department shall be responsible for the program implementation and successful delivery of its outputs.

J Kampata.

Eng Jonathan Kampata
Managing Director

30 June **2018**

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Management's responsibilities in respect of the preparation of the financial statements

Management are responsible for the preparation and fair presentation of the Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program's ("the Program") financial statements comprising the Consolidated statement of sources and utilisation of funds for the African Development Bank and World Bank loans, separate statements of sources and utilisation of funds for the African Development Bank and the World Bank loans for the year ended 31 December 2017, and the notes to the financial statement, which include a summary of significant accounting policies and other explanatory notes, in accordance with accounting policies described in note 2 and the requirements of the loan agreements between the Government of the Republic of Zambia and African Development Bank and World Bank.

Management are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management, as well as preparation of the supplementary schedule included in the financial statements.

Management has made an assessment of the Lusaka Water and Sewerage Company Limited – Lusaka Sanitation Program's ability to continue as a going concern and have no reason to believe that the project will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework as described above.

Approval of the financial statements

The financial statements of Lusaka Water and Sewerage Company Limited – Lusaka Sanitation Program, as identified in the first paragraph, were approved by Management on 30 June 2018 and were signed on its behalf by:

Eng Jonathan Kampata
Managing Director

Matilda Mwansa
Director of Finance

KPMG Chartered Accountants
First Floor, Elunda Two
Addis Ababa Roundabout
Rhodes Park, Lusaka
P O Box 31282
Lusaka, Zambia

Telephone +260 211 372 900
Website www.kpmg.com

Independent auditor's report

To the members of Lusaka Water and Sewerage Company Limited – Lusaka Sanitation Program

Report on the financial statements

Opinion

We have audited the financial statements of Lusaka Water and Sewerage Company Limited – Lusaka Sanitation Program ("the Program") set out on pages 10 to 18, which comprise the Consolidated statement of sources and utilisation of funds for the African Development Bank and World Bank loans, separate statement of sources and utilisation of funds for the African Development Bank and World Bank loans for the year ended 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lusaka Water and Sewerage Company Limited – Lusaka Sanitation Program as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with accounting policies described in note 2 and the requirements of the loan agreements between the Government of the Republic of Zambia and African Development Bank and World Bank.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Program in accordance with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (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.

Basis of accounting and restriction on use and distribution

The financial statements has been prepared in accordance with the basis of accounting described in note 2 to assist management of the Lusaka Water and Sewerage Company Limited – Lusaka Sanitation Program to comply with the financial reporting provisions of the loan agreements. As a result, the financial statements and related auditor's report may not be suitable for another purpose. Our report is intended solely for the Lusaka Water and Sewerage Company Limited – Lusaka Sanitation Program, the Government of the Republic of Zambia, the African Development Bank and the World Bank and should not be distributed to or used by parties other than the Lusaka Water and Sewerage Company Limited – Lusaka Sanitation Program, the Government of the Republic of Zambia, the African Development Bank and the World Bank.

Other matters

The financial statements of Lusaka Water and Sewerage Company Limited – Lusaka Sanitation Program for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion in their report dated 30 June 2017.

KPMG Chartered Accountants, a Zambian partnership, is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Partners: A list of the partners is available at the above mentioned address.

Other Information

Management are responsible for the other information. The other information comprises the Management's report, Management's responsibilities in respect of the preparation of the financial statements and appendix I to III set out on pages 19 to 24. Other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management for the financial statements

Management are responsible for the preparation and fair presentation of the financial statements in accordance with accounting policies described in note 2 and the requirements of the loan agreements between the Government of the Republic of Zambia and African Development Bank and World Bank, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management are responsible for assessing the Program'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 intend to liquidate the Program or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 Program's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Program to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 control that we identify during our audit.

KPMG Chartered Accountants 31/08/ **2018**

Maaya Chipwayambokoma **AUD/F000861**
Partner

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 ZM

Consolidated statement of sources and utilisation of funds for the African Development Bank and World Bank loans

