Common Market for Eastern and Southern Africa (COMESA)

African Development Bank (AfDB) Airspace Integration Project

Financial statements

for the year ended 31 December 2017

COMESA - Airspace Integration Project

Financial statements
for the year ended 31 December 2017

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COMESA - Airspace Integration Project

Project Implementation Report

for the year ended 31 December 2017

Introduction

The African Development Bank (AfDB) is financing the COMESA Integrated Air Space Project, which has a higher objective of assisting the COMESA region in implementing a unified upper airspace and deploying a regional specialized satellite-based air navigation technology. The Project consists of 5 main components: i) determining Legal and Institutional Framework, ii) assessing Technical and Financial Feasibility, iii) delivering Transaction Advisory, iv) technical assistance to establish a Regulatory Framework and Agency, v) Project Management, Monitoring and Evaluation, and Audit to support the Project Implementation Unit (PIU), which is based in Kigali, Rwanda.

The Project which was approved in August 2010 has a Grant, totaling UA 5.75 million. The Grant Agreement entered into force upon signature on 24th February 2011, and became effective on 5th August 2011, with a current disbursement closing date of 30th June 2019.

The project has an implementation unit based in Kigali, Rwanda comprising:

(i) the Project Manager;
(ii) Legal and Regulatory Expert;
(iii) Senior Administrative Assistant; and
(iv) Driver.

The Legal and Regulatory Expert has been Acting Project Manager since the departure of the substantive Project Manager at the end of July 2016.

Objectives of the COMESA Airspace Integration Project

The objectives of the project are:

(i) To determine suitable legal and institutional requirements to establish a cooperative Regional Framework for a unified airspace in the COMESA region;
(ii) To Prepare detailed analysis of strategic technical, financial, and operational options for the provision of upper airspace navigation services using CNS/ATM and make recommendation for implementation modalities; and
(iii) To build the partnerships needed for implementing the project and promote private sector participation in financing and operating regional air transport infrastructure and services.

The goal of the COMESA Airspace Integration project is to deepen regional integration by providing safe, efficient air navigation services in a unified airspace to support trade, tourism and regional socio-economic integration in the COMESA region.

KEY ACHIEVEMENTS/HIGHLIGHTS OF 2017

1. Establishment of Cooperative Legal and Institutional Regional Framework; and Establishment of Regulatory Framework and Agency Studies

Deliverables of the two studies were approved by the Project Steering Committee, Directors of Civil Aviation, Ministers of Infrastructure and COMESA Council in June, October and November 2017 respectively. The following deliverables were approved under the study on the *Establishment of Cooperative Legal and Institutional Regional Framework;*

a. Regulations establishing the COMESA Seamless Upper Airspace which provide a collaborative framework for COMESA Member States to jointly manage the upper airspace in the following areas:

(i) Air navigation service provider requirements in the Seamless Upper Airspace;
(ii) Rules of the Air for the COMESA Region Airspace;
(iii) The Seamless Upper Airspace network functions and services;
(iv) Architecture of the Seamless Upper Airspace;
(v) Licensing requirements for air traffic services personnel providing air navigation services in the Seamless Upper Airspace;
(vi) Design and ownership of the interoperable air traffic management network in the Seamless Upper Airspace;
(vii) Flexible use of the Seamless Upper Airspace;
(viii) Collection, analysis and exchange of safety data for the Seamless Upper Airspace;
(ix) Economic regulatory environment;
(x) Performance schemes for air navigation services; and
(xi) Capacity building and establishment of data base of experts.

b. Deliverables approved under the study on the Establishment of Regulatory Framework and Agency are the following;

(i) Assessment report on Establishment of a Regulatory Framework and Agency for the COMESA Airspace Integration Project;
(ii) Agreement for the setting up of the COMESA aviation Agency;
(iii) Civil-Military Interface Framework and Model MoU for the establishment of National Civil/Military Committees;
(iv) Model Safety and Economic Regulations and Guidelines; organization structure; and
(v) Framework for the Business and Strategic Plan of the Agency.

