Common Market for Eastern and Southern Africa (COMESA)

African Development Bank (AfDB) Trading for Peace (TfP) Project

Financial statements
for the year ended 31 December 2017

COMESA - Trading for Peace Project

Financial statements

for the year ended 31 December 2017

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COMESA - Trading for Peace Project

Project Implementation report

for the year ended 31 December 2017

1) Introduction

Trading for Peace is the first formal COMESA project to address post conflict reconstruction and development. The Programme falls under Governance, Peace and Security Unit and it is meant to promote peace and security through enhanced trade and economic development in the region.

The Trading for Peace Programme was designed in 2006 after a decision of the Ministers of Foreign Affairs which recognized that countries in the post conflict phase, particularly the border areas of the Great Lakes Region need assistance. The Programme has three components, namely:

(i) Capacity building in border areas;
(ii) Development of information networks; and
(iii) Post conflict reconstruction and development (building infrastructure in the border areas to facilitate easy flow of trade and peace).

The Programme has completed two phases financed by USAID, DFID and GTZ. The first phase of the project focused on research while the second phase concentrated on supporting trade-related capacity building with some peace building components. The third and current phase, which commenced in March 2010 focuses mostly on strengthening cross border trade-related technical capacity by establishing efficient Trade Information Desks at key border points.

During the current phase the project extended its intervention to cross border infrastructure and capacity building related activities funded with the support of the German Development Bank (KfW) which completed its first phase in September 2017; and the African Development Bank (AfDB).

1. Objectives of Trading for Peace

The overall objectives of Trading for Peace Project is to deepen COMESA integration by supporting COMESA countries that have emerged from conflict towards a path of sustainable development through the reduction of potential for conflict and enhanced trade and investment.

COMESA Trading for Peace Programme has two inter-related and mutually specific objectives:

a) A better understanding of potential trading conflict situations to enhance the peacebuilding processes in COMESA cross border regions; and
b) To raise the living standards of the people in COMESA cross border region using formalized trade as a catalyst for peace and security.

1) **Introduction** *(continued)*

2. **Key achievements in 2017**

1. Under the infrastructure development component, the project achieved the following during the year:

   a. Procured and successfully installed solar systems for nine Trade information desks, Kasumbalesa (DRC), Mokambo (DRC), Mokambo (Zambia), Kasindi (DRC), Mpondwe (Uganda), Goma (DRC), Rubavu (Rwanda), Ruhwa (Rwanda) and Ruhwa (Burundi). The TIDs at Kavimvira (DRC) and Kasumbalesa (Zambia) were however, left out due to operational reasons. For Kasumbalesa, the supplier accidentally omitted its TID while for Kavimvira the solar system was held up on transit at a warehouse in Ruhwa.

   b. Procured and installed IT equipment in four TIDs, namely the TIDs in Mokambo (DRC), Mokambo (Zambia), Ruhwa (Rwanda) and Ruhwa (Burundi).

2. Under the capacity building component, the main accomplishments include:

   a. The completion of a development of a six-year business plan for trading for peace for 2017 to 2022. The business plan includes proposals on the identification of sites for implementation of TfP initiatives, promotion of dialogue, various capacity building initiatives, development of a curriculum to enhance skills for ex-combatants etc;

   b. Support in the skills building for cross border traders associations (CBTAs) in the areas of association and business management. These were done on both sides of the Ruhwa border targeting a total of fifty-two officials. Out of those trained, forty-three were local CBTA leaders, 25 from Rwanda and 18 from Burundi.

   c. Support in the skills building for cross border traders and border officials as well as civil society and private sector representatives from both sides of the Mokambo Border. The training focused on national and regional instruments in the area of border crossing, customs procedures, cross border trade and immigration instruments adopted by both countries. A total of 70 participants participated the two-day workshops on each side.

3. Other achievements include the following:

   a. Commencement of activities towards the translation of the Simplified Trade Regime (STR) booklet in Kiswahili; as well as commencement of activities towards the relocation of the TID in Mokambo, Zambia. This, although not initially planned for became necessary after the TID caught fire in January 2017. The Zambian authorities recommended its relocation to a safer site.