for the year ended 31 December 2017

In United States Dollar

	Note	2017	2016	Cumulative to 31 December 2017
Funds available at 1 January		**582,315**	2,170,080	-
Funds received	4	**9,480,411**	699,277	13,179,673
Direct payments	5	**1,632,686**	6,700	1,639,386
Interest received	6	**59,968**	38	60,006
Other income	7	**9,767**	-	9,767
Total funds avaliable		**11,765,147**	2,876,095	14,888,832
Expenditure				
Works	8	**(2,716,946)**	-	(2,716,946)
Goods	9	**(1,476,038)**	(292,114)	(1,853,607)
Consultancy services	10	**(1,737,241)**	(1,360,406)	(3,727,985)
Training	11	**(325,458)**	(108,982)	(486,357)
Program management	12	**(737,713)**	(523,403)	(1,323,311)
Other expenses	13	**(114,174)**	(8,875)	(123,049)
Total direct expenditure		**(7,107,570)**	(2,293,780)	(10,231,255)
Surplus of funds over expenditure		**4,657,577**	582,315	4,657,577
Exchange movement	14	**9,564**	-	9,564
Funds available at 31 December		**4,667,141**	582,315	**4,667,141**
Represented by:				
Assets				
Cash and cash equivalents	15	**4,667,141**	582,315	**4,667,141**

The financial statements were approved by management on 30 June 2018 and were signed on its behalf by:

Eng Jonathan Kampata
Managing Director

Matilda Mwansa
Director of Finance

The notes on pages 13 to 18 are an integral part of these financial statement

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646-ZM

Statement of sources and utilisation of funds for the African Development Bank loan
for the year ended 31 December 2017

In United States Dollar

	Note	2017	2016	Cumulative to 31 December 2017
Funds available at 1 January		**537,936**	538	538
Funds received	4	-	699,277	699,277
Direct payments	5	**1,632,686**	6,700	1,639,386
Interest received	6	**36**	38	74
Other income	7	**9,767**	-	9,767
Total funds avalaible		**2,180,425**	706,553	2,349,042
Expenditure				
Works	8	**(190,998)**	-	(190,998)
Goods	9	**(1,020,517)**	-	(1,020,517)
Consultancy services	10	**(633,826)**	(82,750)	(716,576)
Training	11	**(29,030)**	-	(29,030)
Program management	12	**(185,939)**	(76,992)	(262,931)
Other expenses	13	**(114,174)**	(8,875)	(123,049)
Total direct expenditure		**(2,174,484)**	(168,617)	(2,343,101)
Surplus of funds over expenditure		**5,941**	537,936	5,941
Exchange movement	14	**475**	-	475
Funds available at 31 December		**6,416**	537,936	6,416
Represented by:				
Assets				
Cash and cash equivalents	15	**6,416**	537,936	6,416

The financial statements were approved by management on 30 June 2018 and were signed on its behalf by:

Eng Jonathan Kampata
Managing Director

Matilda Mwansa *Director of Finance*

The notes on pages 13 to 18 are an integral part of these financial statement

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Statement of sources and utilisation of funds for the World Bank loan
for the year ended 31 December 2017

In United States Dollar

	Note	2017	2016	Cumulative to 31 December 2017
Funds available at 1 January		**44,379**	2,169,542	46
Funds received	*4*	**9,480,411**	-	12,480,396
Interest received	*6*	**59,932**	-	59,932
Total funds available		**9,584,722**	2,169,542	12,540,374
Expenditure				
Works	*8*	**(2,525,948)**	-	(2,525,948)
Goods	*9*	**(455,521)**	(292,114)	(833,090)
Consultancy services	*10*	**(1,103,415)**	(1,277,656)	(3,011,993)
Training	*11*	**(296,428)**	(108,982)	(457,326)
Program management	*12*	**(551,774)**	(446,411)	(1,060,381)
Total direct expenditure		**(4,933,086)**	(2,125,163)	(7,888,738)
Surplus of funds over expenditure		**4,651,636**	44,379	4,651636
Exchange movement	*14*	**9,089**	-	9,089
Funds available at 31 December		**4,660,725**	44,379	4,660,725
Represented by:				
Assets				
Cash and cash eqivalents	*15*	**4,660,725**	44,379	4,660,725

The financial statements were approved by management on 30 June 2018 and were signed on its behalf by:

Eng Jonathan Kampata
Managing Director

Matilda Mwansa
Director of Finance

The notes on pages 13 to 18 are an integral part of these financial statement

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Notes to the financial statements
for the year ended 31 December 2017

1 Reporting entity

The Lusaka Water and Sewerage Company Limited – Lusaka Sanitation Program ("Program) is domiciled in Zambia. The address of its registered office is LWSC DG Office, Plot 1 Chila Road, Kabulonga, Lusaka, Zambia The Program aims at supporting the Government of the Republic of Zambia's ongoing commitment to water and sanitation sector reforms by increasing access to sustainable sanitation services in Lusaka and strengthen LWSC's capacity to effectively manage sanitation services, with particular focus on the urban poor.