2. Assessment of Technical and Financial Feasibility Study

The third study on the Assessment of Technical and Financial Feasibility undertaken by Egis Avia and Helio consortium was successfully completed in June 2017 and deliverables subsequently approved up to COMESA Council level.

3. Benchmarking Tour and Training

Two officials from each of the seven Steering Committee Member States, Project Management Unit and COMESA Secretariat undertook a benchmarking tour of EUROCONTROL and Maastricht Upper Area Control Centre from the 27th of February to 3rd March 2017.

4. Staff Contracts

The contracts for the Legal and Regulatory Expert, Senior Administrative Assistant and Driver were extended to 30th March 2018. The Legal and Regulatory Expert acted as Project Manager throughout 2017.

5. Grant disbursement period extension

The Grant Disbursement Period was extended from 30th June 2017 to 30th June 2019.

Special Account
The Bank disbursed $112,400 into the Project Special Account in 2017.

Consultants
The Bank disbursed a total of USD 617,215 (Euro 535,013) directly to the Consultants against deliverables during the year.

CHALLENGES/CONSTRAINTS

Some activities could not be completed within the extended grant disbursement period due to delays in commencement and internal COMESA requirements for legal drafting. The fourth study on Detailed Design/Transaction Advisory could not be carried out because Member States agreed that the project will be funded by governments as opposed to being funded by the private sector.

Cmkapwepwe

Chileshe Mpundu Kapwepwe

Secretary General

Date:

COMMON MARKET FOR
EASTERN AND SOUTHERN AFRICA
09 AUG 2018
SECRETARY GENERAL'S OFFICE
P.O. BOX 30051, LUSAKA.

COMESA - Airspace Integration Project

Statement of responsibility in respect of the preparation of financial statements

In accordance with the COMESA rules and regulation, the Secretary General is responsible for the preparation and fair presentation of the COMESA - Airspace Integration Project financial statements, comprising the statement of financial position as at 31 December 2017, statements of income and expenditure and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the requirements of the COMESA financial rules and regulations and the Protocol of agreement between COMESA and the African Development Bank.

The Secretary General is also responsible for such internal control as he determines are 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 schedules included in the financial statements.

The Secretary General has made an assessment of the COMESA - Airspace Integration Project's ability to continue as a going concern and has no reason to believe 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.

Approval of the financial statements

The financial statements of COMESA - Airspace Integration Project, as identified in the first paragraph, were approved by the Secretary General on ....10/08/18.......and signed by:

Secretary General

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA
09 AUG 2018
SECRETARY GENERAL'S OFFICE
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Independent auditor's report

To the members of COMESA – Airspace Integration Project

Report on the audit of the financial statements

Opinion

We have audited the financial statements of COMESA – Air Space ("the Project"), which comprise the statement of financial position as at 31 December 2017, the statements of income and expenditure and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 8 to 23.

In our opinion, the financial statements present fairly, in all material respects, the financial position of COMESA – Airspace Integration Project as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the COMESA financial rules and regulations and the protocol of agreement between COMESA and African Development 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 Project in accordance with 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.

Other information

The Secretary General is responsible for the other information. The other information comprises the Project Implementation Report, the statement of responsibility in respect of the preparation of financial statements and supplementary information set out on pages 24 -30. The other information does not include the financial statements and opinion thereon.

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

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

Responsibilities of the Secretary General for the financial statements

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the requirements of the COMESA rules and regulations and the Protocol of Agreement between COMESA and African Development Bank, and for such internal control as the Secretary General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary General is responsible for assessing the programme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Secretary General either intends to liquidate the programme or to cease operations, or has 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 scepticism throughout the audit. We also:

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

KPMG

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

KPMG Chartered Accountants 10 **August 2018**

Cheelo Hamuwele **AUD/F001044**

Audit Principal

COMESA - Airspace Integration Project

Statement of financial position
for the year ended 31 December 2017

In United States Dollars

	Note	**2017**	2016
Assets			
Current assets			
Receivables	*8*	**3,531**	35,708
Amounts due from related parties	*10*	**9,690**	840,941
Cash and cash equivalents	*9*	**63,206**	95,784
Total assets		**76,427**	972,433
Liabilities			
Current liabilities			
Deferred income	*11*	**60,529**	128,384
Payables	*12*	**15,898**	844,049
Total liabilities		**76,427**	972,433

The financial statements were approved by the Secretary General on ....10.08.2018 and signed by:

....

