REFUGEE ALLIANCE

BI-ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30TH JUNE 2018

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Directors' Report

The Directors submit their Report and Audited financial statements for the period ended 30th June 2018, which disclose the state of affairs of the company.

Registered Office

The company is a registered foreign limited liability company in Zambia under the Companies Act (Registration No. FCO 1507). It is a daughter organization of Brave Heart Foundation, a Norwegian Christian not for profit organization that exists to strengthen, serve and support refugees, host communities and other people in need. The organization works to promote extreme kindness to those who have experienced extreme evil.

Its principal registered office is on:

Meheba Refugee Resettlement
P O Box 110456
Solwezi
North Western Province
Zambia

Principal Activities

The principal activities of Refugee Alliance in Zambia are guided by the terms of the Memorandum of Understanding signed between Refugee Alliance and the Government of Zambia through the Ministry of Home Affairs and the Ministry of Health with a mandate to fill in the gap in the area of health, poverty reduction and education.

In partnership with the United Nations High Commissioner for refugees (UNCHR), the Ministry of Health and the Ministry of Home Affairs, Refugee Alliance works hand-in-hand with refugees at Meheba to implement projects and programs that create economic development, enhance self-reliance, quality health services to all and prosperous community. Additionally, all activities in Refugee Alliance are rooted in the purpose of Brave Heart, which is to:

a) strengthen, serve and support refugees, host communities, and other people in need;
b) raise up the broken so they may be restored, thrive and be able to strengthen others;
c) make people brave and equip them to love God and serve people in need;
d) support development, aid and positive change for individuals and communities;
e) enhance peace, tolerance and fellowship between people and groups;
f) reach to the unreached with the love of God

Directors' Report (continued)

Refugee Alliance's principal activities in Meheba for the period ending 30th June, 2018 are in summarized as follow:

Health Project: run a 24/7 full clinic (with male, female & children admission wards), the best in the whole Kalumbila District, treating over 1,500 patients every month, excluding maternity and malnutrition departments; an ambulance service servicing the entire Meheba (host to over 20,000 refugees); Doctors & dentist visits; and capacity building for health personnel by experts from Norway.

Self-reliance Projects: offered micro-business management and entrepreneurship training, micro loans, poultry, Guest house, logistics and agricultural investments as income generating projects to promote self-sustainability and reduce poverty in Meheba.

Peace Project: offered trauma care, peace building and conflicts transformation/resolution courses in the most populated blocks of Meheba, equipping people with necessary tools to resolve conflicts through non-violence. Thus promoting tolerance, building lasting peace and creating an environment for durable development.

Education Project offered scholarship to over 300 children who could otherwise not afford formal basic and high school education in Meheba. In addition scholarship for both boarding and day school programs, the organization offered several other youth activities in the settlement.

The Children Home cared for ten extremely vulnerable and orphaned children. Some of the children are multi handicapped and require special needs. In partnership with the Catholic Sisters of St. Mary, Refugee Alliance provided these precious children with a loving and caring home, daily enriched nutritional meals and health services that meet their needs.

Information Campaign & Entertainment offered video shows in weekends in wide screen in order to give a sense of normality to refugees, sharing inspirational messages of hope and other campaigns against Sexual and Gender Based Violence, Domestic Violence, Cleanness and anti-cholera/malaria campaigns.

The organization offered also leadership training for church leaders from a various range of denominations present in Meheba settlement.

Capital Grants

There was no change in the organization's Capital Grants during the period.

Directors' Report (continued)

Operating Results

	6 months ended 30th June 2018 (Kwacha)	Year ended 31st Dec 2017 (Kwacha)
Turnover	**1,055,650**	1,846,182
Surplus for the period	**114,073**	18,387

Average Number of Volunteers and Remuneration

The total amount of remuneration paid to the volunteers during the period was **K362,579** (Year ended 2017:K666,640) and the average number of volunteers during the period was below 100 (2016: Below 100)

Property, plant & equipment

The organisation acquired non-current assets amounting to **K148,624** during the period (Year ended 2017: K291,800).