The main Components of the program include:

a. Sewerage Infrastructure Improvements.
b. On-Site Sanitation
c. Institutional Strengthening
d. Programme Management

2 Basis of preparation

These financial statement have been prepared on a cash basis of accounting and in accordance with the requirements of the loan agreements between Lusaka Water and Sewerage Company Limited – Lusaka Sanitation Program and the Government of the Republic of Zambia, the African Development Bank and the World Bank.

Details of the Program's accounting policies are included in note 17 to the financial statements.

Change in accounting framework

During the year under review, Management changed the accounting framework from International Public Sector Accounting Standards (IPSAS) cash basis of accounting to Generally Accepted Accounting Principles cash basis of accounting to align with LWSC accounting policies. There is no impact on the comparative consolidated and separate statements of sources and utilisation of funds.

3 Functional and presentational currency

The financial statement are presented in United States American Dollars (USD), which is the Program's functional currency. Except as otherwise indicated, the financial information presented has been rounded off to the nearest Dollar.

In United States Dollar

4 Funds received

	2017	2016
Africa Development Bank	-	699,277
World Bank	**9,480,411**	-
	9,480,411	699,277

These relate to amount received into the special accounts of the respective donors during the year.

5 Direct payments

	2017	2016
Africa Development Bank	**1,632,686**	6,700

Direct payments relate to expenditure paid for directly by the donors.

6 Interest received

Africa Development Bank	**36**	38
World Bank	**59,932**	-
	59,968	38

7 Other income

Africa Development Bank	**9,767**	-

Other income relates to unutilised funds transferred back to the special account from the Kwacha account.

8 Works

African Development Bank		
Construction of public toilet facilities	**190,998**	-
	190,998	-
World Bank		
Sewer Network expansion and upgrade Kafue road	**657,723**	-
Sewer Network expansion and upgrade Emmasdale	**1,851,734**	-
Livelihood restoration for year 1 PAP's	**16,491**	-
	2,525,948	-
Total Works	**2,716,946**	-

9 Goods

African Development Bank	2017	2016
Support to NWASCO	**10,097**	-
LWSC	**1,010,420**	-
	1,020,517	-
World Bank		
Supply and delivery of equipment for sewer maintenance	**22,948**	-
Supply and delivery laboratory equipment	**332,803**	-
Supply and delivery of motor bikes*	**97,128**	135,482
Supply and delivery of office equipment	-	68,813
Supply and delivery of office furniture	-	33,079
Supply and installation of software	**2,642**	54,740
	455,521	292,114
Total Goods	**1,476,038**	292,114

*This relates to 37 motor bikes for LCC, LWSC and MoH.

10 Consultancy services

African Development Bank		
Support to NWASCO	**22,524**	15,000
Support to LCC	**33,055**	-
LWSC	**578,247**	67,750
	633,826	82,750
World Bank		
Supervision of year 1 works	**507,100**	-
Detailed design and supervision of year 2-5 sub projects	**181,249**	-
Shadow credit rating	**31,000**	
Sanitation marketing services	**143,750**	-
Technical assistance to set up monitory and evaluation system	**147,144**	-
Feasibility studies sewerage and on site sanitation	-	963,141
Baseline and socio economic study	-	186,754
Institution assessment and technical assistance to LWSC	-	80,196
Support to LWSC social safe guard teams	**2,786**	-
Development of national monitory & evaluation framework	**90,386**	21,596
Property valuation and economic	-	17,814
Preparation of the project implementation manual	-	8,155
	1,103,415	1,277,656
Total consultancy services	**1,737,241**	1,360,406

11 Training

	2017	2016
African Development Bank	**29,030**	-
World Bank	**296,428**	(108,982)
Total training	**325,458**	(108,982)

12 Program management

African Development Bank		
Support to NWASCO	**-**	15,000
LWSC	**185,939**	61,992
	185,939	76,992
World Bank		
Staff cost	**468,784**	446,411
Advertising, evaluation and other cost	**82,990**	-
	551,774	446,411
Total program management	**737,713**	523,403

13 Other expenses

African Development Bank	**114,174**	8,875

14 Exchange movement

African Development Bank	**475**	-
World Bank	**9,089**	-
	9,564	-

15 Cash and cash equivalents

African Development Bank	**6,416**	537,936
World Bank	**4,660,725**	44,379
Total	**4,667,141**	582,315

16 Subsequent events

There were no subsequent events requiring disclosure or adjustment to these financial statements.