Secretary General

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09 AUG 2018
SECRETARY GENERAL'S OFFICE
P.O. BOX 30051, LUSAKA.

The notes on pages 11 to 23 are an integral part of these financial statements.

COMESA - Airspace Integration Project

Statement of income and expenditure
for the year ended 31 December 2017

In United States Dollars

	Notes	**2017**	2016
Income			
Grant receivable from Africa Development Bank	*4*	**807,160**	3,062,840
Total income		**807,160**	3,062,840
Expenditure			
Personnel costs		**116,400**	168,400
Travel		**11,051**	22,790
Meetings and workshops	*5*	**13,566**	21,752
Consultancy	*6*	**659,084**	2,839,608
Equipment		**39**	2,414
Motor vehicle running costs		**94**	1,119
Other costs	*7*	**3,826**	3,657
Audit fees		**3,100**	3,100
Total expenses		**807,160**	3,062,840
Surplus of income over expenditure for the year		**-**	-

The notes on pages 11 to 23 are an integral part of these financial statements.

COMESA - Airspace Integration Project

Statement of cash flows
for the year ended 31 December 2017

In United States Dollars

	Note	2017	2016
Cash flows from operating activities			
Surplus for the year		-	-
Changes in:			
- Receivables		**32,177**	(29,338)
- Amounts due from related party		**831,251**	(840,941)
- Payables		**(828,151)**	840,949
- Deferred income		**(67,855)**	9,254
Net cash utilised in operating activities		**(32,578)**	(20,076)
Net decrease in cash and cash equivalents		**(32,578)**	(20,076)
Cash and cash equivalents at 1 January		**95,784**	115,860
Cash and cash equivalents at 31 December	*9*	**63,206**	95,784

The notes on pages 11 to 23 are an integral part of these financial statements.

In United States Dollars

1 Projects principal activities

COMESA – Airspace Integration Project is domiciled in Kigali, Rwanda. The main objective of this Project is to deepen regional integration by providing safe and efficient air navigation services in a unified airspace to support trade, tourism and regional socio-economic integration in the COMESA region. The Project is run in Kigali, Rwanda.

2 Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of COMESA Financial Rules and Regulations and Protocol of Agreement between COMESA and African Development Bank.

3 Functional and presentational currency

The financial statements are presented in United States of America Dollars, as required by the protocol of agreement between COMESA and African Development Bank.

4 Income

	2017	2016
Transfer from deferred revenue *(note 11)*	**180,255**	223,232
Direct payments*	**617,215**	1,998,667
Amounts due from African Development Bank *(note 10)*	**9,690**	840,941
	807,160	3,062,84

*These are consultation fees paid directly to the consultants (EGIS AVIA/HELIOS) by African Development Bank on behalf of the Project during the year.

5 Meetings and workshops

Conference facilities	**1,216**	1,672
Daily subsistence allowances	**12,350**	20,080
	13,566	21,752

6 Consultancy

NTU International A/S and LFU	-	937,552
JV Advance Logistics Group – Integra Senasa	-	903,148
EGIS AVIA/HELIOS	**626,905**	998,908
Other	**32,179**	-
	659,084	2,839,608

The Project engaged the services of one firm to undertake the following studies in the year under review:

(i) EGIS AVIA/HELIOS: Study on the assessment of the technical and financial feasibility of a unified single upper airspace in the COMESA region.

