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Acronyms

BRAA	Business Regulatory and Review Agency
CPI	Consumer Price Index
CRAN	Communications Regulatory Authority of Namibia
CRASA	Communications Regulators Association of Southern Africa
ECT	Electronic Communications and Transactions
FSS	Fixed Satellite Services
GDP	Gross Domestic Product
HHI	Herfindahl-Hirschman Index
IBA	Independent Broadcasting Authority
ICE	ICT Centre of Excellence
ICT	Information and Communication Technology
ICTs	Information and Communication Technologies
IDI	ICT Development Index
ISP	Internet Service Provider
ITU	International Telecommunications Union
LTE	Long Term Evolution
MIBS	Ministry of Information and Broadcasting Services
MMS	Multimedia Message System
MNO	Mobile Network Operator
MoU	Memorandum of Understanding
MTC	Ministry of Transport and Communications
MTN	MTN Zambia Limited
NAC	National AIDS Council
NCC	National Council for Construction
OTT	Over the Top
PDNO	Public Data Network Operator
PSTN	Public Switched Telephone Network
SADC	Southern Africa Development Community
SDGs	Sustainable Development Goals
SMS	Short Messaging Service
TTMS	Telecommunication Traffic Monitoring System
UAS	Unmanned Aircraft System
UASF	Universal Access and Service Fund
UNICEF	United Nations International Children's Emergency Fund
VSAT	Very Small Aperture Terminal
WEF	World Economic Forum
WRC	World Radio Communication Conference
ZABS	Zambia Bureau of Standards
ZAMPOST	Zambia Postal Services Corporation
ZAMTEL	Zambia Telecommunications Company
ZEMA	Zambia Environmental Management Agency
ZESCO	Zambia Electricity Supply Corporation
ZICTA	Zambia Information and Communications Technology Authority
ZITF	Zambia International Trade Fair
ZNDC	Zambia National Data Centre
ZPPA	Zambia Public Procurement Authority

Mission, Vision & Core Values

Mission
To effectively provide regulatory services to the ICT sector in order to enhance universal access to quality ICT services.

Vision
To be the catalyst of a better Zambia transformed through the use of ICTs in all sectors of the economy.

Core Values
We, at ZICTA are committed to the following values:

Professionalism:
We shall maintain the highest professional and ethical standards, building value-added relationships with customers and stakeholders to deliver quality services.

Integrity:
We shall treat customers and each other with trust, respect, confidentiality and honesty.

Transparency:
We shall conduct our business in a reliable, fair and open manner.

Independence:
We shall undertake our duties without being compromised and to perform with fairness, impartiality and to ensure self-sustainability.

Accountability:
We shall make commitments with care, and then live up to them.

Predictability:
We shall make commitment to conduct business with certainty.

Team Work:
We shall ensure that individual members both demonstrate their best talents and function synergistically as a unit to achieve common goals.

BOARD OF THE AUTHORITY

During the year, the Board consisted of;

1. Mr Emmanuel M. Musonda
   BOARD CHAIRPERSON
2. Eng. Misheck Lungu
   BOARD MEMBER
3. Mrs Patricia Jere
   BOARD MEMBER
4. Keith Asherwood
   BOARD MEMBER
5. Brig. General Emelda Chola
   BOARD MEMBER
6. Mr Vestus Chungu
   BOARD MEMBER
7. Mrs Daisy Nkhata Ng'ambi
   BOARD MEMBER
8. Mr. Patrick Chisanga
   BOARD MEMBER
9. Mrs. Margaret K. C. Mudenda
   BOARD MEMBER
10. Mr. Thomas Malama
   BOARD SECRETARY

Chairpersons Message

On behalf of the Board, Management and staff of the Zambia Information and Communications Technology Authority (ZICTA), I am pleased to present to you the Authority's Annual Report for the year ended December 31, 2016 as required by the ICT Act No. 15 of 2009. In the 2016 Financial Year, the Authority managed to score on a number of success internally and sector wise, and this report highlights the our continued efforts to deliver on our mandate and responsibility to consistently create an enabling ICT environment in Zambia that promotes market driven fair competition, which provides accessible and affordable communication services for all citizens of this country.

World over, mobile broadband remains the fastest growing market segment, and this growth is mainly driven by the availability and uptake of more affordable devices and types of plans on offer on the market.

It is important for me to note that the utilisation and uptake of ICT generally has been increasing at a global level, as highlighted by the International Telecommunication Union (ITU) in their 2016 Measuring Information Society Report. The report indicates that the growth rate in mobile-cellular subscriptions worldwide had slowed down as the global penetration rate approaches 100 subscriptions per 100 inhabitants although it should be noted that, because some people had multiple subscriptions, the proportion of unique mobile cellular subscribers was significantly lower.

We also noted the gradual decline in the penetration rate for fixed-telephone subscriptions in 2016, owing to fixed-mobile substitution and the tendency for new users to prefer mobile over fixed lines. This growth in mobile-broadband subscriptions worldwide also raised from one fifth to one half of the penetration rate for mobile-cellular subscriptions between 2011 and 2016. This helped to drive steady growth in the percentage of individuals using the internet and of households with internet access.

In the period under review, we have endeavored, with limited resources, to do what we could to ensure that most Zambian access ICT services through a number of interventions. Notable among them include the continued construction and launching of communication towers in rural parts of the country with a view of attaining 100 percent population coverage as well as connecting learning institutions. The Authority also completed constricting the National Data Centre, started the process of reviewing the licensing framework, facilitated both the National Broadband Strategy and SMART Zambia Vision Now as well as National Addressing and Post Code Project among other.

The Authority also collaborated with key internal and external stakeholders to achieve key aspects of consumer protection such as digital financial services and inclusion, child online protection, persons with disabilities in relation to ICT access and SIM card registration.

We are strong advocates of the fact that the development of ICTs in the country will ensure the creation of a knowledge based society in all aspects of development and governance. As a Board and indeed on behalf of the Authority, I take this opportunity to acknowledge the continued confidence and encouragement of our shareholders; the trust and loyalty of our clients and partners; and the commitment and professionalism of our management and staff for we cannot achieve all our set goals and vision of transforming our country into an industrialised state with these critical elements.

As foreseen, this was an eventful year for the Authority and the sector at large. In the midst of the milestones achieved, the country was in the midst of the general elections. The Authority managed to effectively carry-on with its operations smoothly despite the Presidential, parliamentary and local government elections held in the third quarter of 2016 which gave His Excellency, President Edgar Lungu, an extended 5 years fresh mandate as Republican President of the Zambia.

Therefore, on behalf of the Board, Management and Staff, allow me to expresses appreciation and conveys my best wishes and sincere congratulations to His Excellency the President, Mr. Edgar Chagwa Lungu, for emerging victorious in the just ended general elections. It is our hope that with his focused and visionary leadership, he will lead this nation to greater heights.

Emmanuel Musonda

Chairman of the Board

SENIOR MANAGEMENT TEAM

During the year, Management consisted of the following:-

1. **Margaret K. C. Mudenda**
   DIRECTOR GENERAL

2. **Thomas Malama**
   DIRECTOR LEGAL & REGULATORY AFFAIRS

3. **Clementina Simwanza**
   DIRECTOR FINANCE

4. **Patrick Mutimushi**
   DIRECTOR TECHNOLOGY & ENGINEERING

5. **Mofya Chisala**
   DIRECTOR SUPPORT SERVICES

6. **Mulenga Chisanga**
   DIRECTOR MARKET, COMPETITION & LICENSING

7. **Thomas Matandala**
   DIRECTOR HUMAN CAPITAL DEVELOPMENT & ADMINISTRATION

Director General's Message

I have an unequalled honour and privilege to present the Zambia Information and Communications Technology Authority (ZICTA)'s Annual Report for the 2016 financial year. This year has been one of the most eventful and critical year in the history of the organisation, owing to the fact that it marked the end of the 5 years strategic plan which has guided the Authority towards achieving universal access to ICTs for all.

The plan whose foresight was to promote ICT access for all, was central to major national ICT developments which were critical benchmarks for the massive movement towards an information society status Zambia is envisaging to achieve. During this period, we saw the introduction of the SMART Zambia vision aimed at transforming Zambia into a prosperous and knowledge based developed country by 2064.

In the year 2016, the Authority has sought to know, apply, and do all that our legislative mandate requires us to do, and in so doing, we have used inclusiveness, consultation, compliance and responsiveness as our strand. This, undoubtedly, is because of because of our firm belief in the fact that information and communications technology (ICTs) are a fundamental human right and also critical to human, social and economic development. Our desire is to serve our stakeholders who include the public, Government and the licensees. ZICTA will continue to strive to achieve its vision to be a leading and innovative ICT regulator, by operating in a transparent, fair and accountable manner which underpin our core values.

Taking into account the fact that the ICT sector, not only is Zambia but world over, is very fluidly dynamic, up-to-date knowledge and information is key to successfully regulate the constantly changing communications environment driven by rapid technological innovations.

The 2016 could arguably claim a stake in the overall actualization process of the National Broadband Strategy aimed at facilitating the provisioning of affordable, universal access to broadband and infrastructure to citizens,

The 2016 could arguably claim a stake in the overall actualization process of the National Broadband Strategy aimed at facilitating the provisioning of affordable, universal access to broadband and infrastructure to citizens, business, communities and government to stimulate the usage of Broadband services in order to promote social economic development. Other notable deliverables during this period include the completion of the National Data Centre, the upscaling of the Telecommunications Traffic Monitoring System (TTMS), Connecting Learning Institutions and procurement of computers for schools, National Addressing and Post

Code Project, finalization and closure of the SIM Card registration process which started in 2012, among others.

There is still a lot to be done in the coming years in order to live up to our vision of ensuring an inclusive digital society. Other important tasks ahead include protecting consumers from harmful practices by operators and suppliers in the use of premium-rated services, increase competition in the ICT sector, promote growth of the postal services sector, and develop a regulatory framework for dynamic spectrum management.

I would also like to convey my utmost gratitude to the Ministry of Transport and Communications, the Board and Management for steering the ship to the right direction and for the valuable and strategic leadership towards the attainment of our annual plan. What we have achieved as our overall organizational performance, reaffirms our commitment to ensuring that we are at the level where we can confidently say we are working smart and are becoming efficiently performance driven, the value we will have endeavored to entrench in all members of staff.

Finally, to our valued stakeholders – the government (line ministries), licensees as well as members of the public, we thank you for keeping us on our toes while engaging on a number of projects. We salute everyone for supporting ZICTA and we promise to continue to do better.

Margaret C. Mudenda

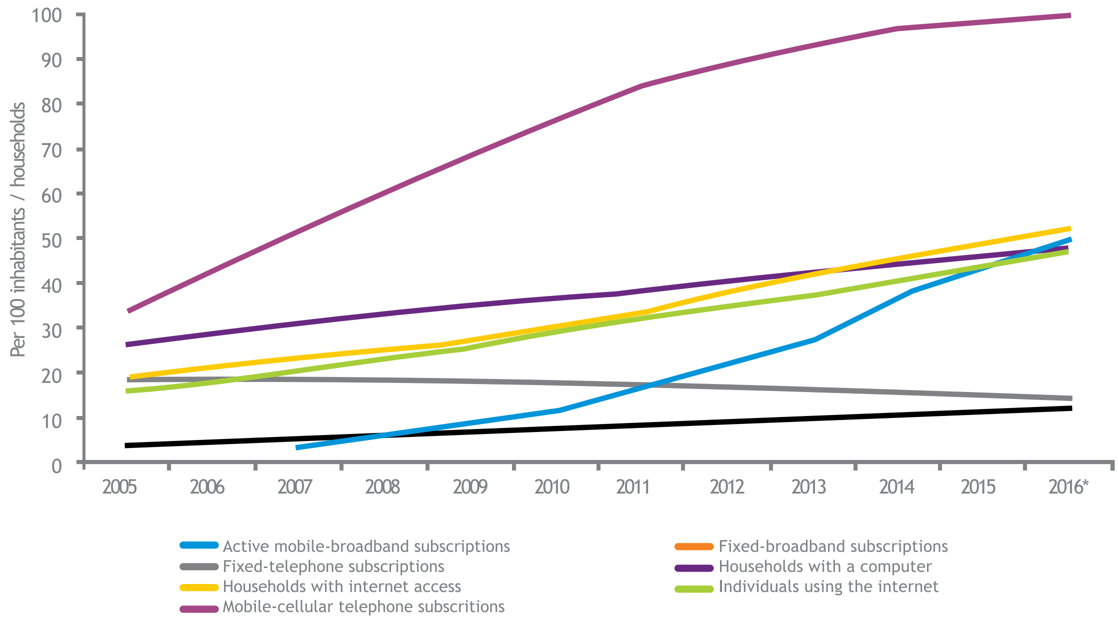
Director General

1.0 RECENT GLOBAL DEVELOPMENTS IN THE ICT SECTOR

1.1 Global Trends in Access and Usage of ICT Services

The utilisation and uptake of ICT generally has been increasing at a global level, and this is has been highlighted by the International Telecommunication Union (ITU) in their 2016 Measuring Information Society Report. The report highlighted that the growth rate in mobile-cellular subscriptions worldwide had slowed down as the global penetration rate approaches 100 subscriptions per 100 inhabitants (although it should be noted that, because some people had multiple subscriptions, the proportion of unique mobile cellular subscribers was significantly lower). At the same time, there had been a noted gradual decline in the penetration rate for fixed-telephone subscriptions, owing to fixed-mobile substitution and the tendency for new users to prefer mobile over fixed lines. The growth in mobile-broadband subscriptions worldwide had also been highlighted, rising from one fifth to one half of the penetration rate for mobile-cellular subscriptions between 2011 and 2016 (see figure 1). This had helped to drive steady growth in the percentage of individuals using the internet and of households with internet access.