17 Significant accounting policies

The Project has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

a) Income recognition
b) Foreign currencies
c) Cash and cash equivalents
d) Taxes
e) Employee benefits
f) Expenditure
g) Capital expenditure

a) Income recognition

Grant income

Grant income is recognised when funds are received from African Development and World Bank.

Direct payment

Direct payment to third parties by the financier are recognized as income when the financier make payments directly for goods, services or contractor for works.

Interest income

Interest income recognised when earned and received.

b) Foreign currencies

The financial statements are prepared in USD. Funds received are converted from USD to local currency at the exchange rates ruling at the date of the transactions.

The cash balances at the yearend are translated at the closing rate obtained from the bank were the accounts are held and any exchange gains or loss are recognized in the income and expenditure.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand and at bank. Cash and cash equivalents are carried at face value.

d) Taxes

Value Added Tax (VAT)

Expenses and assets are recognised net of the amount of VAT, except:

When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

17 Significant accounting policies *(continued)*

e) Employee benefits

i) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the project has a present legal or constructive obligation to pay this amount as a result of a past service provided by the employee and the obligation can be estimated reliably.

For fixed contract employees an additional payment is payable after six months and at the end of the contract period and is accrued as a provision and settled at the end of the contract period. Contract period is for one year.

ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. The project contributes to National Pension Scheme Authority (NAPSA) for its eligible employees as provided by law. The project's contribution is charged to profit and loss in the year in which it arises.

f) Expenditure

Expenditure represents the total amount incurred on project activities under the loan agreements.

g) Capital expenditure

Items of a capital nature are expensed at the time of acquisition.

Appendix I

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Statement of the special account African Development Bank
for the year ended 31 December 2017

African Development

1.	**Advances for the period**	
		USD account
	Special Account Replenishment	-
	Interest received	**36**
	Transfer from Kwacha/Dollar	**9,767**
	Refunds (redeposited from Zanaco Account)	-
	Total advance received	**9,803**
2.	**Balance in the special account**	**537,936**
3.	**Eligible expenditure paid during the year from Special Account ***	**(541,798)**
4.	**Total advances accounted for (3)**	**(541,798)**
5.	**Difference (1 – 4)**	**5,941**
6.	**Add: exchange movement on cash balance in Kwacha Account**	**475**
	Analysed in cash and bank balance	
	Cash and cash equivalent	**6,416**

*Note: The Eligible expenditure exclude Direct Payments

Appendix II

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Statement of the special account World Bank
for the year ended 31 December 2017

World Bank

1	**Advances for the period**	
		USD account
	Disbursement to the Designated Account	**9,480,411**
	Interest received	**59,932**
	Transfer from Dollar Account	**-**
	Total Funds received	**9,540,343**
2	**Balance in the Designated Account**	**44,379**
3	**Eligible expenditure paid during the period (Total expenditure less payables)**	**(4,933,086)**
4	**Total advances accounted for (3)**	**(4,933,086)**
5	**Difference (1 – 4)**	**4,651,636**
6	**Add: exchange movement cash balance in Kwacha Account**	**9,089**
	Analysed in cash and bank balance	
	Cash and cash equivalent	**4,660,725**

Appendix III

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Schedule of fixed assets
for the year ended 31 December 2017

Asset ID/Code	Item Description	Year	Amount (ZMW)
MTV-000458	Mazda BT50 double cab BAC 1176- PIU	12/9/2015	367,419.43
MTV-000459	Mazda BT50 double cab BAC 1178- PIU	12/9/2015	367,419.43
MTV-000460	Mazda BT50 double cab BAC 1175- PIU	12/9/2015	367,419.43
MTV-000483	Toyotal Hilux BAB 7097	1/9/2016	275,000.00
MTV-000484	Toyotal Hilux BAB 7098	1/9/2016	275,000.00
OFE-002743	Standard high back chair- LSP	3/1/2016	1,024.14
OFE-002744	Standard high back chair- LSP	3/1/2016	1,024.14
OFE-002745	Standard high back chair- LSP	3/1/2016	1,024.14
OFE-002746	Standard high back chair- LSP	3/1/2016	1,024.14
OFE-002747	Standard high back chair- LSP	3/1/2016	1,024.14
OFE-002748	Standard high back chair- LSP	3/1/2016	1,024.14
OFE-002749	Standard high back chair- LSP	3/1/2016	1,024.14
OFE-002750	Standard high back chair- LSP	3/1/2016	1,024.14
OFE-002754	4 seater cluster table- LSP	3/1/2016	17,855.16
OFE-002755	4 seater cluster table- LSP	3/1/2016	17,855.16
OFE-002756	Conference chair- LSP	3/1/2016	848.28
OFE-002757	Conference chair- LSP	3/1/2016	848.28
OFE-002758	Conference chair- LSP	3/1/2016	848.28
OFE-002759	Conference chair- LSP	3/1/2016	848.28
OFE-002760	Conference chair- LSP	3/1/2016	848.28
OFE-002761	Conference chair- LSP	3/1/2016	848.28
OFE-002762	Conference chair- LSP	3/1/2016	848.28
OFE-002763	Conference chair- LSP	3/1/2016	848.28
OFE-002764	Conference chair- LSP	3/1/2016	848.28
OFE-002765	Conference chair- LSP	3/1/2016	848.28
OFE-002766	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002767	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002768	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002769	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002770	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002771	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002772	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002773	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002774	Sleigh base visitor's chair- LS350	3/1/2016	848.28