COMESA - Airspace Integration Project

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In United States Dollars

7 Other costs

	2017	2016
Bank charges	**2,519**	2,203
Miscellaneous expenses	**1,307**	1,454
	3,826	3,657

8 Receivables

	2017	2016
EGIS AVIA HELIOS – Advance payment	**-**	32,486
Project Management Unit Advance – Kigali	**3,222**	3,222
Other	**309**	-
	3,531	35,708

9 Cash and cash equivalents

	2017	2016
Special Account-United States Dollar	**63,206**	95,784

10 Related parties

Amounts due from related parties

	2017	2016
Amounts due from African Development Bank *	**9,690**	840,941

* These are consultancy expenses incurred by the Project consultant (EGIS AVIA/HELIOS) on the Project but not yet paid for by African Development Bank as at yearend.

11 Deferred income

	2017	2016
Balance as at 1 January	**128,384**	119,130
Advances to the special account	**112,400**	200,000
Advance payment to EGIS	**-**	32,486
Deferred income released to income *(note 4)*	**(180,255)**	(223,232)
Balance at 31 December	**60,529**	128,384

In United States Dollars

12 Payables

	2017	2016
Payable by AfDB		
NTU International A/S and LFU	-	201,920
JV Advance Logistics Group – Integra Senasa	-	262,323
EGIS AVIA/HELIOS	9,690	376,698
	9,690	840,941
Payable by COMESA-Airspace Integration Project		
Audit fees	6,200	3,100
Staff creditor	8	8
	6,208	3,108
Total payables	15,898	844,049

13 Financial instruments – Fair values and risk management

a) Fair values versus carrying amounts

The fair values of the Project's financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Financial instruments not measured at fair value

	2017 Carrying amount	2017 Fair value	2016 Carrying amount	2016 Fair value
Assets				
Cash and cash equivalents	63,206	63,206	95,784	95,784
Receivables	3,531	3,531	35,708	35,708
Amounts due from AfDB	9,690	9,690	840,941	840,941
	76,427	76,427	972,433	972,433
Liabilities				
Payables	(9,698)	(9,698)	(840,949)	(840,949)
	66,729	66,729	131,484	131,484

The carrying amounts equate fair value due to low impact of discounting, as the financial assets and liabilities are all short term.

b) Financial risk management

The Project has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

(i) Risk management framework

The Secretary General has overall responsibility for the establishment and oversight of the Project's risk management framework.

The Project's risk management policies are established to identify and analyse the risks faced by the Project, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

In United States Dollars

13 Financial instruments – Fair values and risk management *(continued)*

b) Financial risk management *(continued)*

i) Risk management framework *(continued)*

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Project's activities. The Project, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Secretary General oversees how management monitors compliance with the Project's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Project. The Secretary General undertakes both regular and ad hoc reviews of risk management controls and procedures.

(ii) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Project.
The carrying amount of financial assets represents the maximum credit exposure.

Receivables from related parties
The Project's exposure to credit risk is influenced mainly by individual characteristics of each receivable.

No collateral is required in respect of financial assets. Reputable financial institutions are used for cash handling purposes. At reporting date, there was no significant concentration of credit risks.

The maximum exposure to credit risk at the reporting date was as follows:

		Carrying amount	
	Notes	**2017**	2016
Receivables	*8*	**3,531**	35,708
Cash and cash equivalents	*9*	**63,206**	95,784
Receivables due from AfDB	*10*	**9,690**	840,941
		76,427	972,433

There were no impairment of receivables due from African Development Bank during the year.

Cash and cash equivalents
The cash and cash equivalents are held with bank and other financial institutions.

In United States Dollars

13 Financial instruments – Fair values and risk management *(continued)*

b) Financial risk management *(continued)*

(iii) Liquidity risk

Liquidity risk is the risk that the Project will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Project'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 Project's reputation. The Project ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Project's funding and liquidity management requirements. The Project manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of financial liabilities:

31 December 2017	Carrying amount	Contractual cash flows	6 months or less
Payables	15,898	15,898	15,898

31 December 2016	Carrying amount	Contractual cash flows	6 months or less
Payables	844,049	844,049	844,049

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Project's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

i) Currency risk

Exposure to currency risk

The Project has no exposure to currency risk as all transactions are in USD.