Figure 1 : Global Trends in Access and Usage of ICT services; 2005-2016

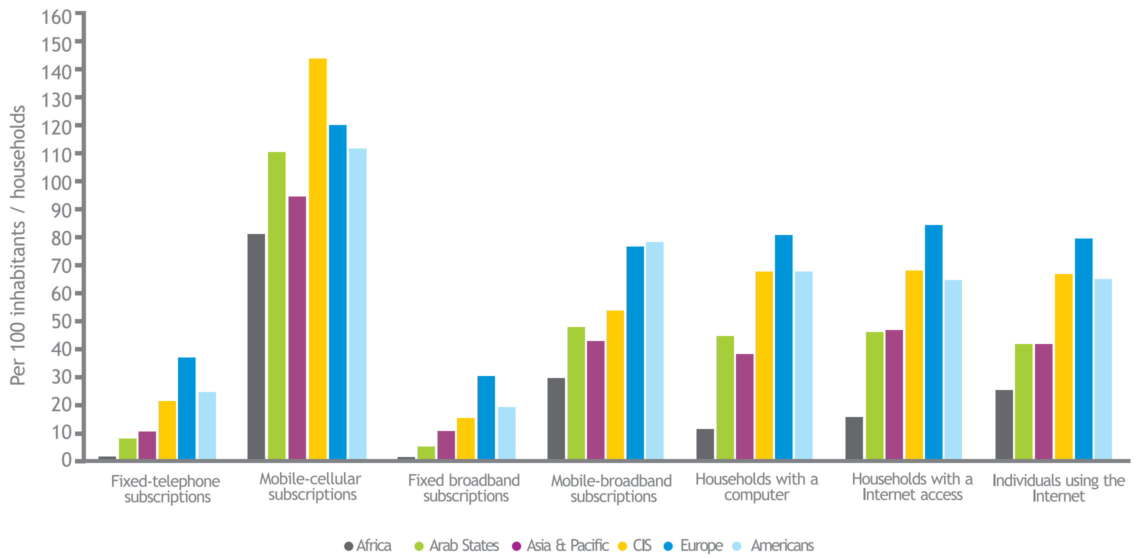


Source: ITU (2016) Measuring Information Society Report
*ITU estimates

1.2 Global Trends in Access and Usage of ICT Services

In the year under review, the ITU reported that there was still substantial differences in access and usage of ICT services across regions. While penetration rates for mobile-cellular subscriptions were high in all regions, and exceeded 100 subscriptions per 100 inhabitants in four of them, they were still significantly lower in the Asia-Pacific and Africa regions. Internet and computer access as well as penetration rates for broadband networks were also higher in the Europe, commonwealth of Independent states and Americas regions, which were predominantly composed of developed countries and middle-income developing countries, than in the other regions (see figure 2). The results for LDCs on these ICT indicators were particularly poor, especially where fixed telephone and fixed-broadband subscriptions were concerned. The lowly position of LDCs reflects the substantial digital divide between LDCs and other countries, which remained an important issue and had particular significance for efforts to use ICTs to support achievement of the Sustainable Development Goals (SDGs) adopted by the UN General Assembly in 2015.

Figure 2 : ICT Penetration Rates, 2016 by Geographical Region



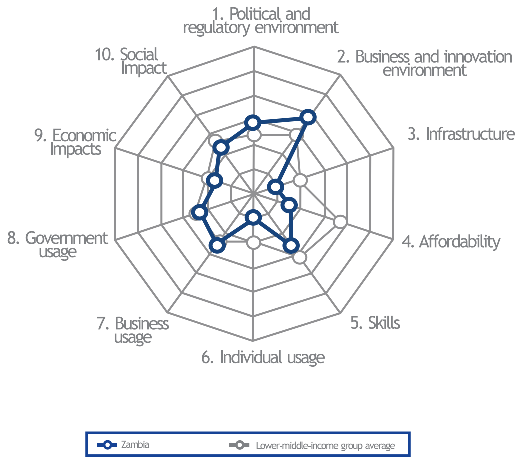
Source: ITU (2016) Measuring Information Society Report
*ITU estimates

1.3 2016 Networked Readiness Index Report

The World Economic Forum (WEF) released global rankings for networked readiness in June, 2016 based on a robust country level index. Zambia ranked 116th out of 139 countries highlighting some inherent challenges in the developments in the ICT sector relative to other countries. However, there were some notable success factors mainly relating to the political and regulatory environment as well as the business and innovation. The country's relatively poor overall score was mainly associated with inadequacies in infrastructure, affordability of ICTs and individual usage mostly relating to low internet penetration (see figure 3).

Figure 3 : Zambia Networked Readiness Index

	Rank (out of 139)	Value (1-7)
Networked Readiness Index	116	3.2
Networked Readiness Index 2015 (out of 143)	114	32
Networked Readines Index 2014 (out of 148)	110	33
Networked Readines Index 2013 (out of 144)	115	32
A. Environment subindex	46	4.3
1st pillar: Political and regulatoty environment	61	3.9
2nd pillar: Business and innovation environment	39	4.8
B. Readiness subinex	127	2.7
3rd pillar: Infrastructure	129	2.0
4th pillar: Affordability	129	2.5
5th pillar: Skills	114	3.6
C. Usage subinex	113	3.0
6th pillar: Individual usage	126	2.0
7th pillar: Business usage	71	3.6
8th pillar: Government usage	114	3.6
D. Impact subindex	113	3.0
9th pillar: Economic impacts	115	2.7
10th pillar: Social impacts	111	3.3

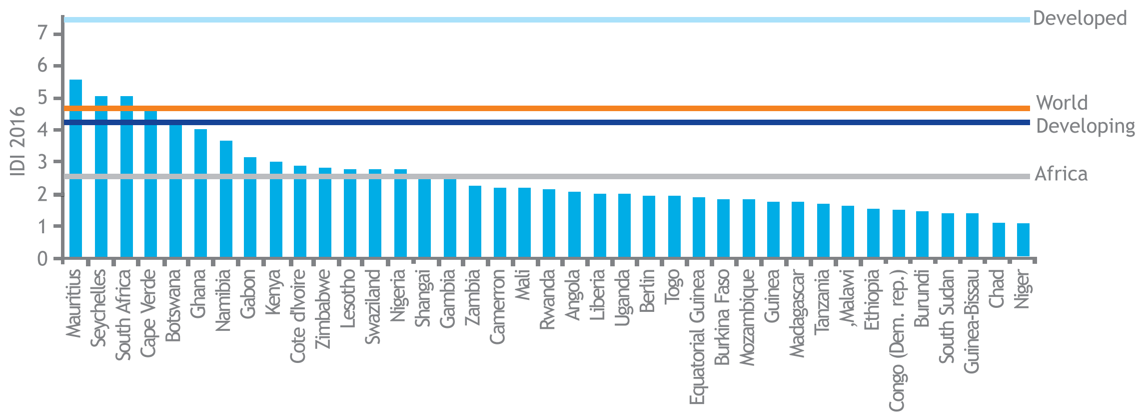


Source: Global Information Technology Report; 2016

1.4 Trends in the ICT Development Index

The average ICT Development Index (IDI) across all 167 countries included in the global assessment increased from average IDI value 4.74 to 4.94, reflecting a general improvement in accessibility, skills and usage of ICTs globally. European countries continued to score the highest average IDI indices in 2016 with the least variation across countries while African countries consistently had the least average IDI indices with the highest variation across countries over the last five years. Zambia's regional ranking on the IDI improved to 17th out of 39 countries in 2016 from an earlier adverse ranking of 24th out of 37 African countries reported in the IDI assessments for 2015 with an improvement in its overall IDI score from 1.55 in 2010 to 2.04 in 2015. However, the country's score of 2.22 was slightly below the regional average for Africa of 2.48 (see figure 4). These findings did not only reflect the extent to which Africa continues to lag behind in ICT development but also the need to close the digital divide across regions.

Figure 4 : IDI Values for Africa, 2016



Source: ITU (2016) Measuring Information Society Report

1.5 Exponential Growth in Registered Global Mobile Money Accounts

The GSM Association released its fifth annual 'State of the Industry Report on Mobile Money' in February, 2016. The report highlighted that the number of registered mobile money accounts increased by 31 percent to reach 411 million in 2015. In addition, it was reported that mobile money was available in 85 percent of the countries where most of the population lacked access to formal financial institutions. The report also indicates that there were 29 cross-border mobile money initiatives connecting 19 countries in 2015, with the volume of cross-border remittances increasing by 52 percent over the last year. This reflects the growing important role that mobile money services were playing in driving financial inclusion across the world.

1.6 First Ever African E-Passport Launched

During the period under review, the first ever African e-passport was launched at the African Union summit held in Kigali, Rwanda. The e-passport was launched in order to facilitate the free movement of people within the continent and trade among countries. The initiative, first agreed upon in 2014, fell within the framework of Africa's Agenda 2063, and had the specific aim of facilitating free movement of persons, goods and services around the continent so as to foster intra-Africa trade, integration and socio-economic development.

1.7 Selected Recent Local Developments in the ICT Sector

1.7.1 Vodafone Expands into Zambia with Afrimax Internet partnership

Vodafone Group Plc. started offering their services to the public in Zambia in June, 2016. The company offers high-speed mobile-data and Internet services in the country through its partnership with Afrimax, one of the largest 4G wireless voice and data communications providers across Sub-Saharan Africa. The partnership deal also includes the opening of Vodafone branded stores across the country.

1.8 Proposed New Licensing Framework for the ICT Sector

In the period under review, a consultative paper on the Proposed New Licensing Framework was released by ZICTA to solicit comments on whether Zambia should adopt a Converged Licensing Framework or not. This was a response by the regulator to the changes in ICT technologies and the business models adopted by operators. A total of twenty-two (22) official responses were submitted and considered for input into the proposed licensing framework. A stakeholder's meeting was held on June 23rd, 2016 at which the consolidated submissions were discussed. It is envisaged that the process of reviewing the licensing framework will be concluded in 2017. This development is expected to pave way for heightened competition and innovation in the delivery of ICT services.

1.9 Postal and Courier Services Regulations

On April 28th, 2016 the Minister of Transport and Communications approved the Postal and Courier Services Regulations. The regulations would assist ZICTA in operationalising the provisions of the Postal and Courier Services Act No. 22 of 2009 which included but are not limited to the licensing of postal and courier service operators. The regulations also empowered ZICTA to effectively regulate important attributes such as quality of service, standards and pricing of postal and courier services.

1.10 Issurance and Renewal of Licenses

By the end of December 2016, ZICTA had issued a total of seventy nine (79) valid licenses as outlined below:

Table 1: Electronic Communication Licenses Status; 2016

Type of Licence	Number of Existing Licences
Mobile Network Operators	3
Carrier of Carriers (excluding the MNOs)	2
Passive Infrastructure	2
Public Signal Distributor	1
Internet Service Providers	24
Public data	5
Value Added Service	5
Private Network	37
Total	79

Source: ZICTA

ZICTA issued six (6) new licenses in 2016 constituting of one (1) Private Network License, three (3) Internet Service Provider Licenses and two (2) Value Added Service Licences. Thirty-two (32) licenses were renewed comprising of two (2) Internet Service Provider Licences, four (4) Value Added Service licenses and twenty-six (26) Private Network licenses. One (1) Private Network License expired in 2016 and the operator had not expressed interest to renew the License.

1.11 Electronic Government Procurement Launched

The Zambia Public Procurement Authority launched the Electronic Government Procurement (E-GP) system in June, 2016. The launch of the E-GP offered various benefits that include reduction in the tender processes, competition, improve competence and transparency in the award of government contracts, and contract management and record management, reducing time and cost of doing business for both government and bidders and it is not limited by geographical barriers. The E-GP system would be conducted in given government institutions until January 2017 when it will be rolled out to all public institutions.

1.12 Airtel Ericsson Sign Deal to Improve Network Performance

Airtel Zambia signed a contract with Ericsson aimed at transforming Airtel's radio access network infrastructure in every major region of Zambia and was expected to improve performance. It was expected that the partnership would lead to the upgrade of Airtel's network and help the entity deliver a wide selection of customised services with improved quality of service to subscribers.

1.13 Bongohive Technology and Innovation Hub Sign an MOU with MTN Zambia

Bongohive Technology and Innovation Hub signed a Memorandum of Understanding with MTN Zambia in January, 2016. MTN Zambia pledged to provide support to application and software developers in Zambia through the partnership with Bongohive. The support was aimed at stimulating interest in technology advancements among the youth and exposing them to an economic platform. It was hoped that this partnership would provide an enabling environment in which developers are able to conceptualise, and bring to life applications that not only assist business enterprises and the masses but also provide business opportunities.

1.14 MTN Launches Mobile Money Credit Services

MTN Zambia launched its mobile money credit services, 'MTN Kongola Service' which would allow users of MTN Money to access loans. This service was launched in partnership with JUMO, a non-deposit-taking financial service provider licensed with the Bank of Zambia. The launch of Kongola signified a diversification in the structure of mobile-based digital financial services which had not previously provided loans. MTN Mobile Money and Standard Chartered Bank Zambia Limited also formed a partnership to offer the Straight2Bank Wallet service. Straight2Bank Wallet is a service that enables corporates that hold an account with Standard Chartered Bank to make online payments directly to MTN Mobile Money wallets. This was expected to mitigate risks associated with bulk and high volume cash payments.

1.15 Trends in Mobile Money or Electronic Money Transactions

The usage of mobile money or electronic money services in Zambia continued to be on the increase mainly driven by payments for utility services such as electricity and water as well subscription to pay TV channels. Specifically, the value of mobile money transactions increased from K2.5 billion recorded in 2015 to K2.8 billion in 2016 reflecting an increase of 13.3 percent. Similarly, the volume of mobile money transactions increased from 64 million transactions in 2015 to 103 million transactions in 2016 reflecting an improvement of 60.9 percent (see table 2).

Table 2 : Trends in Volumes and Values of Electronic Money Transactions

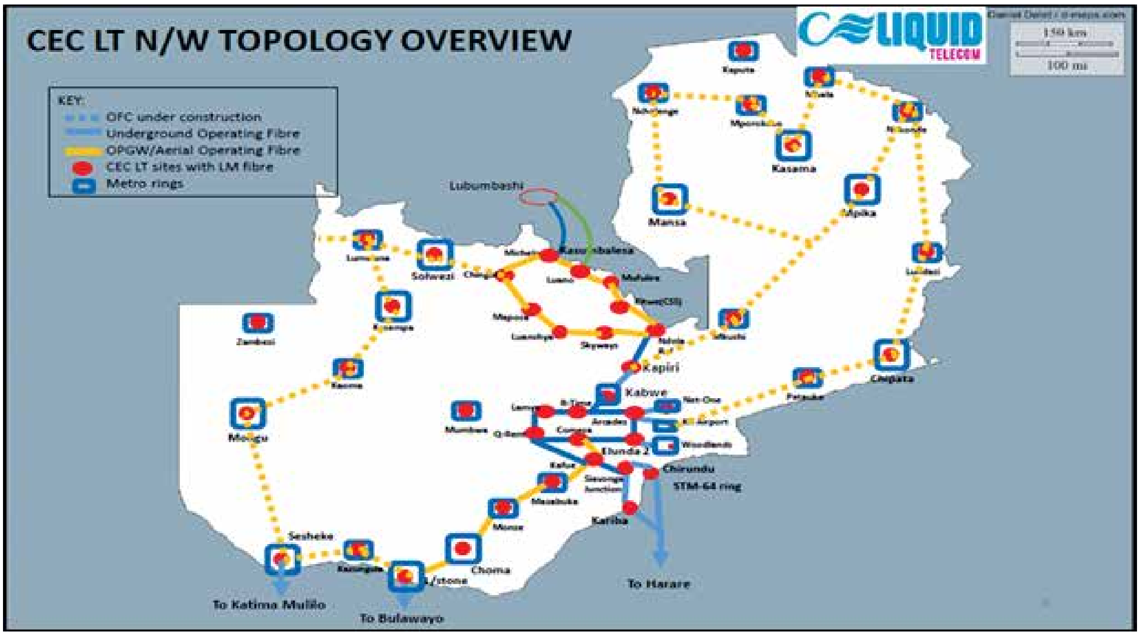
	2014	2015	2016	% Change 2015/16
Volumes (Number of Transactions)	35,457,948	63,985,618	102,971,002	60.9%
Values (K 'Million')	1,574.40	2,498.50	2,830.40	13.3%

Source: Bank of Zambia

1.16 Expansion of CEC Liquid Telecoms Fibre Network in Zambia

In 2015, CEC Liquid Telecoms Zambia announced its intention to build a new fibre link between Lusaka and Livingstone that would provide both retail and wholesale customers with the most reliable, high-speed broadband connectivity in Southern Zambia. The estimated cost for the turnkey 500km fibre link and terminal equipment was US$5 million. The new link started in Lusaka, transiting through eight southern circuit towns including Kafue, Mazabuka, Monze, Choma and Kalomo, terminating at the Victoria Falls in Livingstone. At the Victoria Falls, the new link will interconnect with the Liquid Telecom Group's fibre network in Zimbabwe providing the company with its third active route into and out of Zambia. In 2016 alone, the fibre built was 3,328km constituting 3,010km metro, 211km backbone and 107km FTTH (see 5).