1) **Introduction** *(continued)*

3. The activities include the following *(continued)*

b. Based on successes of TfP including support by AfDB, COMESA managed to mobilize an additional Euro 355,790 from APSA to cover the borders that are not adequately covered by the GLTFP and the new EU 11th EDF cross border programme. The borders include the Gatumba-Kavimvira border between DRC and Burundi; Bugarama-Kamanuola border (this is a new border as requested by DRC between DRC and Rwanda); Isahasa-Ishasa border between DRC and Uganda; and the Ruhwa-Ruhwa border between Burundi and Rwanda. The activities include:

   i. Translation of Simplified Trade Regime (STR) into local languages;
   ii. Sensitization of border communities on STR; and
   iii. Training of border personnel on the minimum standards for treating cross border traders.

Sindiso Ngwenya
Secretary General

Date:27 June 2018

COMESA - Trading for Peace Project

Statement of responsibility in respect of the preparation of financial statements

In accordance with the COMESA financial rules and regulations, the Secretary General is responsible for the preparation and fair presentation of the COMESA - Trading for Peace 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 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 the preparation of supplementary schedules included in these financial statements.

The Secretary General has made an assessment of the COMESA - Trading for Peace 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 - Trading for Peace Project, as identified in the first paragraph, were approved by the Secretary General on ....27.. June 2018 and are signed by:

Sindiso Ngwenya
Secretary General

KPMG

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Independent auditor's report

To the members of COMESA - Trading for Peace Project

Report on the audit of the financial statements

Opinion

We have audited the financial statements of COMESA – Trading for Peace Project ("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 7 to 21.

In our opinion, the financial statements present fairly, in all material respects, the financial position of COMESA – Trading for Peace 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 Company 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 22 -24. 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 COMSEA 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.

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 9 July **2018**

Cheelo Hamuwele **AUD/F001044**
Audit Principal

COMESA - Trading for Peace Project

Statement of financial position
as at 31 December 2017

In United States Dollars

	Note	2017	2016
Assets			
Current assets			
Receivables	*6*	30	15
Cash and cash equivalents	*7*	38,486	154,919
Total assets		38,516	154,934
Liabilities			
Current liabilities			
Payables	*8*	4,549	3,309
Deferred income	*9*	33,967	151,625
Total liabilities		38,516	154,934

The financial statements were approved by the Secretary General on ....27... June 2018 and signed by:

....
Secretary General

The notes on pages 10 to 21 are an integral part of these financial statements.

COMESA - Trading for Peace Project

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

In United States Dollars

	2017	2016
Income		
Grant received from the African Development Bank	**117,658**	128,716
Total income	**117,658**	128,716
Expenditure		
Salaries	**26,700**	40,857
Airfares	**1,987**	6,958
Daily subsistence allowance	**28,750**	34,390
Translation fees	**-**	1,000
Interpretation fees	**9,480**	2,240
Conference facilities	**5,490**	7,274
Visa fees	**240**	170
Consultant fees	**24,618**	4,007
Capacity building at Member States	**896**	6,975
Printing and stationery	**1,369**	1,696
Fuel and lubricants	**311**	577
Local travel	**8,043**	5
Publications	**326**	1,389
Hire of equipment	**2,797**	13,168
Motor vehicle hire	**226**	2,270
Miscellaneous expenses	**9**	165
Public relations	**-**	873
Communication	**743**	385
Bank charges	**2,573**	1,217
Audit fees	**3,100**	3,100
Total expenses	**117,658**	128,716
Surplus of income over expenditure for the year	**-**	-

The notes on pages 10 to 21 are an integral part of these financial statements.

COMESA - Trading for Peace Project

Statement of cash flows
for the year ended 31 December 2017

In United States Dollars

	Note	2017	2016
Cash flows from operating activities			
Changes in:			
- (Increase)/decrease in receivables		**(15)**	3,428
- Payables		**1,240**	209
- Deferred income		**(117,658)**	(128,716)
Net cash flows operating activities		**(116,433)**	(125,079)
Net decrease in cash and cash equivalents		**(116,433)**	(125,079)
Cash and cash equivalents at 1 January		**154,919**	279,998
Cash and cash equivalents at 31 December	7	**38,486**	154,919

The notes on pages 10 to 21 are an integral part of these financial statements.

COMESA - Trading for Peace Project

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

In United States Dollars

1 Reporting project

COMESA- Trading for Peace Project ("the Project") is domiciled in Zambia. The address of its registered office is COMESA Secretariat, Ben Bella Road, P. O Box 30051, Lusaka, Zambia. The objective of this Project is to assist the African Development Bank's low income Regional Member countries to develop trade-related skill, regulatory regimes and infrastructure needed to enhance trade performance and competitiveness and benefit from international trade and market opportunities.