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Schedule of fixed assets

for the year ended 31 December 2017

Asset ID/Code	Item Description	Year	Amount (ZMW)
OFE-002775	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002776	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002777	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002778	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002779	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002780	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002781	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002782	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002783	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002784	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002785	Sleigh base visitor's chair- LS350	3/1/2016	848.28
OFE-002722	ockable glass door cabinet- LSP	3/24/2016	3,200.00
OFE-002724	Lockable glass door cabinet- LSP	3/24/2016	3,200.00
OFE-002725	Lockable glass door cabinet- LSP	3/24/2016	3,200.00
OFE-002726	Lockable glass door cabinet- LSP	3/24/2016	3,200.00
OFE-002727	Lockable glass door cabinet- LSP	3/24/2016	3,200.00
OFE-002728	Lockable glass door cabinet- LSP	3/24/2016	3,200.00
OFE-002729	Lockable glass door cabinet- LSP	3/24/2016	3,200.00
OFE-002730	Lockable glass door cabinet- LSP	3/24/2016	3,200.00
OFE-002731	Lockable glass door cabinet- LSP	3/24/2016	3,200.00
CPE-001586	HP450 G2 Laptop- PIU- CND6010TBV-S.E.IMPL sanitation project	4/4/2016	14,000.00
CPE-001587	HP450 G2 Laptop- PIU- CND6010JCL-S.E.PROJ sanitation project	4/4/2016	14,000.00
CPE-001589	HP250 G3 Laptop- PIU- CND5464LJX-Director IPD	4/4/2016	10,200.00
CPE-001591	HP250 G3 Laptop- PIU- CND5464LSS-Accountant Projects	4/4/2016	10,200.00
CPE-001592	HP250 G3 Laptop- PIU- CND5464LBW-Procurement Specialist	4/4/2016	10,200.00
CPE-001593	HP250 G3 Laptop- PIU- CND5464L1Y-Safeguards Specialist	4/4/2016	10,200.00
CPE-001597	HP250 G3 Laptop- PIU- CND5464M90-Senior Engineer IPD	4/4/2016	10,200.00
CPE-001598	HP Lazerjet Enterprise 500 Colour Printer-PIU-Sanitation Pro	4/4/2016	24,000.00
OFE-002732	L-Shaped office desk- LSP	4/5/2016	3,000.00

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Schedule of fixed assets
for the year ended 31 December 2017