Figure 5 : CEC Liquid Telecom Network Diagram for 2016

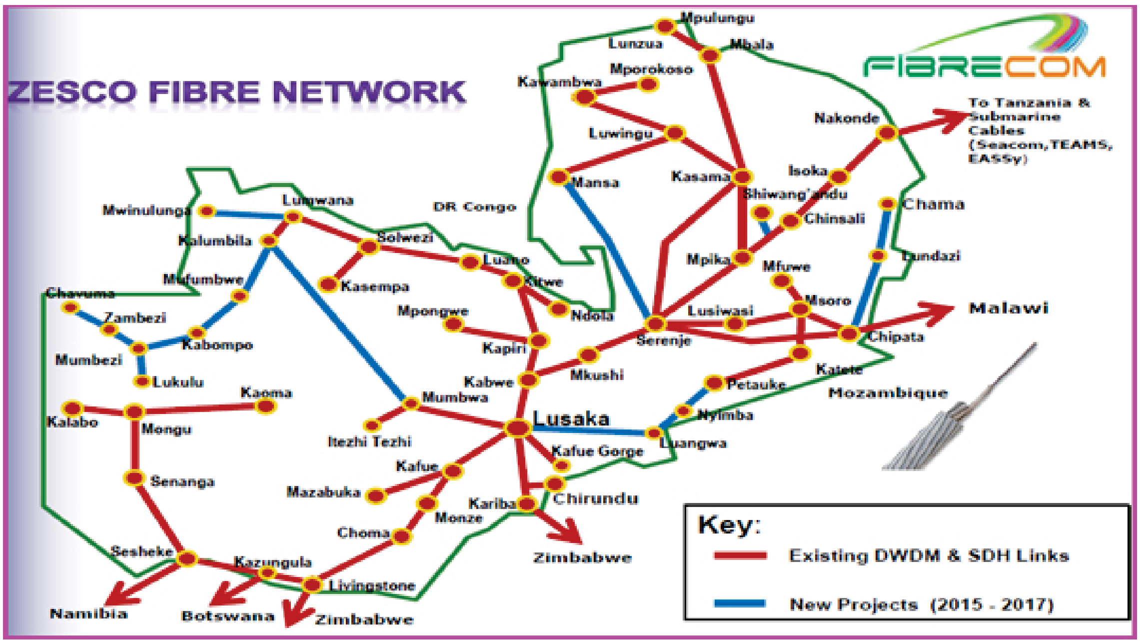


Source: Submissions from Operators

1.17 Expansion of Fibrecom Backbone Infrastructure Network

In the period under review, Fibrecom Limited, a subsidiary of ZESCO Limited, had deployed over 7,000 km of optic Fibre cable countrywide. The infrastructure had a presence in all the ten (10) provincial centers of Zambia including some surrounding districts. The company also had interconnectors with Namibia, Tanzania, Botswana, Malawi and Zimbabwe. It had an installed transmission capacity of 400 Gbps on the DWDM backbone network. In the medium term, Fibrecom intended to continue on its expansion of the network alongside power grid projects in North-Western, Luapula, Central, Muchinga, Northern and Eastern Provinces. It also intended to roll out metropolitan networks in Lusaka and the Copperbelt towns during the year 2017 (See figure 6).

Figure 6 : Fibrecom Limited Network Expansion Programme; 2016



Source: Fibrecom Limited

1.18 Developments in the Macroeconomic Environment & their Implications on the ICT Sector

1.18.1 Economic Growth

The economy was estimated to have grown by 3.0 percent in 2016 against a target of 5.0 percent, relatively slower than the country's historical average real GDP growth rate of 6 percent. This growth outturn was expected to improve in the medium to long term with redress to key inhibitors to growth such as the sustained power supply shortages, reduced investments arising from a wait and see approach by investors in the follow-up to the general elections, a deterioration in the country's trade position and sluggish global growth leading to low pricing for commodities including copper. The slow growth in the domestic economy was likely to negatively influence the growth of the ICT sector arising from possible lower adoption and usage of ICT services.

1.18.2 Inflation Rate Performance

The annual rate of inflation, as measured by the all items Consumer Price Index (CPI) reduced from 21.1 percent recorded at the end of December, 2015 to 7.5 percent reported at the end of December, 2016. This meant that on average, prices increased by 7.5 percent between December 2015 and December 2016. Communication contributed 0.1 percent to the total inflation rate for the reference period. The annual rate of inflation had been on the rise since May, 2015 mainly explained by a persistent deterioration in the exchange rate which subsequently has had pass through effects on both food and non-food items. The implication of this development was a general rise in the cost of products and services including ICT related inputs. However, the year-on-year price increases slowed down towards the end of the year 2016 following some stability in the foreign exchange market and tight monetary policy by the central bank.

1.18.3 Performance of the Foreign Exchange Market

The local currency experienced some improvement towards the conclusion of the year 2016 relative to the position at the end of 2015 when compared to other major trading currencies. Specifically, the local currency appreciated between 2015 and 2016 from ZMK 10.8 per USD to ZMK9.8 per USD; ZMK16.2 per GBP to ZMK12.1 per GBP; and ZMK0.73 per ZAR to ZMK0.71 per ZAR. The modest appreciation could be attributed to tight monetary policy by the Bank of Zambia which included tight liquidity conditions and a hike in the policy rate from 12.5 percent to 15.5 percent. Despite the modest appreciation in the exchange rate, the exchange rate remained relatively uncompetitive mainly explained by weaker copper prices, power rationing which constricts production and some concerns over the widening fiscal deficit. The overall depreciation in the domestic currency had broadly affected operators in the ICT sector in two ways. Firstly, all imported inputs including international termination rates, international leased capacity as well as other international carriers' costs among others had increased in cost. At the same time, the domestic price of local inputs had increased following pass through effects of depreciation through inflation.

1.18.4 Challenges in the Energy Sector

The country continued to face an energy crisis following a sustained poor rainfall pattern experienced in the last few seasons. According to the Energy Regulation

Board (ERB), 95 percent of the energy used in Zambia was supplied through hydro-power stations. Therefore, a poor rainfall pattern as experienced is expected to have a huge impact on power generation in the country. ZESCO, the largest power utility company in Zambia, was mitigating this shortage through "load shading" or rationed consumption. However, this has had negative consequences on production. In some instances, including in the provision of ICT services, alternative energy sources such as generators and inverters were being used to ensure business continuity. The downside to this strategy was the huge cost associated with procuring and maintaining these alternative energy sources.

1.18.5 Tax Policy

In the year 2016, the ICT sector continued to face the highest corporate tax burden relative to other sectors in the economy of 40 percent on income above K250 million (USD25 thousand) in the telecommunication sector. In addition, the excise tax of 15 percent applied on talk time was increased to 17.5 percent in the 2017 budget. These relatively high taxes applied on the ICT sector had adverse consequences on the cost of ICT services on the market and in turn the adoption of such services. Particularly, an excise tax which was designed to deter consumption was likely to limit any efforts aimed at increasing access to ICTs in the country.

1.18.6 Zambia's Credit Ratings Downgrade

Zambia's credit rating was downgraded in 2016 by Moody's Investor's Service, a global credit rating agency. This followed an earlier down grade in the rating by Moody's to B2 in September 2015. The sustained deterioration in the rating the agency was based on an assessment that the government's balance sheet was weakening and related liquidity risks. The downgrade in the country's credit rating implied that any foreign debt contraction by either the private or public sectors was more costly as the country risk profile had deteriorated. This was likely to have adverse implication on the cost of capital contracted abroad.

Some key highlights of the trends in selected macro-economic indicators are outlined below:

Table 3 : Trends in Selected Macro-Economic Indicators; 2014-2016

	2014	2015	2016
Total GDP at Current Prices (K' Millions)	167,052 .5	183,381.1	**
Gross Value Added Percentage Contribution to GDP by Information and Communication at Current Prices*	2.3	2.9	**
Real GDP Growth Rates	6.0 %	2.8%	3.0%*
End Year Inflation Rates	7.9%	21.1%	7.5%
End Year Exchange Rates (ZMW/US$)	6.3	10.8	9.6
Bank of Zambia Policy Rate	12.5%	15.5%	15.5%
Commercial Banks' Average Lending Rates	19.3%	23.8%	29.5%

Source: various Bank of Zambia and Central Statistical Office publications

*Preliminary CSO estimates
**Data not yet released by CSO

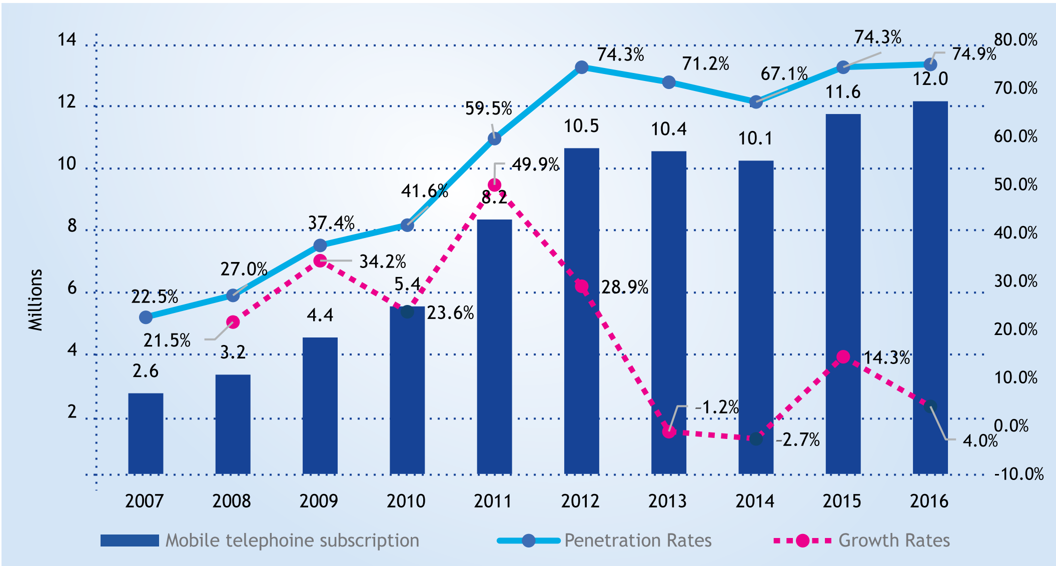
1.19 Performance of the ICT Sector

1.19.1 Mobile Telephony Market

1.19.1.1. Mobile Telephone Subscription

The total number of active mobile telephone subscriptions increased by 4.0 percent to reach 12.0 million subscriptions at the end of 2016 compared to 11.6 million reported at the end of 2015. This subscription level represented an improvement in penetration rates from 74.3 percent recorded in 2015 to 74.9 percent in 2016. The relatively slow growth in penetration could partly be explained by the sim verification exercise which had a deadline of June 30th, 2016 leading to some sim cards being deactivated. The relatively high cost of mobile communication arising from the sustained increase of consumption taxes such as excise duty had equally been a deterrent to increased adoption. However, heightened competition among the operators, evident from the numerous promotions on the market, continued to provide an incentive for multiple subscription across operators which limited the adverse impact of the highlighted shortcomings (see figure 7).

Figure 7: Trends in Mobile Telephone Subscription, Growth and Penetration Rates; 2007- 2016

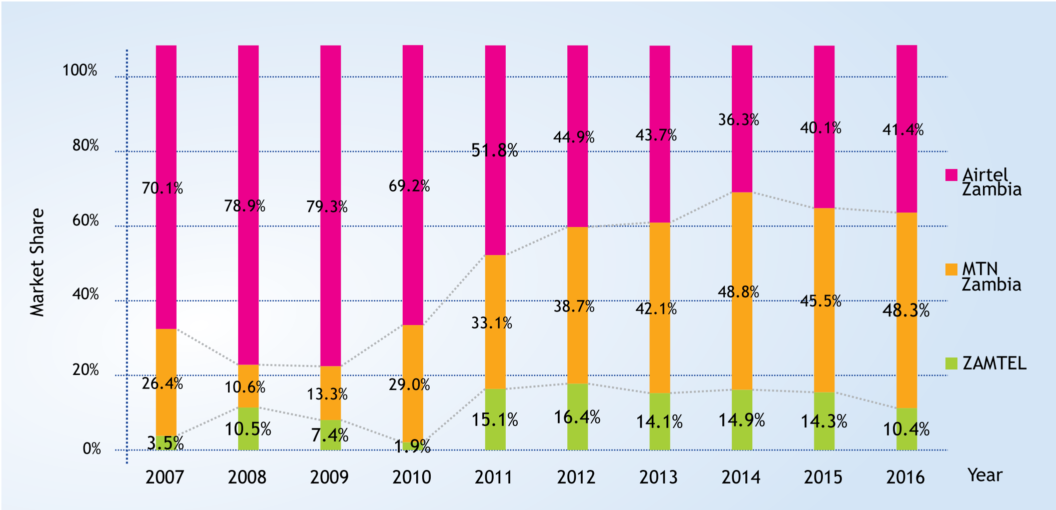


Source: Submissions by operators

1.19.1.2 Market Shares of Mobile Network Subscription

MTN Zambia Limited and Airtel Zambia Limited continued to have relative dominance in subscription over Zamtel. At the end of 2016, MTN Zambia Limited had the largest market share of 48.3 percent while Airtel Zambia had a market share of 41.4 percent. Zamtel had the least market share in mobile subscribers of 10.4 percent (see figure 8).