In United States Dollars

13 Financial instruments – Fair values and risk management *(continued)*

b) Financial risk management *(continued)*

iv) Market risk *(continued)*

ii) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or the future cash flows will fluctuate due to changes in market interest rates.

Interest rate risk is the risk that the fair value of a financial instrument or the future cash flows will fluctuate due to changes in market interest rates.

The Project is not exposed to interest rate risk as none of its financial instruments are held on a variable rate basis.

14 Commitments and contingent liabilities

As at 31 December 2017, the Project had commitments of $ 9,690 (31 December 2016: $ 857,815) on the assessment of the technical and financial feasibility of a unified single upper airspace in the COMESA region.

There were no contingent liabilities as at 31 December 2017 (31 December 2016: nil).

15 Subsequent events

There were no subsequent events that require disclosure or adjustment to these financial statements (31 December 2016: nil).

16 Comparative figures

Where necessary, comparative amounts have been reclassified to achieve better disclosure.

17 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

a) Income recognition
b) Deferred income
c) Expenditure
d) Financial instruments
e) Foreign currencies
f) Fixed assets
g) Government grants

a) Income recognition

Grant income is recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

b) Deferred income

Deferred income are grants received from African Development Bank which have not been utilised in the period. Income is only recognised when related expenditure for which the grant was obtained has been incurred.

c) Expenditure

Project expenditure is recorded when all the necessary conditions for the grant with regard to expenditure are met or when there is reasonable assurance that the Project will comply with the conditions attaching to the grant with regard to expenditure.

Advances to the Project Management Unit (PMU) in Kigali are treated as receivables and they are only expensed when the PMU has submitted expenditure reports and the relevant supporting documentation which provides reasonable assurance that the Project will comply with the conditions attaching to the grant with regard to expenditure.

d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

17 Significant accounting policies *(continued)*

d) Financial instruments *(continued)*

Financial assets

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Cash on hand and on call is carried at fair value. Deposits held on call are classified as loans originated by the Project and carried at amortised cost. Due to the short term nature of these, the amortised cost approximates its fair value.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Other receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts as the effect of imputing interest is considered to be insignificant.

In relation to other receivables, a provision for impairment is made when there is objective evidence (such as significant financial difficulties of the debtor) that the Project will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Other payables

Other payables are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

The Project derecognises financial liabilities when, and only when, the Project's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

17 Significant accounting policies *(continued)*

e) Foreign currency

In preparing the financial statements, transactions in currencies other than United State Dollar (USD) are recorded at the middle rates of exchange at the date the transaction first qualifies for recognition.

At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange differences are recognised in income and expenditure statement in the period in which they arise.

f) Fixed assets

The Project expenses tangible fixed assets in the income and expenditure statement in the period of purchase. The financial statements do not reflect the carrying amounts of the tangible fixed assets at the end of the reporting period. In accordance with the agreement between COMESA Secretariat and African Development Bank, all tangible fixed assets are the property of the COMESA Secretariat and are to be handed over to COMESA Secretariat at the end of the Project life.

g) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and the Organisation will comply with the conditions associated with the grant. Grants that compensate the Organisation for expenses incurred are recognised in the profit or loss on a systematic basis in the same periods in which the expenses are recognised.
A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

18 New standards, amendments and interpretations

(i) New standards, amendments and interpretations effective and adopted during the year

The Project has adopted the following new standards and amendments during the year ended 31 December 2017, including consequential amendments to other standards with the date of initial application by the Project being 1 January 2017. The nature and effects of the changes are as explained here in.

New standard or amendments	Effective for annual periods beginning on or after
- Disclosure Initiative (Amendments to IAS 7)	1 January 2017
- Recognition of Deferred Tax Assets for Unrealised - Losses (Amendments to IAS 12)	1 January 2017
- Annual improvements cycle (2012-2014)	1 January 2017

Disclosure Initiative (Amendments to IAS 7)

The amendments in *Disclosure Initiative (Amendments to IAS 7)* come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The International Accounting Standards Board (IASB) requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

The adoption of this standard did not have a material impact on the financial statements of the Project.