Directors

Local Directors

The Board of Directors is responsible for directing and overseeing the overall programs and operations of the Organization. In order to effectively and efficiently perform the required duties and fulfill the purpose of the organization, its intention, vision and statutes, the Board designated Jean Kabengele Tshibanda as Team Leader. He reports to the Local Board and to the Head Office. Directors who held offices in Zambia during the period 2017 and to the date of this report were:

- Sigrun Sina Saltbones - Director
- Milika Banda - Director
- Stephen Muteba Kaumba - Director
- Gerard Sagesse Kaseba - Director
- Elias Kazadi - Director

Directors' Report (continued)

Foreign Directors

Directors who held office for Brave Heart International during the period and to the date of this report were:

- Sveinung Henden - Chair Person
- Stephen Muteba Kaumba - Director
- Sigrun Sina Saltbones - Director
- Gry Tangs - Director
- Ingjerd B. Sand - Chief Executive Officer

Health and Safety

The Directors are aware of their responsibilities regarding the health and safety of their volunteers and have put appropriate measures in place to safeguard the health and safety of the company's volunteers.

Corruption, Bribery, SGBV & Discrimination

The Directors reinforced the Organization's ZERO TOLERANCE Policy on all forms of corruption, bribe, discrimination, and sexual and gender based violence in all organization's programs and operations.

Research and Development

During the period the organisation did not incur any costs on Research and development.

Auditors

The auditors, A S & P Chartered Accountants are the current auditors appointed two years ago. They have indicated their willingness to continue in office.

Chief Executive Officer ____________2018
Lusaka

Statement of Directors' Responsibilities

The Companies Act requires the Directors to prepare financial statements for each financial period that give a true and fair view of the state of the company as at end of the financial period and of its surplus or deficit. It also requires the Directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates in conformity with International Financial Reporting Standards and the requirements of the Companies Act.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the organisation and its surplus in accordance with International Financial Reporting Standards. The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and with the requirements of the Zambian Companies Act and for such internal control, as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Approval of Bi-Annual report & audited financial statements

The financial statements of Refugee Alliance, as indicated in the first paragraph were approved by the Board of Directors on ……………………and signed by:

______________________ ______________________

Director **Director**

__________2018

A S & P Chartered Accountants

Plot No. 117A/1
Kudu Road, Kabulonga
P O Box 33832
Lusaka

Tel: +260 211 263759
Cel: +260 967 782809
Email:info@aspcharteredaccountants.com
Website: www.aspcharteredaccountants.com

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF REFUGEE ALLIANCE

Report on the financial statements

We have audited the accompanying financial statements of Refugee Alliance which comprise the Statement of Financial Position as at 30th June 2018, the Statement of Comprehensive Income, Changes in Equity, Cash flows for the period then ended, and a Summary of Significant Accounting Policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Zambian Companies Act and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of Refugee Alliance as at 30th June 2018, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and with the requirements of the Zambian Companies Act.

Report on other Legal requirements

The Zambian Companies Act requires that in carrying out our audit, we consider whether Refugee Alliance has maintained proper accounting records and other records and registers as required by the Act.

In our opinion based on our examination of those records, Refugee Alliance has maintained proper accounting records and other records and registers as required by the Zambian Companies Act.

A S & P Chartered Accountants
Lusaka ______________2018

Andrew Sampa
Partner
M/PC No. AUD/F001613
Signing on behalf of the firm

Statement of Comprehensive Income

	Notes	6 months ended 30th June 2018 (Kwacha)	Year ended 31st Dec 2017 (Kwacha)
Revenue		**1,055,650**	1,846,182
Other income		**-**	26,000
		1,055,651	1,872,182
Administrative & operational expenses	10	**(941,577)**	(1,853,796)
Surplus for the period	3	**114,073**	18,386

The notes on pages 12 to 20 are an integral part of the financial statements

Statement of Financial Position

	Notes	6 months ended 30th June 2018 (Kwacha)	Year ended 31st Dec 2017 (Kwacha)
Equity			
Capital & reserves			
Capital Gains		**1,034,325**	1,034,325
Surplus		**240,259**	126,186
Total equity		**1,274,584**	1,160,511
Represented by:			
Non Current assets			
Property, plant & equipment	8	**820,258**	908,030
Current assets			
Inventory	5	**324,876**	294,711
Short term Advances	9	**2,500**	-
Cash & cash equivalents	4	**166,594**	4,290
		493,970	299,001
Current liabilities			
Payables & accrued expenses	6	**39,644**	46,520
Net Current Assets		**454,326**	252,481
		1,274,584	1,160,511

The financial statements on pages 8 to 11 were approved by the Board of Directors on ……… …………………. and signed on its behalf by:

______________________ ___________________

Director **Director**

The notes on pages 12 to 20 are an integral part of financial statements

Statement of Changes in Equity

	Capital Grants (Kwacha)	Surplus/ Deficit (Kwacha)	Total (Kwacha)
Year ended 31st December 2017			
At the start of the period	1,034,325	107,800	1,142,125
Surplus for the year	-	18,386	18,386
At the end of the year	1,034,325	126,186	1,160,511
Period ended 30th June 2018			
At the start of the period	1,034,325	126,186	1,160,511
Surplus for the year	-	114,073	114,073
At the end of the year	1,034,325	240,259	1,274,584