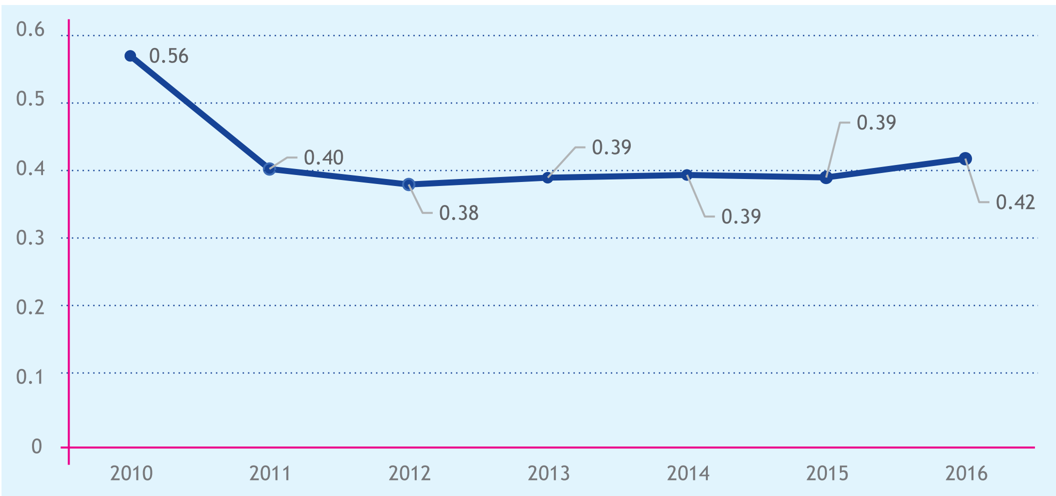
Figure 8: Trends in Shares of Mobile Network Subscription: 2007-2016



Source: Submissions by Operators and author's own computations

Overtime, the market had experienced some notable improvements in competition among the three mobile network operators, although with very little marginal improvements. The Herfindahl-Hirschman Index (HHI) reduced from 0.56 in 2010 to 0.4 in 2011 and had revealed inertia around this performance after 2011. However, concentration on the market seemed to deepen in 2016 with the HHI increasing to 0.42 consistent with the shift in market share with two operators on the market accounting for over 90 percent of the total subscription (see figure 9).

Figure 9: Trends in the Herfindahl- Hirschman Index: 2010-2016



Source: Submissions by Operators and author’s own computations

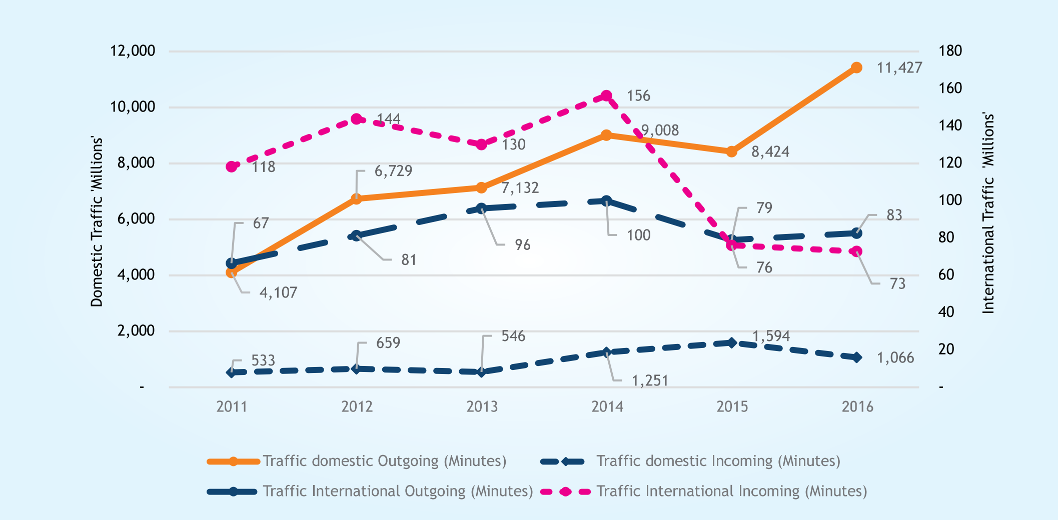
1.19.1.3 Mobile Voice call Traffic Volumes

Domestic incoming mobile voice traffic, defined as the total number of minutes received on domestic mobile networks from either within the same mobile network or from another domestic mobile network, reduced from 1.6 billion minutes recorded in 2015 to 1.1 billion minutes in 2016 reflecting an adverse performance of 33.1 percent. The average traffic per user for domestic incoming voice traffic reduced by 35.7 percent from 138 minutes per subscriber in 2015 to 89 minutes per subscriber in 2016.

On the other hand, the total domestic outgoing minutes, defined as the total number of minutes originating on domestic mobile networks to either within the same mobile network or to another domestic mobile network increased by 35.7 percent from 8.5 billion minutes in 2015 to 11.4 billion minutes in 2016. The improvement could partly be explained by the increased adoption of bundled packages in 2016 that offer voice minutes at a discount.

Incoming international traffic declined by 4.3 percent from 76.1 million minutes reported in 2015 to 72.8 million minutes in 2016. This performance could partly be explained by the increasing adoption of internet-based applications like WhatsApp, Skype and Viber among others to make international voice calls. On the other hand, outgoing international traffic increased by 4.7 percent from 78.9 million minutes reported in 2015 to 82.7 million minutes in 2016. The increase in the volume of outgoing international voice traffic could also be partly be explained by regional initiatives such as the Southern African Development Community (SADC) Home and Away Roaming preferential tariffs for the region. (See figure 10).

Figure 10 : Trends in Mobile Telephone Traffic; 2010-2016

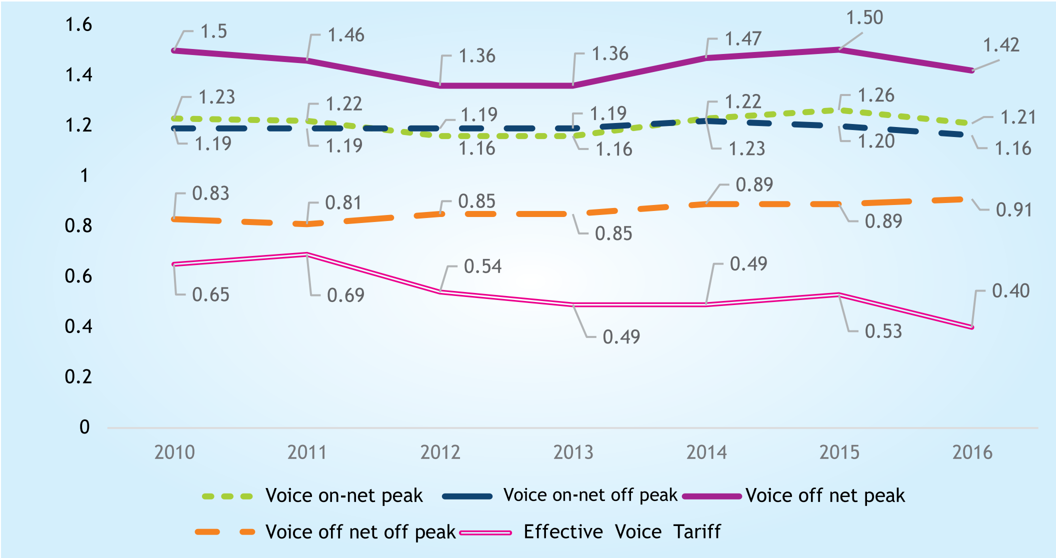


Source: Submissions by Operators and author's own computations

1.8.3 Mobile Tariff Comparisons

The Average headline mobile voice tariffs remained relatively stable between 2016 and 2015 with some minimal reductions observed on both peak and off peak rates for off-net calls and on-net peak rates.The largest change in tariffs was observed on the effective tariffs calculated by dividing the total revenue with the total number of outgoing minutes. The effective tariff reduced from 0.53 to 0.40 between 2015 and 2016 representing a reduction of 24.5 percent. The improvement could partly be explained by the increased adoption of bundled packages in 2016 that offer voice minutes at a discount (see figure 11).

Figure 11 : Trends in the Average Headline Tariffs per Minute for Voice Communication 'ZMK'



Source: Submissions by Operators and author's own computations

The average headline tariffs charged in Zambia were relatively less competitive when compared to the tariffs charged for similar services in other countries in the region. Based on an assessment of nine (9) countries in the region, Zambia's ranking on the cost of headline tariffs relative to other countries in the region is highlighted below:

Seven (7th) on 'Off net' off Peak calls;
Sixth (6th) on 'Off net' on Peak calls;
Eight (8th) on 'On net' on Peak calls; and
Fifth (5th) on 'On net' on off Peak calls

The uncompetitive tariffs could partly be explained by the imposition of excise duty on airtime which was at 15 percent in 2016. Most countries in the region do not apply excise duty on airtime (see table 4).

Table 4 : Comparison of Average Headline Tariffs with Selected countries in the Region

Country	Off-Net Off-Peak	Rank	Country	On-Net Peak	Rank	Country	On-Net Off-Peak	Rank	Country	Off-Net Peak	Rank
Kenya (Airtel)	0.02	1	Kenya (Airtel)	0.04	1	Kenya (Airtel)	0.02	1	Kenya (Airtel)	0.04	1
Uganda MTN	0.07	2	Uganda MTN	0.07	2	Malawi (Airtel)	0.05	2	Uganda MTN	0.07	2
Botswana (Mas)	0.07	2	South Africa (Vodacom)	0.09	3	Botswana (Mas)	0.06	3	South Africa	0.09	3
Malawi (Airtel)	0.08	4	Malawi (Airtel)	0.10	4	Uganda MTN	0.7	4	Namibia (MTC)	0.11	4
South Africa (Vodacom)	0.09	5	Tanzania (Airtel)	0.10	4	South Africa (Vodacom)	0.09	5	Malawi (Airtel)	0.13	5
Namibia (MTC)	0.11	6	Namibia (MTC)	0.11	6	Zambia	0.09	5	Botswana (Mas)	0.14	6
Zambia	0.12	7	Botswana (Mas)	0.11	6	Tanzania (Airtel)	0.11	7	Zambia	0.14	7
Zimbabwe (Econet)	0.16	8	Zambia	0.12	8	Namibia (MTC)	0.11	7	Zimbabwe (Econet)	0.16	8
Tanzania (Airtel)	0.20	9	Zimbabwe (Econet)	0.16	9	Zimbabwe (Econet)	0.16	9	Tanzania (Airtel)	0.20	9
Average	0.10		Average	0.10		Average	0.08		Average	0.12	

Source: based on various operators' websites

Zambia continued to be among the 4 countries that are actively participating in the implementation of the Roam Like at Home initiative. ZICTA facilitated the negotiation of revised wholesale inter operator roaming tariffs between Zambian Operators and operators in Botswana, Mozambique, Namibia and Zimbabwe (see table 5).

Table 5: Changes in Wholesale Inter operator Roaming Tariffs

	PERCENTAGE CHANGE				
	MTN Zambia - Telecel Zimbabwe	Zamtel Zambia - Econet Zimbabwe	Airtel Zambia - Netone Zimbabwe	Zamtel Zambia - BeMobile Botswana	Zamtel Zambia - Telecom Namibia
Calls within visited country/min	-83%	-61%	-68%	-79%	-61%
Calls to Home Country/min	-64%	-65%	-72%	0%	-65%
Calls to 3rd country/min	-95%	-67%	-59%	-	-
Sending an SMS	-18%	-30%	-55%	0%	-30%
Data Rates per MB	0%	-89%	-67%	-97%	-95%

Source: Based on submissions by operators

The reductions on wholesale rates had translated into some reductions in the retails tariffs for calls within visited countries, calls to home and data for roaming customers when they visit SADC countries (see table 6).

Table 6: Changes in Retail Roaming Tariffs in the SADC Region

Retail Rates in US$	Calls within visited country No. minute		Calls to Home Country No. minute		Data Per MB	
	PRE	POST	PRE	POST	PRE	POST
Angola	0.75	0.72	2.10	1.86	9.50	7.33
Botswana	0.78	0.41	1.62	1.13	3.12	3.30
DR Congo	0.82	0.75	1.69	1.57	3.06	2.68
Lesotho	0.74	0.63	1.39	1.24	3.77	2.80
Malawi	0.76	0.80	1.63	1.56	18.81	4.07
Mozambique	0.70	0.73	1.41	1.42	4.48	4.45
Namibia	1.25	0.58	1.69	0.95	4.91	1.66
South Africa	0.54	0.40	0.82	0.50	5.98	1.91
Swaziland	0.42	0.37	0.83	0.66	1.41	1.77
Tanzania	0.70	0.64	1.90	1.67	2.83	2.39
Zimbabwe	1.20	0.72	2.47	1.46	10.13	4.35
Average	0.79	0.61	1.60	1.27	6.18	3.34

Source: Based on submissions by operators

1.19.1.4 Investment in Telecommunication Sites

By the end of 2016, a total of 5,305 telecommunication sites were operational in the country. The largest proportion of the sites were 2G accounting for 51 percent of the total followed by 3G sites that accounted for 44 percent of the total number of sites. Only 5 percent of the telecommunication sites were 4G/LTE sites (see table 7). The proportion of 4G/LTE sites was expected to increase in the medium term as operators invest more in the technology to provide high speed internet services to more communities.

Table 7 : Distribution of Telecommunication Sites by Type of Technology

	2G	3G	4G	TOTAL
Airtel	1,233	939	-	2,172
MTN	1127	887	231	2,245
ZAMTEL	337	528	23	888
GRAND TOTAL	2,697	2,354	254	5,305

Source: Based on submissions by operators

1.19.1.6 SMS and MMS Traffic

SMS and MMS traffic experienced a huge increase from 1.3 billion SMS and MMS reported in 2015 to 7.1 billion SMS and MMS reported in 2016 representing an overall improvement of 432.2 percent. Airtel Zambia Limited and MTN Zambia Limited had the largest share in SMS and MMS traffic of with 63.5 percent and 36.1 percent respectively. On the other hand, Zamtel reported a share of only 0.4 percent of total SMS and MMS traffic (see table 8). The general improvement in SMS and MMS volumes could partly be explained by the increasing practice by corporates to use SMS in communicating with their clients on service updates, subscription status and payment confirmations among other notifications. In addition, the use of bundled tariff plans packaged with discounted SMS had positively influenced usage.

	2014	2015	2016	% Change 2015/16
Airtel	493,302,821	635,431,575	4,489,698,683	606.6%
MTN	1,002,413	657,048,562	2,551,567,294	288.3%
ZAMTEL	38,734,922	35,695,999	28,925,792	-19.0%
GRAND TOTAL	893,040,156	1,328,176,136	7,070,191,769	432.3%

Source: Based on submissions by operators

1.19.1.6 Revenue Performance

The mobile telephone sub sector was estimated to have recorded an increase in revenue performance from ZMW 4.63 billion recorded in 2015 to ZMW 4.64 billion in 2016 representing an increase of 0.2 percent.

1.19.2 Fixed Telephony Market

1.19.2.1 Active Fixed Telephony and Penetration

There was a relative decline of 12.7 percent in the number of active fixed telephone (PSTN) subscribers between December 2015 and December 2016. A total of 101 thousand active PSTN subscribers were reported at the end of 2016 relative to 116 thousand reported at the end of 2015. This performance reflected a deterioration in fixed telephone penetration from 0.75 percent reported in 2015 to 0.63 percent in 2016 (see table 10). The slow growth in PSTN subscription and dwindling penetration rates could partly be attributed to increased options mobile network based options which include Least Cost Routing and Private APNs partly on account of the fixed- mobile substitution among consumers.