18 New standards, amendments and interpretations *(continued)*

i) New standards, amendments and interpretations effective and adopted during the year (continued)

Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)

The amendments in recognition of deferred tax assets for unrealised losses clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The standard was effective for annual periods beginning on or after 1 January 2017 with early application permitted. As transition relief, an entity may recognise the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity. The Board has not added additional transition relief for first-time adopters.

The adoption of this standard did not have a significant impact on the financial statements of the Project as it is exempt from paying taxes.

Annual improvements cycle (2012-2014) – various standards

Standard	Amendments
AS 19 Employee Benefits	**Discount rate: regional market issue** Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).
AS 34 Interim Financial Reporting	**Disclosure of information 'elsewhere in the interim financial report'** Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference

The adoption of these changes did not have a significant impact on the financial statements of the Project.

18 New standards, amendments and interpretations *(continued)*

(ii) ***New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017***

A number of new standards, amendment to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Project are set out below. The Project does not intend to adopt these standards early.

Effective date	**Standard, Amendment or Interpretation**	**Summary of Requirements**
1 January 2018	IFRS 15 Revenue from contracts with customers	This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. (i)Identify contracts with the customer (ii) Identify performance obligations within the contract (iii) Determine the transaction price to the performance obligation in the contract (iv) Allocate the transaction price to the performance obligation in the contract (v) Recognise revenue as and when the entity satisfies a contract obligation. The Project does not have any stream of revenue, hence not applicable. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS.

18 New standards, amendments and interpretations *(continued)*

ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017(continued)

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2019	IFRS 16 Leases	The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The Project does not have any leases and the effective date of the standard is post Project closure date.
1 January 2018	IFRS 9 Financial Instruments	IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments. The Company will adopt IFRS 9 effective 1 January 2018. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. The three principal classification categories for financial assets are: measured at amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. The Company has assessed that the impact of this standard will be very low as receivables comprise mainly per diem advances.

COMESA - Airspace Integration Project

Statement of special account
for the year ended 31 December 2017

In United States Dollars

		2017	2016
1	**Advances for the period**		
	Opening balance 1 January	**95,784**	115,860
	Add: Receivable from prior year	**35,708**	6,370
	Grant income received during the year	**112,400**	200,000
	Disbursement for the year	**243,892**	322,230
2	**Balance in the special account 31 December**	**63,206**	95,784
3	**Less Eligible expenditure paid during the period** (*Net prior and current year payables plus expenditure*)	**177,155**	223,224
4	**Total advances accounted for (2 + 3)**	**240,361**	319,008
5	**Discrepancy (1 – 4)**	**3,531**	3,222
	Analysed as:		
	Current year receivable *(note 8)*	**3,531**	3,222
	Eligible expenditure disbursed in the special account analysed as follows:		
	Prior year payables	**3,108**	3,100
	Current year payables by COMESA-Airspace Integration Project	**(6,208)**	(3,108)
	Net payables	(3,100)	(8)
	Total Expenditure	**807,160**	3,062,840
	Less direct expenditure	**(626,905)**	(2,839,608)
	Net payables	(3,100)	(8)
	Eligible expenditure	**177,155**	223,224

Direct expenditure are not disbursed through the special accounts.

Appendix II

COMESA - Airspace Integration Project

Reconciliation of funds received
for the year ended 31 December 2017

In United States Dollars

	2017	2016
Amount disbursed by African Development Bank	**112,400**	200,000
Amount received by the Project in the special account	**112,400**	200,000

These are the funds disbursed by African Development Bank (AfDB) directly into the special account during the year.