The notes on pages 12 to 20 are an integral part of the financial statements

Statement of Cash flow

	Notes	6 months ended 30th June 2018 (Kwacha)	Year ended 31st Dec 2017 (Kwacha)
Cash flow from operating activities	7	**310,928**	264,392
Interest received		-	-
Net Cash from operating activities		**310,928**	264,392
Investing activities			
Purchase of property, plant & equipment	8	**(148,624)**	(291,800)
Net Cash from investing activities		**(148,624)**	(291,800)
Financing activities			
Capital Grants			-
Long term Liabilities		**-**	-
Net Cash flow from financing activities		**-**	-
Increase/ (decrease) in cash & cash equivalents		**162,304**	(27,408)
Movements in cash & cash equivalents			
At the start of the period/ year		**4,290**	31,698
Increase/ (decrease) in cash & cash equivalents		**162,304**	(27,408)
Cash flow at the end of the period	4	**166,594**	4,290

The notes on pages 12 to 21 are an integral part of the financial statements

Summary of significant accounting policies

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

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except for land & buildings, which have been measured at fair value.

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity or where assumptions and estimates are significant to the Report & audited financial statements are disclosed in Note 1 below.

Changes in accounting policy and disclosures

i) New and amended standards adopted by the company

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial period beginning 1 January 2017 that would be expected to have a material impact on the Company to existing standards.

ii) New standards and interpretations that are not yet effective and have not been adopted early

A number of new standards and amendments to standards and interpretations are effective for Bi-Annual period beginning after 1st January 2017 and have not been applied in preparing these Report & audited financial statements. None of these is expected to have a significant effect on the Report & audited financial statements of the Company, except the following set out below:

Amendment to IAS 1: "Presentation of financial statements regarding other comprehensive income''.

The main change resulting from these amendments is a requirement for entities to group items presented in "Other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to surplus or deficit subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The application of this amendment will mainly impact the presentation of the primary statements.

Summary of significant accounting policies (continued)

IFRS 9: "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. Issued in November 2009 and October 2011, it replaces the parts of IAS 39 that relate to the classification and measurements of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value; and those measured at amortised cost.

The determination is made at initial recognition. The classification depends on the entity's business model of managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The directors are yet to assess IFRS 9's full impact. The directors intend to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018. The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

b) Revenue recognition

Grants are recognized in the period in which they are received.

c) Translation of foreign currency

Transactions are recorded on initial recognition in kwacha, being the currency of primary economic environment in which the Company operates (the functional currency). Transactions in foreign currencies during the period are converted into functional currency, Kwacha using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates if monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

Summary of significant accounting policies (continued)

d) Property, plant & equipment

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

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

Depreciation on assets is calculated using the straight line method to allocate their cost over their estimated useful lives as follows:

Plant & equipment	5 periods
Motor vehicles	4 periods
Office equipment	5 periods
Fixtures & fittings	5 periods

The assets' residue values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

Plant & equipment are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generated units). Gains and losses on disposal of plant and equipment are determined by reference to their carrying amounts and are not taken into account in determining profit.

e) Inventory

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the First in first out (FIFO) method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excluding borrowing costs. Net realizable value is the estimate of the selling price in the ordinary course of business less the costs of completing and selling expenses.

Summary of significant accounting policies (continued)

f) Financial instruments

i) Classification

All financial assets of the Company are classified as loans and receivables based on the purpose for which the financial assets were acquired. The directors determine the classification of the financial assets at initial recognition.

Loans and receivables are non derivative financial assets with a fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

ii) Recognition & measurement

Regular purchases and sales of financial assets are recognized on the trade date, the date on which the company commits to purchase or sell the asset. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforcement right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

iv) Impairment

The company assess at the end of each financial period whether there is objective evidence that a financial assets or a group of financial assets is impaired. A financial assets or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Summary of significant accounting policies (continued)

Evidence of impairment may include indication that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

g) Cash and cash equivalents

Cash & cash equivalents include cash in hand and deposits held at call with banks.

h) Employee benefits

For the period ending 30th June 2018, all members of staff in Meheba are refugees. They are recruited as volunteers, trained and equipped to serve through volunteer agreement, for a specific time and receive a monthly living compensation.