Table 9: Selected Indicators in the PSTN Subsector; 2014-2016

	2014	2015	2016
Population Estimate	15,068,729	15,545,778	16,037,474
Number of active Subscribers	114,420	116,165	101,407
Subscriber per 100 inhabitants	0.76	0.75	0.63
Percentage Change	(1.16)	1.53	(12.70)

Source: Based on submissions by operators

1.19.3 Internet Services Market

1.19.3.1 Fixed and Mobile Internet Subscription

Access to Internet services in the country reduced by 14.8 percent from a total of 6.1 million internet users in 2015 to 5.2 million users reported in 2016. This reduction reflected a drop in penetration from 39 percent to 32.4 percent. However, about 99 percent of the internet users remain mobile internet users (see table 11). The drastic reduction in mobile internet use could be explained by a probable reduction in activity on multiple devices by users. As LTE and 3G become more widespread on local networks, mobile internet speeds had improved and mobile device technological advancements such as tethering and portable mobile hotspots were slowly reducing the necessity for individual users to have multiple devices such as USB modems, phones and tablets.

Table 10 : Internet Usage 2014- 2016

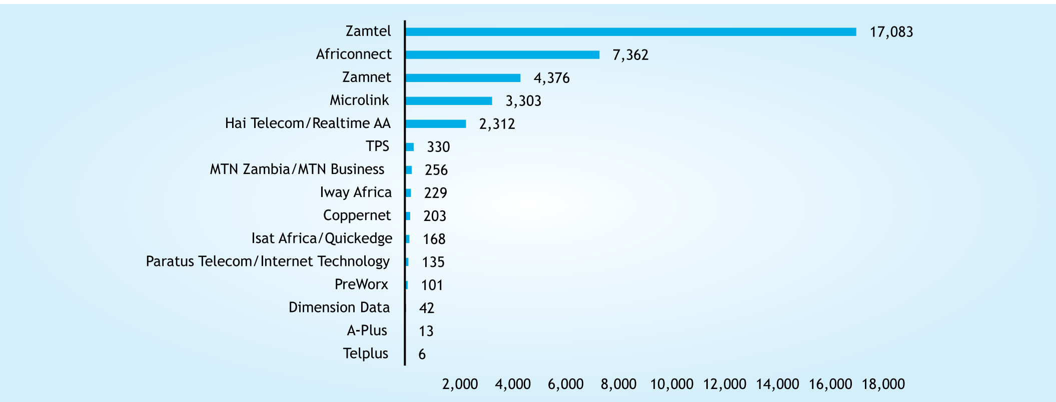
	2014	2015	2016
Internet Subscription - Fixed Wireless	27,882	38,316	35,919
Internet users Per 100 Inhabitants	0.18	0.25	0.22
Mobile Internet Users - Smartphones/Blackberry/Dongles	3,741,615	6,057,229	5,156,365
Mobile Internet users Per 100 Inhabitants	24.1	39.0	32.2
Internet Usage - fixed wireless & Mobile Internet Usage	3,769,497	6,095,545	5,192,2284
Internet Usage Per 100 Inhabitants	24.2	39.3	32.4

Source: Submissions by Operators

1.19.3.2 Internet Services Market Shares

Awith regards to internet services market share, Zamtel, Africonnect, Zamnet and Microlink accounted for close to 90 percent of the subscribers for the fixed wireless internet services. This is despite the existence of 16 active fixed Internet Service Providers (ISPs) on the market. The focus of most ISPs continued to be corporate clients as opposed to individuals given strong competition from substitutes such as mobile internet services among individuals (see figure 12).

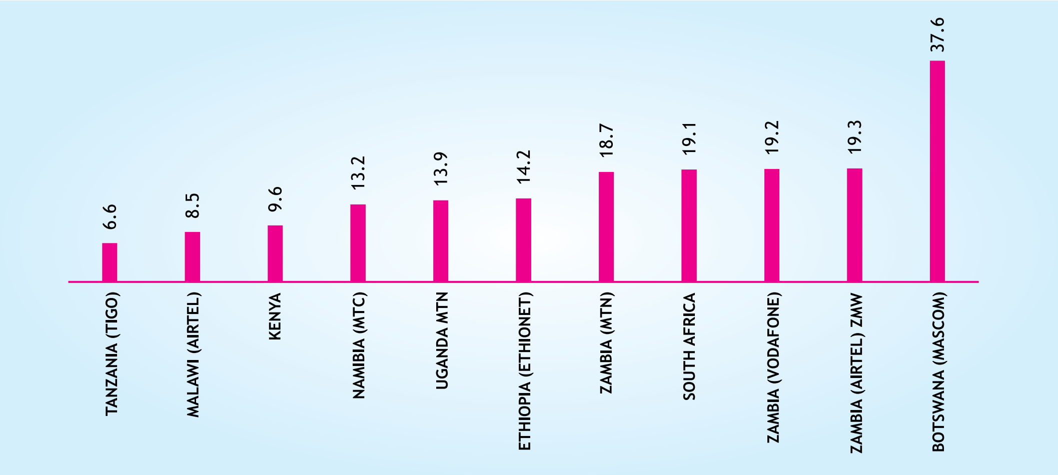
Figure 12: Number of Fixed Internet Service Subscribers by Internet Service Provider; 2016



Source: Submissions by Operators

Vodafone Limited entered the mobile internet market in the second quarter of 2016 and offered internet on an LTE platform. By the end of 2016, Airtel Zambia had the largest number of mobile internet subscribers with 49.7 percent of the market share followed by MTN Zambia with 44.9 percent. Zamtel and Vodafone had the least shares of 4.2 percent and 1.2 percent respectively.

Figure 13 : Price of a 2Gigabyte Bundle in Selected African Countries 'USD'



Source: Regulators & operators websites

The uncompetitive tariffs could partly be explained by the imposition of excise duty on airtime which was at 15 percent in 2016. Most countries in the region did not apply excise duty on airtime.

1.19.3.3 Revenue Performance of the Fixed Internet Services Market

Total revenue from the internet service provision market was estimated to have increased from ZMW 353 million reported in 2015 to ZMW400 million reported in 2016. This performance represented an increase of 13.2 percent between 2015 and 2016.

1.19.4 Passive Infrastructure

1.19.4.1 Ownership of Tower Infrastructure

In September 2015, IHS Holding Limited, the largest mobile telecommunications infrastructure provider in Africa, Europe and the Middle East, completed the sale and lease back of 949 towers in Zambia from Zambian Towers Limited a subsidiary of Airtel Zambia under a long term renewable contract. Outsourcing tower infrastructure allowed mobile network operators to focus on their core business and customers, deleverage through debt reduction, and significantly reduced ongoing capital expenditure on passive infrastructure.

At the end of 2016, IHS Zambia Limited owned 1,735 towers representing an increase of 126 percent when compared to 768 towers owned in 2015. The majority of the towers were not connected to the national grid and thus have to rely on alternative energy (see Table 12).

Table 11: Ownership of Tower Infrastructure

	2015	2016
Total Number of Towers Owned	768	1,735
Total Number of Communication Towers connected to the National Grid	98	372
Total Number of Towers erected and connected to the National Grid	20	4

Source: Submissions from Operators

1.19.4.2 Contribution of the ICT Sector to Employment

There was a marginal increase of 4 percent on overall employment among the licensed entities in the ICT sector between the 2015 and 2016. Specifically, overall contribution of the licensed entities to employment increased from 2,175 in 2015 to 2,264 in 2016. The increase over the period under review was mainly attributed to a significant increase in employment of full time staff among the internet service provider and the passive infrastructure operator of 15 percent and 30 percent, respectively. Only the mobile network operators recorded a decline in employment over the reference period (see 13).

Table 12: Distribution of Employment across Subsectors

	2015	2016	% Change
Mobile Network Operators	1,435	1,417	-1%
Internet Service Providers	499	572	15%
Carrier of Carriers	159	168	6%
Passive Infrastructure	82	107	30%
Total	2,175	2,264	4%

Source: Submissions from Operators

1.19.5 Annual Sectorial Policy and Regulatory Review

ZICTA periodically undertakes qualitative policy and regulatory reviews with a view to identify any constraints or positive developments on the market. The exercise was based on qualitative interviews with selected operators on the market. In December, 2016 the Authority undertook a review which would inform part of its focus areas in 2017.

1.19.5.1 Positive Factors Influencing Growth on the Market

The growth in demand for ICT services was highlighted by operators as an important attribute driving their operations. Particularly, the growing demand for broadband services was identified as an important avenue for growth and business sustainability. The availability of low cost basic smart phones as well as the availability of subsidised handsets by operators were cited as some of the factors driving broadband demand. Operators also noted that a number of private and public organisations in Zambia were increasingly embracing cloud and computerized operations which positively influenced demand for ICT services.

A number of operators also indicated that they had invested significantly in infrastructure which in turn increased their capacity to serve more clients but also had a positive influence on quality of services provided. For instance, a number of operators indicated that they increased their coverage area in 2016 while some operators invested in new technology such as 4G/LTE.

1.19.5.1 Constraints Inhibiting Growth on the Market

A fundamental challenge highlighted by operators were challenges in the macro-economic environment. Particularly, the instability in the exchange rate and an observed general depreciation of the local currency had adverse implications on the cost of doing business. The continued power deficit continued to impose pressure on operating expenses for operators who had to substitute the energy source for either fuel backed generators or battery powered invertors.

The growing proliferation of sim box fraud especially on international incoming traffic was also identified as a fundamental challenge by operators. The consequence of such practice had been a loss of revenue by both the operators and the Government.

Operators also highlighted uncompetitive co-location costs as a fundamental challenge. This ultimately had the consequence of limiting profitability. Similarly, operators cited the absence of a coordinated nationwide optic fiber infrastructure aimed at limiting duplication of investment as making the cost of doing business costly.

A prominent challenge highlighted by operators was the high tax incidence in the ICT sector. Operators cited the highest corporate tax rate of 40 percent applied on telecommunication companies as burdensome. Further, the continued imposition of excise duty recently increased from 15 percent to 17.5 percent had increased the cost of communication and was likely to adversely impact uptake and usage of ICT services. This was despite a revenue based royalty applied on all licensed operators.

Operators also cited the emergence of an intense price war especially related to bundled products. In an attempt to gain market share and increase utilisation, it is not clear if operators were pricing above cost. Consequently, this practice limited the ability of firms to invest, employ more and significantly contribute to the government treasury in taxes.

Passive infrastructure players who own the majority of the passive elements of the GSM sites also highlighted an unprecedented increase in theft incidents on telecommunication sites in 2016. Losses in power supply systems, generators, batteries, solar panels and fuel among others were mostly targeted through these acts of vandalism.

1.19.5.2 Proposals for Enhancing the Business Environment

Operators indicated that it would be important for the Government to consider reviewing the tax burden placed on the ICT sector with a view to stimulate investment, employment and guarantee the sustainability of ICT operators. The sustained imposition of consumption taxes such as excise duties on airtime was likely to limit the growth prospects of the ICT sector in the country as uptake and usage were not likely to grow as expected.The increased proliferation of sim box fraud activities especially on international incoming traffic needed urgent redress as highlighted by operators. This was a loss on potential revenue for operators and the treasury. The activities also had potential to adversely affect the quality of services provided on the rerouted calls.

In order to ensure that tariffs remain cost reflective in spite of the aggressive competition on the market especially relating to the reported price war, the issuance of tariff regulations needed to be concluded at the earliest. This would empower ZICTA to implement price ceiling and price floors where necessary. Further, operators proposed that some guidelines on how bundled products should be priced would assist in curbing underpricing. The ability to effectively regulate tariffs was likely to guarantee that operators have a return on their investments while consumers face affordable prices for ICT services.

Similarly, the reported over pricing on co-location costs should be investigated with a view to ensuring that there was a level playing field on the market. Owners of ICT infrastructure must not apply uncompetitive pricing to operators that would like to leverage on the existing investment. Limiting access to key infrastructure trough uncompetitive pricing was likely to lead to reduced coverage and an increase in the price of ICT services.

In order to ensure efficient use of resources for broadband deployment through the laying of optic fibre, operators proposed for better coordination through the issuance of guidelines aimed at reducing duplication. In addition, it was proposed that other organisations involved in regulating construction sector such as the National Council for Construction (NCC) and the Road Development Agency (RDA) could consider providing rules on optic fiber duct space in all buildings and roads.

As the government roled out an e-government strategy through the SMART Zambia project, operators were looking for opportunities to effectively participate in the project. Particularly, operators were keen exploring any scope for public private partnerships on the project. Operators are also keen on accessing any fiscal or non-fiscal incentives for infrastructure deployment in rural areas.

Passive infrastructure companies were willing to work closely with the government on sensitisation programmes aimed at informing the public on the importance of telecommunication infrastructure. Operators were also keen on working closely with the police to assist with securing critical telecommunication infrastructure. These efforts are proposed with the aim of curbing the rising theft incidents on telecommunication sites.

1.19.5.3 Outlook for the ICT Sector for 2017

The ICT sector was expected to continue on its positive growth trajectory in the subsequent review period amidst some notable risks. The uptake of traditional mobile telephone services that include voice and SMS was projected to continue improving despite the presence of substitutes such as over the top applications like WhatsApp and Skype. The existence of market promotions that provide bundled tariff packages is an innovative response by the market to maintain demand for all the services including data. The growing demand for data was also expected to minimise any adverse revenue implications from the proliferation of Over the Top (OTT) applications. Mobile network operators would have to remain innovative in their business models to maintain and grow their revenue gauge.

Operators' sentiments for the subsequent period were indicative on modernising and expanding their networks in the medium to long term. The Government was expected to deploy phase 2 of the universal access project aimed at rolling out additional telecommunication towers in unserved and underserved areas. This was expected to increase coverage beyond its current extent. Further, a number of operators revealed plans to further deploy high-end data infrastructure such as 4G/LTE which were expected to increase penetration and provide better quality services.PSTN services were likely to stagnate around the current performance as uptake for the technology was expected to remain relatively moderate with a negative outlook following the fixed-mobile substitution effect. The service was likely to be supported mainly by corporate entities that had a stronger preference for these services. Similarly, very little variation in the uptake of fixed internet services among individuals was expected in the subsequent year as the focus of most providers continues to be on corporate clients. Further, a number of ISPs were focused on rolling out 4G/LTE technologies as this was a growing space on the market.

A persistent key limitation to the uptake of terrestrial broadband services was the relatively high cost of the services. Consequently, penetration rates were expected to remain low despite notable investments in backbone infrastructure particularly in urban residential areas. Interventions aimed at reducing the cost of fixed internet services based on different stages of the value chain could assist in increasing usage and accessibility. However, the uptake of mobile internet services was expected to continue to grow at an exponential rate mainly on account of their convenience and affordability. In addition, the entry of a new player on the market providing mobile internet services was likely to strengthen growth in mobile internet access and usage.

Challenges associated with the depreciation of the kwacha, rising inflation, rising cost of credit and the power shortage if sustained were likely to continue stifling the business environment. These challenges coupled with an uncompetitive domestic tax regime were ultimately expected to translate into a rising cost of providing ICT services on the market which may entirely be passed on to consumers. Effective Fiscal and Monetary policies as signaled by the Authorities in the review period coupled with improvements in the global economy in the subsequent review period could curb these risks. That notwithstanding, roaming charges in the region were expected to continue reducing in the subsequent period, following progress in the implementation of the SADC Home and Away Roaming project.

The government was scheduled to conclude the process of reviewing the current licensing framework to pave way for a more converged licensing framework. This was expected to facilitate deepened competition on the market, innovative business models on the market as well as innovative product delivery channels. Ultimately, consumers were expected to have broader diversity in product choice as well as benefit from more competitive pricing.