Appendix III

COMESA - Airspace Integration Project

Schedule of withdrawals – Special Account

for the year ended 31 December 2017

In United States Dollars

2017				2016			
Reference	**Amounts requested**	**Amounts disbursed**	**Amount received**	Reference	Amounts requested	Amounts disbursed	Amount received
CASP0003	**112,400**	**112,400**	**112,400**	CASP0004	200,000	200,000	200,000

Appendix IV

COMESA - Airspace Integration Project

Schedule of withdrawals – Direct Payments

for the year ended 31 December 2017

Reference	Supplier	Currency	Amount Requested Euro	Amount Requested in USD
DP NO0036	EGIS AVIA/HELIOS	EURO	71,280	80,439
DP NO0037	EGIS AVIA/HELIOS	EURO	62,491	70,521
DP NO0038	EGIS AVIA/HELIOS	EURO	108,083	121,971
DP NO0039	EGIS AVIA/HELIOS	EURO	7,405	8,357
DP NO0040	EGIS AVIA/HELIOS	EURO	106,920	125,694
DP NO0041	EGIS AVIA/HELIOS	EURO	15,962	18,765
DP NO0042	EGIS AVIA/HELIOS	EURO	111,277	130,817
DP NO0043	EGIS AVIA/HELIOS	EURO	30,432	35,776
DP NO0044	EGIS AVIA/HELIOS	EURO	21,160	24,876
DP NO0046	EGIS AVIA/HELIOS	EURO	5,498	6,763
DP NO0047	EGIS AVIA/HELIOS	EURO	2,376	2,926
TOTAL			**542,884**	**626,905**

Appendix V

COMESA - Airspace Integration Project

List of tangible fixed assets
as at31 December 2017

In United States Dollars

Asset description	Year of purchase	Condition	Cost USD
Motor vehicles			
Hyundai Elantra	2016	Good	25,700
			25,700
Equipment			
Computer equipment			
Laptop	2016	Good	1,542
Laptop	2016	Good	1,542
Laptop	2016	Good	1,542
Desktop	2016	Good	1,432
Subtotal			**6,058**
Office equipment			
Printer	2016	Good	1,241
Projector	2016	Good	2,901
Projector screen	2016	Good	367
Subtotal			**4,509**
Total equipment			**10,567**
Furniture			
Office furniture			
4 desk workstation	2016	Good	1,292
4 desk workstation	2016	Good	1,292
2 desk workstation	2016	Good	646
2 desk workstation	2016	Good	646
20 chairs	2016	Good	1,760
Desk	2016	Good	257
Desk	2016	Good	257
Desk	2016	Good	257
Desk	2016	Good	257
Bigger desk	2016	Good	661
Wheel chair	2016	Good	235
Wheel chair	2016	Good	235
Wheel chair	2016	Good	235
Luxury wheel chairs	2016	Good	294
Secretary desk	2016	Good	294
Visitors chairs	2016	Good	220
Visitors chairs	2016	Good	220
Visitors chairs	2016	Good	220
Visitors chairs	2016	Good	220
Visitors chairs	2016	Good	220
Visitors chairs	2016	Good	220
Balance carried forward			**9,938**

Appendix V *(continued)*

COMESA - Airspace Integration Project

List of tangible fixed assets

as at31 December 2017

In United States Dollars

Asset description	Year of purchase	Condition	Cost USD
Furniture			
Balance carried forward			*9,938*
Visitors chairs	2016	Good	220
Visitors chairs	2016	Good	220
Table 8 seater	2016	Good	1,176
Filling cabinets	2016	Good	220
Filling cabinets	2016	Good	220
Filling cabinets	2016	Good	220
Filling cabinets	2016	Good	220
Filling cabinets	2016	Good	220
Drawer Filing cabinet	2016	Good	220
4 table seater	2016	Good	441
3 seater waiting chairs	2016	Good	206
3 seater waiting chairs	2016	Good	206
3 coat hangers	2016	Good	122
Total office furniture			**13,849**
Grand Total			**50,116**

Appendix VI

COMESA - Airspace Integration Project

Schedule of ineligible expenditure
for the year ended 31 December 2017

There was no ineligible expenditure during the year under review (2016: Nil).