None of the volunteers has made any contributions to NAPSA.

i) Provisions

Provisions are recognized when the organisation has a present legal and constructive obligation as a result of past events for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Notes to the accounts

1. Critical accounting estimates and judgments

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

There are no critical accounting estimates and assumptions that have a significant risk of causing a material adjustment in the carrying amounts of assets and liabilities within the next financial period.

2. Financial risk management

Refugee Alliance's activities expose it to a variety of financial risks including credit risk and effects of changes in foreign currency exchange rates. The Company's overall risk management program focuses on the unpredictability of the general economic environment. Risk management is carried out by the management under policies approved by the Board of directors. Management identifies and evaluates financial risks. The Board is responsible for overall risk management as well as policies covering specific areas.

Market risk

a) *Foreign exchange risk*

The organisation's exposure to foreign exchange risk is significant. Management has minimized the exposure to foreign exchange risk through foreign currency hedging.

b) *Credit risk*

Credit risk arises from cash and cash equivalents, deposits with banks as well as trade and other receivables. The Company has significant concentration of credit risk.

c) *Liquidity risk*

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances and the availability of funding from an adequate amount of committed credit facilities.

Management monitors rolling forecast of the Company's liquidity reserves on the basis of expected cash flows.

Notes to the accounts (continued)

	6 months ended 30th June 2018 (Kwacha)	Year ended 31st Dec 2017 (Kwacha)
3. Surplus for the period		
The following have been charges at arriving profit/ (loss):		
Repairs & maintenance	**52,125**	50,876
Depreciation	**236,396**	467,998
Volunteers' expenses	**366,479**	666,640
4. Cash and cash equivalents		
Cash at bank	**166,594**	4,290
Cash in hand	**-**	-
	166,594	4,290
5. Inventory		
Stock	**324,876**	294,711
6. Payables and accrued expenses		
Trade payables	**-**	26,520
Accrued expenses	**19,644**	20,000
Current account – Brave Heart Foundation	**20,000**	-
	39,644	46,520
7. Cash generated from operations		
Surplus for the period/ year	**114,073**	18,386
Adjusted for:		
Depreciation	**236,396**	467,998
Disposal of non-current assets	**-**	80,000
Inventories	**(30,165)**	(328,512)
Receivables	**(2,500)**	-
Payables & accrues expenses	**(6,876)**	26,520
	310,928	264,392

Notes to the accounts (continued)

8. Property, plant & equipment (continued)

	Property & Equipment (Kwacha)	Motor Vehicles (Kwacha)	Furniture & Fixtures (Kwacha)	Capital Work in Project (Kwacha)	Total (Kwacha)
Cost/ valuation					
As at 1st January 2018	440,045	1,373,437	183,149	-	1,996,631
Additions	-	14,420	29,550	104,654	148,624
As at 30th June 2018	**440,045**	**1,387,857**	**212,699**	**104,654**	**2,145,255**
Depreciation					
As at 1st January 2017	185,958	809,933	92,710	-	1,088,601
Charge for the period	44,004	173,084	19,308	-	236,396
As at 30th June 2018	**229,962**	**983,017**	**112,018**	**-**	**1,324,997**
Net Book Value					
As at 30th June 2018	**210,083**	**404,840**	**100,681**	**104,654**	**820,258**
As at 31st December 2016	254,087	563,504	21,900	-	908,030

Notes to the accounts (continued)

	6 months ended 30th June 2018 (Kwacha)	Year ended 31st Dec 2017 (Kwacha)
9. Short term advances		
Advances payable within a year	**2,500**	-

10. Nature of expenditure

	6 months ended 30th June 2018 (Kwacha)	Year ended 31st Dec 2017 (Kwacha)
Volunteers' expenses	**362,579**	666,640
Depreciation	**236,396**	467,998
Fuel & lubricants	**90,429**	142,681
Children's home costs	**62,385**	85,800
Repairs & maintenance	**52,125**	62,176
Others	**48,612**	10,166
Food stuff	**42,542**	57,610
Sundry expenses	**16,285**	13,733
School fees & related expenses	**10,126**	242,694
Travel & accommodation	**8,955**	21,636
Workshops	**3,900**	1,000
Communication & telephone costs	**3,232**	11,148
Stationery	**2,716**	5,895
Cleaning materials	**1,295**	2,724
Building materials	**-**	20,870
Audit fees	**-**	20,000
Medicines & clinic materials	**-**	13,985
Security costs	**-**	6,000
Insurance	**-**	1,040
	941,577	**1,853.796**

A S & P Chartered Accountants
Plot 117A/1 Kudu Road
Kabulonga
P O Box 33832
Lusaka
Email: info@aspcharteredaccountants.com