ZICTA would continue to monitor developments on the market and respond to any emerging issues relating to competition and consumer welfare.

2.0 TECHNOLOGY AND ENGINEERING

This part of the report covers the major activities undertaken by ZICTA under the Technology and Engineering unit in 2016.

2.1 Standards and Type Approval

2.2 Dealers

A total of one hundred and seventeen (117) new dealers where registered while one hundred and twenty-eight (128) dealers had their certificate renewed in 2016. There are no fees charged for registration or renewal of Dealers Certificates. However, the significance of registering dealers was to have control on the conformity to standards of equipment sold in Zambia.

Table 13 below compared the 2016 and 2015 trends;

	2015	2016	% Change
New Dealers Certificate	115	117	-38
Renewed Dealers Certificate	114	128	14
Total	269	245	-24

It was noted that the number of renewals was significantly low compared to the total number of dealers. The Authority would however, send reminders to all dealers who had not yet renewed their licenses in the first quarter of 2017.

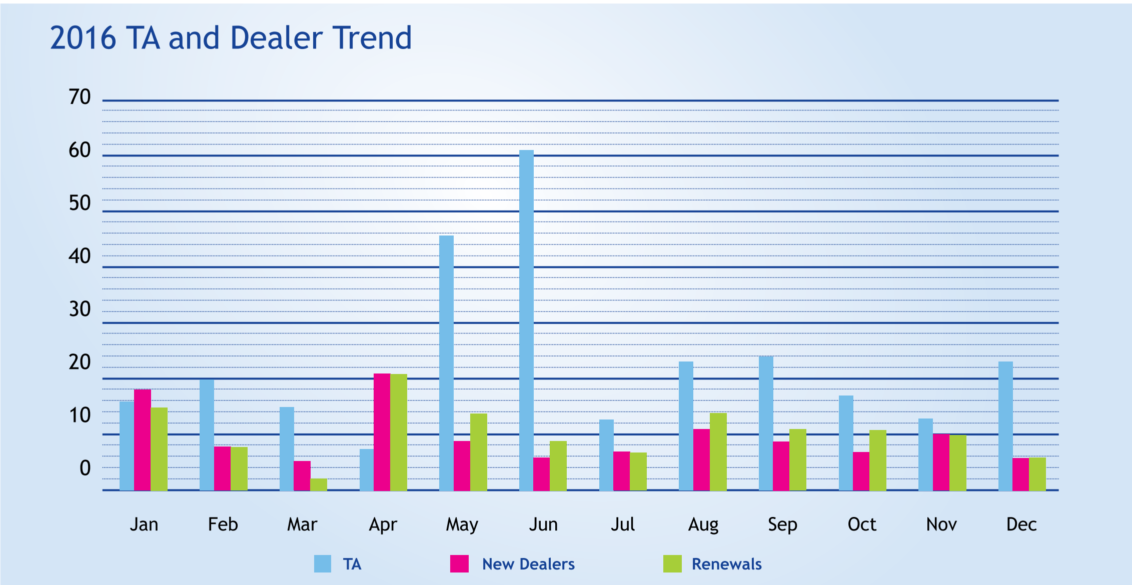
2.3 Type Approval

This regime checks conformity of electronic communications equipment to set standards. Conformity is ensures that network integrity is safeguarded. It also protects the environment and general public.

A total Two Hundred Seventy Nine (279) models of electronic communications equipment were type approved in 2016 resulting into a revenue gain of ZMW 1,076,580.00. This is compares with 272 models approved in 2015.

The graph below shows monthly performance for 2016 as regards Type Approvals, New Dealers and Dealers Renewals.

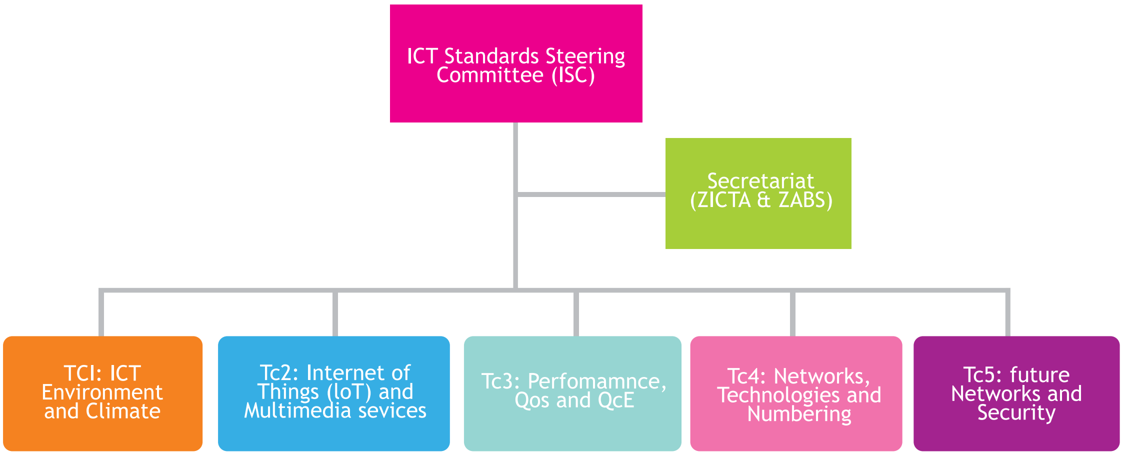
Figure 14: 2016 TA and Dealer Trend



Source: ITU (2016) Measuring Information Society Report

2.4 ICT Standards Development

The memorandum of understanding (MoU) between ZICTA and the Zambia Bureau of Standards (ZABS) signed in 2012 saw the formation of a multi-stakeholder ICT standards steering committee (ISC). The ISC has put in place five Technical Committees (TC) to oversee development of standards for the ICT sector.



The 5 TCs held a combined total of 7 meetings churning out 28 standards for consideration by ISC. The ISC, which held 2 meetings in 2016 approved all of the 28 standards. The table and related graph below shows the number of standards churned out per TC, membership status and average attendance per meeting.

Table 14: Performance per TC

	Adopted standards	Number of meetings	Average attendance
TC 1	0	0	0
TC 2	4	1	13
TC 3	10	2	11
TC 4	14	2	9
TC 5	0	2	11
Secretariat	N/A	2	3
ISC	N/A	2	7
Total	28	12	**8(Average)**

Graph 1: TC performance

2.5 Stakeholder Collaboration

2.5.1 Zambia Revenue Authority (ZRA)

ZICTA and ZRA signed a Memorandum of Understanding (MoU) to collaborate on issues of type approval inspections of incoming electronic communications equipment. It was expected that ZRA staff manning points of entry would be trained on how to identify electronic communication equipment which was not type approved.

2.5.2 Zambia Environmental Management Agency (ZEMA)

In a similar vein, a MoU was signed between ZICTA and ZEMA to collaborate on the management of e-waste. This would see development of policies and regulations regarding the management of e-waste throughout the life cycle stages of electrical and electronic equipment.

3.0 SPECTRUM MONITORING AND COMPLIANCE

3.1 Inadvertent Cross-Border Roaming

Inadvertent Cross-Border Roaming refers to accidental connection of a communication equipment such as mobile phones to foreign neighboring networks causing the user to incur unplanned roam charges. This occurs mainly in areas along the borders where Local signals were weaker than the spillage from other countries. In some areas, it had been discovered that the consumers were using foreign mobile networks due to lack of presence from our local service providers. Accidental Cross-Border Roaming can be resolved using both technical and non-technical solutions which among others include:

- Reduction in the roaming charges. Zambia, through ZICTA, has been meeting other neighboring countries in order to introduce Roaming-Like-Home where roaming charges would be the same as local charges.
- Coordinating and agreeing on minimum levels of signal strengths that must be present within a certain radius from the border into the neighboring countries.
- Use of unique Network Colour Codes that would enable user communication equipment including phones to discriminate signals emanating from foreign networks.
- Awareness campaign to teach users on how to lock the phones to manual roaming as opposed to automatic.

3.2 ZICTA/POTRAZ Meeting in 2015

ZICTA met the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) an ICT Regulator of Zimbabwe in 2015 and came up with a bilateral agreement which included both technical and non-technical obligations in order to mitigate the Inadvertent Cross-Border Roaming along Zambia/Zimbabwe borders.

3.3 ZICTA/MACRA Meeting 2016

Malawi Communications Regulatory Authority (MACRA), the ICT regulator of Malawi met with ZICTA over the Accidental Roaming and have agreed on a number of issues to be implemented in order to avert the severe effect of this scourge.

3.4 ZICTA/CRAN meeting 2016

Communication Regulatory Authority of Namibia (CRAN) held a meeting with ZICTA to identify the cause of severe Cross-Border Accidental Roaming and agreed on a number of interventions which are ongoing prior to establishing a solid bilateral agreement.

3.5 Challenges in the fight against Inadvertent Cross-border Roaming

ZICTA, in trying to resolve Accidental Cross-Border Roaming, had faced a number of encounters which include:

Sufficient funding to undertake a feasibility study to clearly identify areas along the borders that were affected by accidental and those that were using foreign networks because there were not/under covered by our local service providers. This survey would reveal levels of accidental roaming and the number of areas that were not/under covered by the Local networks.

Lack of Drive Test Equipment that could have helped in identifying the actual coverage by the Local Operators and identifying Mobile Base Station Transmitters that were spilling into the country from the neighbours.

Lack of corporation from the neighbouring countries such as Tanzania who had not responded to our call for a meeting despite several reminders.

3.6 Early Warning Pilot Project in Zambia

Two pilot sites for natural Disaster Early Warning Systems for the Republic of Zambia to be used in disseminating alerts for flooding and impending disasters, for public safety and for enhancing information dissemination were identified. The two pilot sites were Kasaya village and Mbeta Island which are both located in Western Province.

The material for the project had already been shipped and once received, installation would commence.

3.7 Plans for 2017

The Authority in 2017 would undertake the following activities;

Conduct Technical compliance in various spectrum bands to ascertain actual use. This was important to ensure effective and efficient management of scarce resource as enshrined in the 2017-2021 ZICTA Strategic Plan.

Identify 3rd order intermodulation products in the FM band which have caused one station to be heard from more than one assigned channel

Continue meeting neighbouring regulators on issues of Accidental Cross-Border Roaming

4.0 SPECTRUM PLANNING AND LICENSING

4.1 Spectrum Planning

4.1.1 Spectrum Pricing Model and Broadband Audit

In the period under review, ISPs and Mobile Network Operators providing broadband wireless access services were critically looking for more spectrum and new ways of increasing capacity and coverage. This included the deployment of additional cell sites, offloading onto alternate networks such as fibre, Wi-Fi and using more spectrally efficient technologies such as 4G/Long Term Evolution (LTE) and now 5G. All this was aimed at offering high capacity, high speed and high quality service connectivity to massive number of subscribers in a cost effective manner.

In 2016, operators simply walked in and apply for this high demand spectrum and as long as spectrum was available, assignment were made on the first comer, by paying a prescribed fee. This could disadvantage other operators who might not be aware of spectrum availability.

ZICTA recognised that efficient and transparent spectrum allocation was a vital contributor to economic growth and success of the telecommunication industry in any country. The Authority believed that the best means or mechanism of spectrum licencing such as; pricing and assignment needed to be sorted out to facilitate sector growth. A mechanism that would as much as possible reflect true value of spectrum taking into consideration factors such as:

1. Economic
2. Demand
3. Geographical location
4. Bandwidth.
5. Spectrum band and/or propagation characteristics.

To this effect, Advanced Topographic Development and Images (ADTI) of France was awarded a tender to develop a spectrum pricing model and audit the broadband utilisation in Zambia.

4.1.2 Re-Planning of FM Band

The Authority conducted a re-planning exercise of the FM band 87.5-108 MHz in order to maximise the channelling capacity. This was necessitated by the high demand by the public to provide FM radio especially in Lusaka and Copperbelt.

The re-plan exercise also gave ZICTA an opportunity to refine broadcasting areas as well as relook at the way the Authority licensed FM transmitters in order to create less interference.

And the following where some of the outcomes.

1. 126 stations would require a change of frequency.
2. All community radio stations shall operate within a maximum distance of 5km.
3. There shall be no uniform technical parameters such as power and antenna heights. This will be calculated according to the area of service that is been applied for.

Major Towns and Line of Rail Summary Statistics -

Frequencies in the old paln	302
Frequencies in new plan	353
Current Assignments	157
Retained Assignments	180
Re-assignments	42
Free	96
Average Retention	57.4%

4.1.3 Satellite Frequency Band Audit

The purpose and the objective of this satellite frequency band audit was to collect information on the utilisation of satellite frequency bands, in order to have a better understanding of the existing and future use Satellite frequency bands in Zambia. The audit would serve as a basis to review the possibilities of whether to share more or further protect Satellite frequency bands with/from other incumbent services.

The 2015 World Radio Communication Conference (WRC-15) held in Geneva addressed a number of agenda items significant to satellite services, all related to either frequency allocation and or frequency sharing for the efficient use of spectrum. Some of the noted outcomes regarding satellite services were:

- The decision to maintain the frequency band 3600-4200MHz exclusively allocated to fixed satellite services (FSS) worldwide. With Region 1 (Europe, the Middle East and Africa (EMEA)) opting to allocate the frequency band 3400-3600MHz to mobile services, sharing co-primary status with the FSS.
- The allocation of the L-band spectrum in the 1427-1518MHz band in Regions 2 and 3, and some countries in Region 1, this was subject to ITU-R studies to determine the regulatory and technical measures to ensure compatibility
- Ku-band spectrum allocation of 250MHz to downlink spectrum, in the 13.4-13.65GHz band in Region 1.

Therefore, with these WRC-15 outcomes it was prudent to carry out an assessment of the utilisation of satellite frequency bands in Zambia. However, it must be noted that satellite communication in Zambia was predominately used for the provision of internet services satellite and satellite TV using Very Small Aperture Terminals (VSATs).

4.1.4 Review National Band Plan

The Authority reviewed the national frequency band plan after the World Radiocommunication conference 2015 WRC-15 to reflect the changes to the ITU Radio Regulations and implement at national level.

The following are the major changes;

4.1.4.1 Mobile Broadband Communications

Following the growing demand for spectrum for mobile broadband services, WRC-15 identified frequency bands in the L-band (1427-1518 MHz), C-band (3.4 -3.6 GHz), 694-790MHz for IMT services.

4.1.4.2 Amateur Radio Service Gets New Allocation

New allocation for amateur radio service in the frequency band 5351.5 - 5366.5 Khz

4.1.4.3 Emergency Communications and Disaster Relief

WRC-15 identified part of the spectrum in 694-894 MHz frequency band to facilitate mobile broadband communications for robust and reliable mission critical emergency services in Public Protection and Disaster Relief (PPDR), such as police, fire, ambulances and disaster response teams.

4.1.4.4 Search and Rescue

WRC-15 reinforced protection to Search and Rescue beacons that transmit in the 406-406.1 MHz frequency band signals to uplink to search and rescue satellites, such as the Cospas-Sarsat system.