2 Basis of accounting

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the COMESA rules and regulations and Protocol agreement between COMESA and African Development Bank.

3 Going concern

In accordance with his responsibilities, the Secretary General has considered the appropriateness of the going concern basis for the preparation of the financial statements. The Protocol of Agreement with the African Development Bank for the financing of the programme ends on 31 October 2018.

The financial statements have been prepared in accordance with IFRS with particular attention to the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IAS 32 Financial Instruments: Presentation (with respect to the classification of the Company's debt and equity instruments), IAS 36 Impairment of Assets and IAS 37 Provisions, Contingent liabilities and Contingent Assets

4 Functional and presentation currency

These financial statements are presented in United States Dollar (USD) as required by the Protocol of Agreement between COMESA and African Development Bank.

		2017	2016
5	**Income**		
	Transfer from deferred income *(note 9)*	**117,658**	128,716
6	**Receivables**		
	Other receivables	**30**	15
7	**Cash and cash equivalents**		
	United States Dollar Special Account	**38,486**	154,919

In United States Dollars

8 Payables

	2017	2016
Audit fee provision	**3,100**	3,100
Over -recovery of imprest	**42**	-
Sundry creditors	**167**	42
Audit fees	**1,240**	167
	4,549	3,309

The over recovery of the imprest relates to an excess retirement of imprest by a former employee during the year. The employee's contract came to an end during the year and is yet to be reimbursed as at 31 December 2017.

9 Deferred income

	2017	2016
Balance as at 1 January	**151,625**	280,341
Deferred income released to income *(note 5)*	**(117,658)**	(128,716)
Balance at 31 December	**33,967**	151,625

10 Contingent liabilities

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

11 Subsequent events

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

In United States Dollars

12 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		2016	
Assets	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	**38,486**	**38,486**	154,919	154,919
Receivables	**30**	**30**	15	15
	38,516	**38,516**	154,934	154,934
Liabilities				
Payables	**(4,549)**	**(4,549)**	(3,309)	(3,309)
	33,967	**33,967**	151,625	151,625

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. 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.

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

(b) Financial risk management *(continued)*

(i) 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.

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	*6*	**30**	15
Cash and cash equivalents	*7*	**38,486**	154,919
		38,516	154,934

Cash and cash equivalents

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

(ii) 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.

In united states dollars.

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

(b) Financial risk management *(continued)*

(iii) Liquidity risk *(continued)*

The following are the contractual maturities of financial liabilities:

31 December 2017	**Carrying amount**	**Contractual cash flows**	**6 months or less**
Payables	4,549	4,549	4,549

31 December 2016	Carrying amount	Contractual cash flows	6 months or less
Payables	3,309	3,309	3,309

(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.

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

13. 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) Income tax
e) Financial instruments
f) Foreign currency

(a) Income recognition

Grants are 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.

(d) Income tax

The project is exempt from income tax under paragraph 4b of Part II of Second Schedule to the Income Tax Act 1966 (as amended), Cap 323 of Laws of Zambia.

13 Significant accounting policies *(continued)*

(e) 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.

(i) 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.

Other 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.

(ii) Financial liabilities

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.

13 Significant accounting policies *(continued)*

(f) Foreign currency

In preparing the financial statements, transactions in currencies other than United States Dollar 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.

14 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.

14 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.

Annual improvements cycle (2012-2014) – various standards

Standard	Amendments
IAS 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).
IAS 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.

14 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 2017, 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.

14 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 Project has assessed that the impact of this standard will be very low as receivables comprise mainly per diem advances.

Appendix I

COMESA - Trading for Peace 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	154,919	279,998
	Add: Receivable from prior year	15	3,443
		169,919	283,441
2.	**Balance in the special account**	38,486	154,919
3.	**Eligible expenditure paid during the period** (*Expenditure less net prior and current year payables*)	116,418	128,507
4.	**Total advances accounted for (2 + 3)**	154,904	283,426
5.	**Differences (1 – 4)**	30	15
	Analysed as:		
	Current year receivable	30	15

Appendix II

COMESA - Trading for Peace Project

Schedule of ineligible expenditure
for the year ended 31 December 2017

There were no ineligible expenditure during the period under review. (31 December 2016: nil).

COMESA - Trading for Peace Project

Schedule of fixed assets
as at 31 December 2017

There were no fixed assets purchased during the period under review. (31 December 2016: nil).