Asset ID/Code	Item Description	Year	Amount (ZMW)
OFE-002733	L-Shaped office desk- LSP	4/5/2016	3,000.00
OFE-002734	L-Shaped office desk- LSP	4/5/2016	3,000.00
OFE-002735	L-Shaped office desk- LSP	4/5/2016	3,000.00
OFE-002736	L-Shaped office desk- LSP	4/5/2016	3,000.00
OFE-002737	L-Shaped office desk- LSP	4/5/2016	3,000.00
OFE-002738	L-Shaped office desk- LSP	4/5/2016	3,000.00
OFE-002739	L-Shaped office desk- LSP	4/5/2016	3,000.00
OFE-002740	Conference table- LSP	4/5/2016	9,000.00
OFE-002741	Executive high back swivel chair- LSP manager	5/10/2016	2,760.00
MTV-000476	Mazda BT50 double cab BAC 9117- PIU	7/1/2016	335,667.91
MTV-000477	Mazda BT50 double cab BAC 9057- PIU	7/1/2016	335,667.91
MTV-000478	Mazda BT50 double cab BAC 9085- PIU	7/1/2016	335,667.91
CPE-001574	CISCO 1941 Router- PIU Sanitation Project	7/1/2016	30,050.00
CPE-001596	HP250 G3 Laptop- PIU- CND5464L91	7/1/2016	10,200.00
OFE-002666	Microwave- PIU LSP	7/1/2016	1,206.03
CPE-001588	HP450 G2 Laptop- PIU- CND6010JBK- M&E Spe- sanitation project	8/17/2016	14,000.00
MTV-000482	Toyotal Hilux BAB 7096	9/1/2016	275,000.00
OFE-002670	Samsung refridgerator- S/N#54944DADB00162A- PIU Sanitation p	9/5/2016	4,199.00
OFE-002667	Rexel RDM 1170 paper shredder- PIU Sanitation project	9/6/2016	20,065.43
OFE-002668	Canon digital camera EOS 80D 18-55- PIU Sanitation project	9/6/2016	18,978.62
OFE-002669	Canon LV multi-media projector- PIU Sanitation project	9/6/2016	10,812.80
CPE-001602	Canon IR advance multi purpose printer- LSP	9/29/2016	28,105.03
OFE-002700	Office high back swivel chair- LSP- M&E Specialist	10/1/2016	1,288.79
OFE-002704	Office desk with pedastal- LSP- M&E Specialist	10/1/2016	3,480.00
OFE-002707	2 door cabinet- LSP- M&E Specialist	10/1/2016	3,500.00
OFE-002708	Kitchen cupboard- LSP kitchen	10/1/2016	2,700.00

Lusaka Water and Sewerage Company Limited - Lusaka Sanitation Program

African Development Bank - Loan No 2000130013680
World Bank - IDA Credit No 5646 - ZM

Schedule of fixed assets
for the year ended 31 December 2017

Asset ID/Code	Item Description	Year	Amount (ZMW)
OFE-002709	Leather high back chair- LSP-	10/1/2016	2,800.00
OFE-002710	Leather high back chair- LSP-	10/1/2016	2,800.00
OFE-002711	Leather high back chair- LSP-	10/1/2016	2,800.00
OFE-002712	Leather high back chair- LSP-	10/1/2016	2,800.00
OFE-002713	Leather high back chair- LSP-	10/1/2016	2,800.00
OFE-002714	Leather high back chair- LSP-	10/1/2016	2,800.00
OFE-002715	Leather high back chair- LSP-	10/1/2016	2,800.00
OFE-002716	Leather high back chair- LSP-	10/1/2016	2,800.00
OFE-002717	Leather high back chair- LSP-	10/1/2016	2,800.00
CPE-001600	Lenovo laptop- #PFOFX1DU- Procurement officer-LSP	11/22/2016	12,010.00
MTV-000485	BAE 6077- MITSUBISHI L200 S/CAB- LSP SEWER MAINTENANCE	2/16/2017	242,537.75
MTV-000486	BAE 6078- MITSUBISHI L200 S/CAB- LSP WWTP-CHUNGA	2/16/2017	242,537.75
MTV-000487	BAE 6469- MITSUBISHI L200 S/CAB- LSP SAFEGUARDS	2/16/2017	242,537.75
MTV-000488	BAE 6470- MITSUBISHI L200 D/CAB- LSP EFFLUENT & POLLUTION CO	2/16/2017	321,733.75
MTV-000489	BAE 6471- MITSUBISHI L200 D/CAB- LSP MONITORING & EVALUATION	2/16/2017	321,733.75
MTV-000490	BAE 6472- MITSUBISHI L200 S/CAB- LSP SEWER MAINTENANCE	2/16/2017	242,537.75
MTV-000492	BAE 7503- VW AMAROK- LSP PROJECT MANAGER	3/15/2017	344,350.00
CPE-001615	HP 450 LAPTOP- LSP ACCOUNTANT	6/19/2017	9,048.00
CPE-001628	HP Pro-desk 490- LSP	10/1/2017	13,968.00
CPE-001629	HP Pro-desk 490- LSP	10/1/2017	13,968.00
CPE-001630	HP Pro-desk 490- LSP	10/1/2017	13,968.00
CPE-001631	Canon Multi-Purpose Industrial Printer- LSP	10/1/2017	93,450.00
CPE-001632	Beyonder Binder- LSP	10/1/2017	5,150.00
CPE-001627	Kyocera multi-functional copier- LSP	10/5/2017	21,692.00