4.1.4.5 Unmanned Aircraft and Wireless Avionics Systems

WRC-15 opened the way for the development of worldwide standards for unmanned aircraft systems (UAS), and identified the regulatory conditions that may be applied to such systems internationally. WRC-15 also agreed on spectrum for wireless avionics intra-communications (WAIC) to allow for the heavy and expensive wiring used in aircraft to be replaced by wireless systems.

4.1.4.6 Global Flight Tracking For Civil Aviation

Agreement was reached on the allocation of radio-frequency spectrum for global flight tracking in civil aviation for improved safety. The frequency band 1087.7-1092.3 MHz has been allocated to the aeronautical mobile-satellite service (Earth-to-space) for reception by space stations of Automatic Dependent Surveillance-Broadcast (ADS-B) emissions from aircraft transmitters.

4.2 Licenses Issued in 2016

Table 15: Number of Licenses in 2016 by type

	Number of renewal licenses in 2016 by license type	No. of new Licenses in 2016 by license type	Total Number of licenses in 2016 by license type
Aircraft	90	11	101
Land mobile	183	33	57
Broad casting	46	11	57
Satellite	111	10	121
Fixed microwave	4	0	4
Broadband	8	0	8
GSM	2	0	2
Amateur	6	2	8
Maritime	2	0	2
Alarm	5	0	5

5.0 NUMBERING AND NAMING

Being connected was now essential, creating new opportunities for innovation and growth for all Zambians. To be competitive, businesses needed to be online. The internet had become indispensable to many Zambians both on an individual and corporate level, and would continue to be as more people join the information highway.

However the full potential of digital technologies could not be realised unless there was confidence and trust in ICTs and cyberspace.

As people and systems become ever more interconnected, the quantity and value of information held online had increased, so had efforts to steal and exploit that information, harming our economy, privacy and safety. Cyberspace, and the dynamic opportunities it offered, was under persistent threat.

Thus, it was imperative that we got cyber-security right as this would mean capturing more of the opportunities the connected world offered. In this regard, ZICTA embarked on addressing the above threats by introducing interventions centered on the key areas listed below:-

5.1 Developing skills - Train the Trainer Programme

Like many other nations, Zambia was suffering from a cyber-security skills shortage. These particular skills were essential in our connected, technology-enabled world and they were fundamental to the resilience to cyber threats.

To help build tomorrow's workforce, ZICTA conducted three (3) train-the-trainer workshops in conjunction with the Ministry of General Education in imparting cyber-security knowledge. Over 100 focal point nominated teachers from secondary schools covering all 10 provinces participated in the workshop. The goal was to improve cyber-security education at all levels of the education system. This would help to ensure Zambia developed a workforce with the right skills and expertise that could help all Zambian take full advantage of the opportunities in cyberspace.

Furthermore, ZICTA would continue to undertake cyber-security skills and knowledge transfer workshops that target government institutions including the security and defense wings. The workshops were aimed at people at all levels in the workforce, including those in executive-level positions would have the opportunity to improve their cyber-security knowledge and skills by participating in short courses, executive training and other supplement cyber-security modules. This would also help increase the quality and quantity of people with cyber-security skills. The measure of knowledge gained could be seen in the implementation of best practices in securing various organisations' critical information infrastructure, number of cyber-security incidents, incident response plans, and cyber-security culture which mostly should be seen instituted by top management.

5.2 Raise National Cyber-Security Awareness

Reinforcing the success goal of a cyber-smart society was the low awareness of cyber-security risks in the Zambian community. In the period under review, increasing the understanding of cyber-security risks and benefits was one of our strongest defenses, together with simple solutions to protect activities online. National behaviour change would ensure Zambian were cyber-security aware and protect themselves at home, school and work. By raising national cyber security awareness, Zambia would protect themselves and others and feel more confident and willing to do business online.

A sustainable national awareness campaign, encompassing radio programmes, social post, hosting public fora and visiting all levels of education levels was in place. The Authority educated the general public on the real-world impacts of cyber risks and the way this affected our current and future prosperity. The Authority also shared tips on how members of the public could safeguard themselves from being victims of cyber-attacks and cyber incidents. In the year 2016, ZICTA held public fora in three provinces namely; Muchinga, Northern and Luapula setting bases in Mpika, Kasama and Mansa respectively.

It must be noted that from Global Cyber-security Agenda (GCA) and index of the ITU, annual cyber-security wellness profiles for every member state were measured by the five listed work areas:-

- Legal Measures
- Technical Measures
- Organisational Measures
- Capacity Building
- Cooperation.

Under Capacity building, manpower development was one of the key areas, hence the justification in pushing the agenda as listed above. An excerpt from the ITU scope on manpower development was as follows:

"Manpower development should include efforts by nation states to promote widespread publicity campaigns to reach as many people as possible as well as making use of NGOs, institutions, organisations, ISPs, libraries, local trade organisations, community centres, computer stores, community colleges and adult education programmes, schools and parent-teacher organisations to get the message across about safe cyber-behaviour online. This includes actions such as setting up portals and websites to promote awareness, disseminating support material for educators and establishing (or incentivising) professional training courses and education programs. Please specify any officially recognised national or sector-specific educational and professional training programs for raising awareness with the general public (i.e. national cyber-security awareness day, week, or month), promoting cyber-security courses in higher education (technical, social sciences, etc.) and promoting certification of professionals in either the public or the private sector".

6.0 ICT DEVELOPMENT STRATEGY

In line with its mandate, the Authority through its ICT Development Strategy (IDS) Department implemented a number of projects. Furthermore, the Authority through department also monitored and evaluated projects implementation during the review period.

Additionally, the IDS Department provided technical advice to other departments regarding projects initiation and execution processes and actual supervision on the ground.

6.1 Project Portfolio

ZICTA undertook a number of projects during the period under review.

Table 15: below shows the projects that were undertaken and the associated costs:

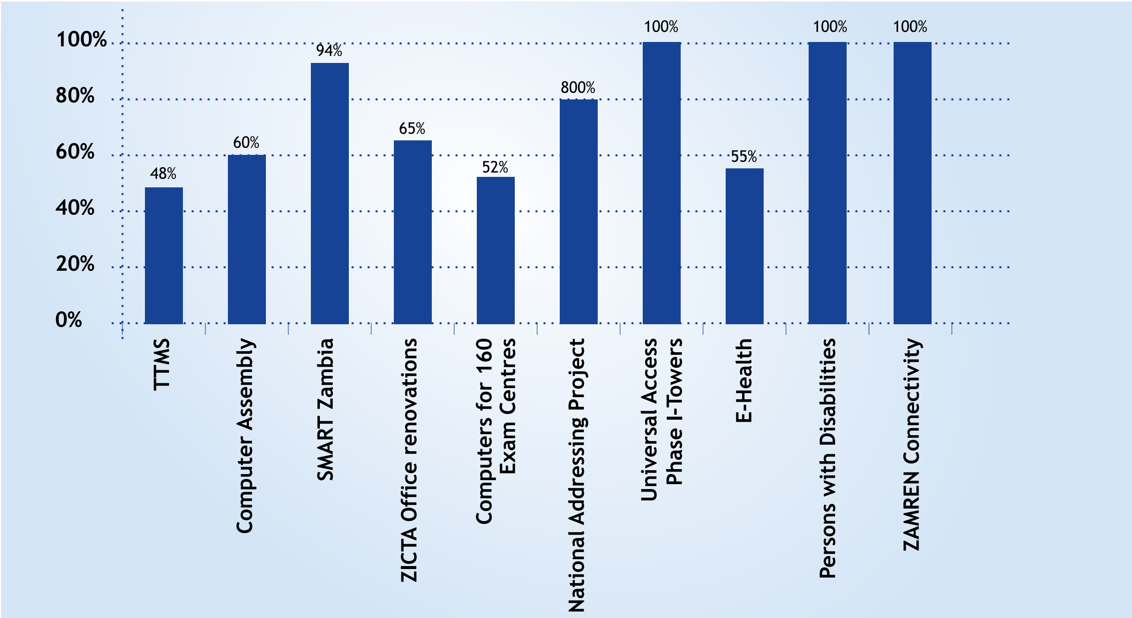
No.	PROJECT NAME	PROJECT DESCRIPTION	SPONSOR & AMOUNT
1	Telecommunication Traffic Monitoring System (TTMS)	Telecommunication Traffic Monitoring System designed to monitor traffic	ZICTA K 160, 000, 000.00
2	SMART Zambia Phase 1 (National Data Centres & ICT Centre of Excellence	Construction of 3 Data Centres and an ICT Training Centre	GRZ $ 65, 000, 000.00
3	Test Approval Laboratory	Construction of a Test Laboratory and an Administration Block at LS-MFEZ	ZICTA K 2, 672, 505.00
4	ZICTA Main Building Modifications	Modification of the ZICTA Main Building into offices	ZICTA K 11, 709, 807.31
5	Universal Access Phase 1 Towers		ZICTA K 14, 737, 600.00
6	Last Mile fibre connectivity to ZAMREM Members	Installation of internet connectivity to selected Higher Learning Institutions	ZICTA K 5,700, 000.00
7	People with Disability	Procurement, installation of Braille and training of staff on the use	ZICTA K 1, 900, 000.00
8	Computers for 190 Examination Centres	Supply and delivery of Computers to examination centres	ZICTA K 25, 000.00
9	Computer Assembly Plant	Construction of a Computer Assembly Plant at LS-MFEZ	ZICTA K 26, 331, 316.00
10	E-Health		ZICTA K 200, 000.00
11	National Addressing and postcode	Installation of Street name signs, house numbers and database creation	ZICTA K 2, 750, 000.00

Table 1.0: Projects Undertaken in the review period

6.2 Project Portfolio Progress

Figure 1.0 below shows the project portfolio progress for the project undertaken during the review period.

Figure 15: Project portfolio progress



6.3 Project Portfolio Progress Analysis

The Authority successfully completed three (3) projects during the review period. The projects completed included ZAMREN Connectivity – Connection of Higher Learning Institutions, Universal Access Phase 1 Towers and Persons with Disabilities - Procurement and Installation of Braille.

The following projects did not perform well during the review period:

6.3.1 Computer Assembly - Construction of an Assembly Plant

The project stalled as the Consultant who was engaged to produce Architectural designs could not deliver the assignment and the contract was terminated for non-performance. The Authority was yet to engage another Consultant.

On the other hand, the team from ZICTA on October 25 to 29, 2016 undertook a study tour of Computer Assembly program to Kenya.

The Authority had submitted a request for proposal to the public private partnership unit for approval. The Computer Assembly plant was to be operationalised through a Build Operate and Transfer model.

6.3.2 ZICTA Main Building - Modifications

The main building modifications were scheduled to be completed by October 2016 but had stalled at 65 percent completion. The main reason advanced by the consultant was that there were no materials to progress with the works. The project has delayed to complete and costs were pushed up while the product quality was not very desirable. However, the Authority engaged the consultant so as to address issues surrounding project implementation.

6.3.3 Computers Supply to Examination Centres

The project aimed at supplying 190 schools under the Ministry of Educations could not initially materialise due to some procurement challenges. CAMAR, the supplier who was supposed to deliver the computers could not agree because the schools did not meet the required conditions. Nonetheless, in the year under review, the Authority was granted permission by Zambia Public Procurement Authority (ZPPA) to source for computers from anywhere, and the Procurement Unit sent out enquires to which the Authority awarded the tender to two companies, Shreeji Investments Limited and China ComServe. Contracts between both Shreeji Investments and China ComServe and the Authority have been signed and both contractors have since commenced procurement of the computers.

6.3.4 Telecommunication Traffic Management System

Telecommunications traffic management is an integral part of regulating the ICT sector. It encompasses everything from revenue assurance to fraud detection and mitigation as well as quality of services analysis. The system is expected to cost about K160 million. With the increase in competition and network growth in terms of domestic and international traffic minutes, it has become clear to the Zambia Information and Communications Technology Authority (ZICTA) that there is need to validate the traffic data from the operators as this forms the basis of their revenue and the license fees and government taxes collected by the responsible regulators.

Implementing the revenue assurance system could see ZICTA collect extra revenues of ZMW 92 million [with termination rate at 25 US cents and government collecting US 11.25 cents annually representing almost 90% of the projected 2015 license and operating fees. The worst case scenario at US 20 cents termination rate, additional operating fees would be ZMW 61 million with government share being US 7.5 cents.

The revenue projections were based on the international incoming traffic however, ZICTA could potentially collect up to 50% more revenue from domestic traffic going by the 173% variance between the revenue declared and the value of traffic reported analysed in 2013. This might represent gross understatement of revenue generated from domestic traffic and this revenue assurance project would hopefully be achieved.

The procurement process to acquire the system had commenced and the Public Private Partnership Unit were being awaited to approve the shortlisted candidates before the RFP could be issued.

6.3.5 National Addressing

The contractor, J.M. Saltland delayed in supplying and delivering of 20,000 number plaques for Phase II. The plaques were nonetheless supplied and delivered to beneficiary Districts, which included Chingola, Kitwe, Ndola, Kabwe and Lusaka. This Phase of the Project was expected to be completed by 2017.

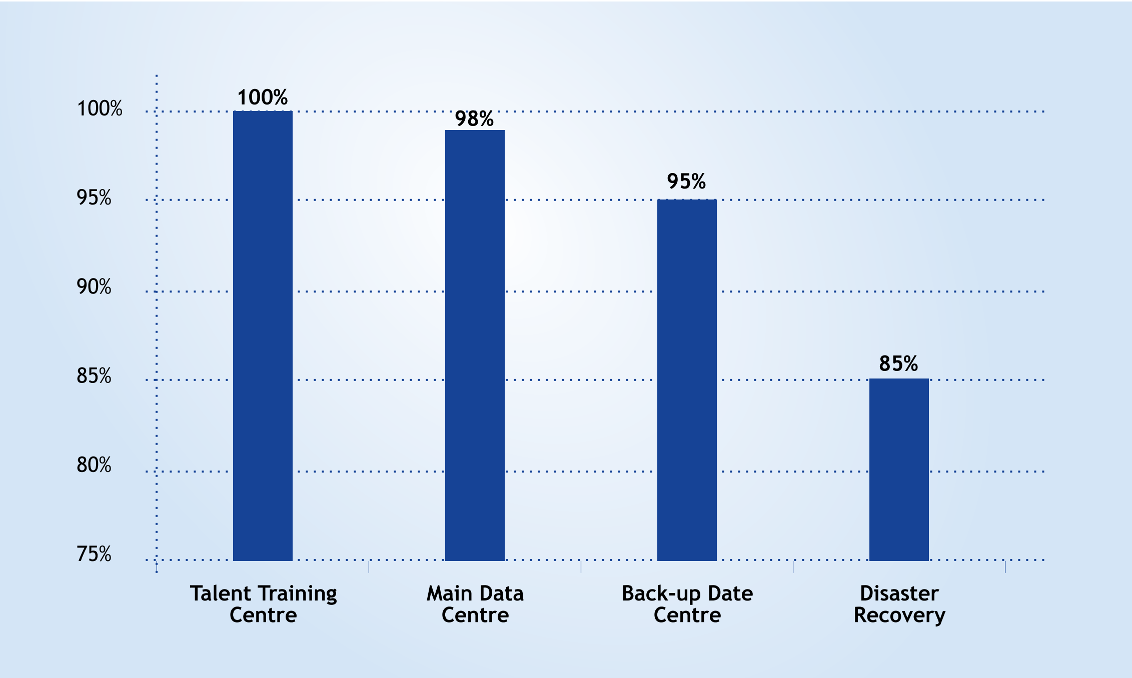
Furthermore, the installation of numbers to replace those that were missing from the initial installation in phase 1 had since commenced.

6.3.6 SMART Zambia Programme

The Authority continued to monitor the implementation of the Smart Zambia Program which was seeing the establishment of one (1) ICT Training Centre (ICT Centre of Excellence) in Ndola and three (3) data centres in Lusaka and Kitwe under phase 1 of program implementation. The Smart Zambia Phase I project cost was USD $65,551,151.12.

The Special Purpose Vehicle (SPV) under ZICTA, "The Zambia National Data Centre (ZNDC) Limited" was formed on December 23, 2015 to operate the Data Centre business once construction and equipment installation works were. The Kick-off meeting for the implementation of the National Data Center Projects was held on March 16, 2016 and ZAMTEL handed over projects sites. Huawei Technologies Limited was undertaking construction works for projects at both Lusaka and Copperbelt sites. Figure 2.0 below shows the implementation progress for SMART Zambia Program made during the 2016 review period.

Figure 16 : Smart Zambia Projects



6.3.7 Talent Training Centre Project

The Talent Training Centre Project which commenced in March 2016 had been completed by November 2016 at a cost of $13,487,380.26. The Project saw the renovation of the Dining Hall into a modern building which housed the e-Lab and two e-classrooms with state of the art ICT equipment. Further activities undertaken included the installation of the Learning Management System for the provision of ICT courses via the internet and training the teachers.

The ICT Talent Training center or the ICT Centre of Excellence (ICE) was expected to offer various ICT Skills training courses which would be delivered various media once fully operational. The Centre already enrolled its first ICT training intake through pilot project and various courses were offered.

6.3.8 Main Data Centre project

The overall progress for the Primary National Data Centre, situated at the ZICTA main offices premises, establishment was estimated at 94% completion. Final touches for civil works were underway and the preliminary tests for equipment function and performance has commenced.

There were however, some identified auxiliary works such as landscaping that must be implemented to complement the construction works for the centres at all the three sites.

6.3.9 Backup Data Centre - Roma

Overall progress for the NDC - Backup was estimated at 95% completion. The raised floor was installed in the computer room and in the NOC. Other noted works done during the review period include:

i. Installation of air extractors, equipment configuration and Indoor cameras installed in the NOC. The DLP screen was also installed.

ii. Reception area floor moisture proofing as well as first court interior wall paintings.

iii. Roof top spikes and bare copper tape for rooftop grounding connected.

iv. Outdoor mega generators were installed.

6.3.10 Disaster Recovery Data Centre- Kitwe

The overall progress for the NDC – DR site was estimated at 85% completion. Exterior painting and finishes had commenced. The generators and fuel tanks had been delivered on site awaiting commissioning.

6.5 Project Support

The Authority provided project support by ensuring that the Project Management Methodology was being adhered to. The support among others included;

I. Review of Business Case Document for the proposed Paperless Project from IT Unit.

ii. Review of Business Case Document for the proposed USSD Project from IT Unit.

iii. Review of Quarterly Departmental performances and offer recommendations.

iv. Inspection, supervision and monitoring of NDCs project implementation for ZNDC.

v. Inspection, supervision and monitoring of civil works at ZICT College following the request from Human Capital Development and Administration.

vi. Offering comments to the development of 2017 to 2021 ZICTA Strategic Plan.

vii. Part of the negotiation team with the Consultant regarding variations on the ZICTA Main Building modification project.

viii. Provided some schematic designs/plans to some of the Authority's projects.

7.0 CONSUMER PROTECTION

The Authority is mandated to protect consumers of ICT services. To undertake this responsibility, the Authority continually develops appropriate regulatory mechanisms aimed at empowering and protecting consumers. During the 2016 financial year, the Authority undertook a number of activities that reinforced its commitment to the Service Charter and to delivering quality services to all its stakeholders. Throughout 2016, the Authority witnessed a positive trajectory in as far as the implementation of the Action Plan.

7.1 Complaints and Contact Centre Management

7.1.1 Case Distribution by Service Provider

In 2016, the Authority recorded a total of 559 complaints. This was a noticeable reduction in comparison to the 907 complaints recorded in 2015. The observed reduction in the number of complaints recorded was primarily due to the reinforcement of the capabilities and knowledge of the call centre staff. Enhanced first time resolution abilities along with effective complaint management strategies resulted in a 2016 complaint resolution rate of 83% which increased from the 2015 complaint resolution rate of 70%.

From the total number of 559 complaints received, MTN had the highest number of complaints recorded at 273, followed by Airtel at 143 and then ZAMTEL at 125. The Chart 1 below shows a distribution of the complaints received through 2016.

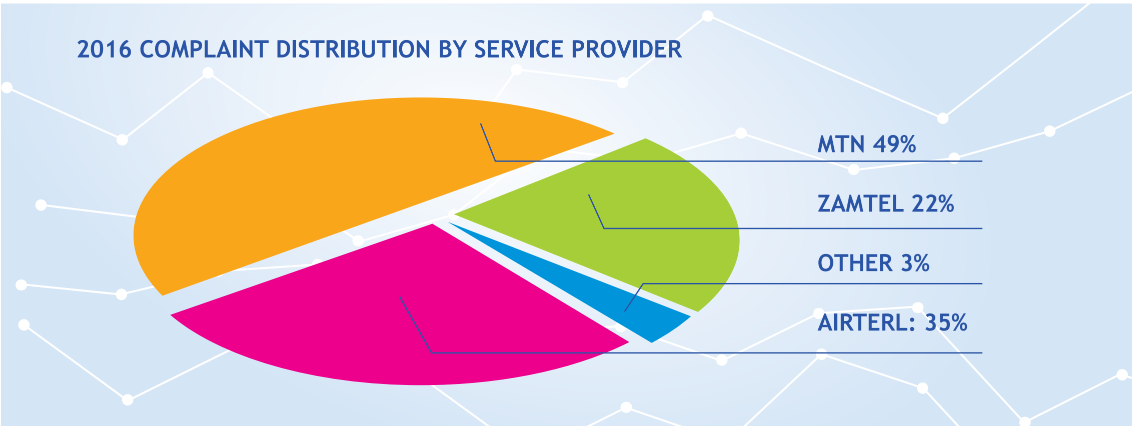


Chart I

7.1.2 Top Five Complaints

Throughout 2016, the contact centre received complaints covering a wide array of topics. The bar chart below depicts the details of the top 5 complaints that were received across all the service providers in 2016. The highest number of complaints received were related to loss of airtime followed by poor quality of service. An increase in loss of airtime complaints was observed between the first and fourth quarter. To this effect, the Authority intends to conduct audit activities to identify the root cause and implement workable strategies to mitigate against this trend.

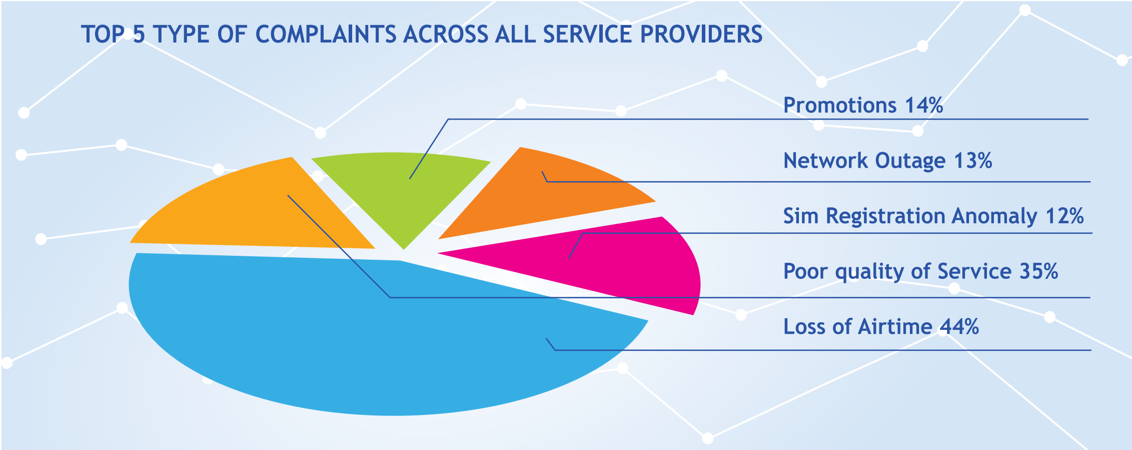


Chart 2

7.2 Key Activities

Numerous activities were undertaken in 2016 to help foster a favorable and safe environment that promotes increased consumer awareness, financial inclusion, network security, and overall ICT availability for all in Zambia. The following are some of the key activities undertaken by the department.

7.2.1 SIM Card /IMEI Registration

The SIM card verification exercise came to an end on December 31, 2016 as directed by the Ministry of Transport and Communications. The Authority received communication to the effect that all the three (3) Mobile Service providers had executed the directive by disconnecting all non-compliant numbers as advised by ZICTA. According to the statistics furnished to the Authority, a total of 485,932 subscriber numbers were disconnected broken down as follows Airtel 286, 284, MTN 135,135 and ZAMTEL 64,513.

7.2.2 Child Online Protection

The rapid emergence of the digital age had fundamentally changed how people connect and interact. As consumers continued to enjoy the benefits brought about by advancements in the ICT, it was important not to lose sight of potential associated threats. Regrettably, some consumers within the ICT ecosystem displayed negative behaviours and seek to use advancements in mobile technology to harm others. Avid users of ICTs such as Children and young people were primarily vulnerable to such behaviours. Risk and negative behaviours identified in the ICT ecosystem included but not limited to exposure to inappropriate content, inappropriate contact, pedophiles, sextortion, sexting, online abuse and cyber bullying.

As part of addressing the risks faced by children online, the Authority initiated a strategic partnership with Lifeline/ChildLine, an NGO responsible for protection of children against all forms of violence through signing of a memorandum of understanding. The MoU established the manner in which both parties would team-up in advancing the interests of children in the ICT industry. In view of the partnership, officials from Lifeline/ChildLine Zambia accompanied the ZICTA teams that travelled for the consumer awareness programmes. The sensitisation was done through public fora, radio programmes in English and vernacular. The consumer outreach programmes were conducted in the following Provinces; Southern, Eastern, Muchinga and Luapula.

Addressing risks faced by children online would continue to be one of the key priority for the Authority. The Authority had embarked on an initiative to develop a National Child Online Protection operational strategy. In addition, the Authority was to work towards the domestication of regional and international laws, guidelines and resolutions such as the Convention on the Rights of Children, ITU COP Guidelines, ITU Resolutions and Sustainable Development Goals.

7.2.3 Information, Education and Communication Programs

In line with ZICTA's mandate of sensitising consumers on their rights and obligations as consumers of ICTs, The Authority undertook other independent consumer awareness programmes in Eastern, Southern, Luapula, Muchinga and Northern Provinces. These programmes were leveraged to obtain feedback on the public's perceptions of the quality of services they receive from operators and the effectiveness of the Authority. Additionally, they were done to enlighten consumers on ZICTA's mandate, social media trends, consumer protection, cyber-security and ZICTA's role in the Young Innovators and Incubators Programme. The groups that benefitted from this Programme were:

- The Catholic Youth at the UNZA Christian Centre on March 19, 2016.
- United Church of Zambia, Trinity Congregation Men's Christian Fellowship (MCF) on March 31, 2016 and the Women Christian Fellowship (WCF) on April 16, 2016.
- The Copperbelt University students on April 30, 2016, in Kitwe.

7.2.4 Train-the-Trainer Workshops

In recognition of the need to develop mutually beneficial relationships with the Ministry of General Education in combatting cyber-crime and protecting children from online vices, the Authority conducted several train-the-trainer workshops in Livingstone, Kabwe and Kitwe, where teachers were trained on cyber-security issues, child online protection and guidelines on responsible use of social media, so that they should also train communities in these issues.

7.2.5 Social Media

In addition to consumer awareness outreach programmes and recognising the substantial growth of mobile technology as well as the increased use of social media in Zambia, the Authority effectively utilised social media channels to engage consumers and promote consumer awareness.

The success of ZICTA Social Media in 2016 was highlighted when ZICTA won the 2016 Zambia Public Relations Association (ZAPRA) Social Media Award and was announced as the leading government social media platform in Zambia. Moreover, the number of Facebook followers has continued to steadily increase. Total likes in January 1, 2016 to December 31, 2016 increased from 9,130 to 20,515.

7.2.6 Digital Financial Services

Globally, more than 2 billion adults do not have a formal bank account, most of them in developing economies. Low levels of financial inclusion represent a barrier to socio-economic development in developing countries. Mobile money could be a game changer for people of limited income and an enabler for financial inclusion in developing countries. The recent growth of digital financial services has allowed millions of people who were otherwise excluded from the formal financial system to perform financial transactions relatively cheaply, securely and reliably.

As part of promoting the digital financial services agenda, the Authority participated in the World Bank sponsored workshop which aimed at achieving an enabling policy and regulatory framework conducive to Digital financial inclusion, identifying existing regulations, policies, gaps and opportunities for digital financial inclusion and consumer protection in the provision of digital financial services.

The Authority continued to remain committed to its mandate of delivering quality services to its stakeholders. In addition to the aforementioned activities, it accomplished numerous other activities related to monitoring market promotions.

8.0 PUBLIC RELATIONS ACTIVITIES

During the year 2016, ZICTA through its Public Relations Unit implemented a number of activities aimed at enhancing the Authority's brand and image to its diverse stakeholders. As part of the organisation's vision to "Promoting Access to ICTs for All", the PR Unit engineered changes in public perception on ICTs using various media channels such as television, radio and online presence apparatus such as website and social networks.

8.1 Media Outreach/ Publicity

8.1.1 Electronic Media: TV and Radio Programmes

During the period under review, as part of its media outreach/publicity, the unit developed various concepts aimed at ensuring that information regarding the role of ZICTA was clearly explained to the public. This resulted in the implementation of both radio and television programmes which were running on Zambia National Broadcasting Corporation (ZNBC) radio 2 (Thursdays at 11:00hrs), ZNBC TV 1 (Wednesdays at 20:00hrs) and Hot FM (Wednesday at 11:30hrs). The programmes had been helpful in giving out vital information to the public and there had been feedback from the audience through calls made during the programmes.

ZICTA enjoyed a neutral television coverage during the period. Five (5) Minutes With ZICTA continued to be broadcast on ZNBC TV 1 every Wednesday at 20hrs. During the year under review , the PR team restructure the script for "Five Minutes with ZICTA" to have stakeholders and collaborative partners appear alongside ZICTA officials in the programme. The setup was also changed to Southern Sun Hotel, Ridgeway from ZICTA Premises.

Other platforms which the unit used during the year under review to continuously provide information on ZICTA's mandate as well as its projects were the weekly live radio programmes on selected radio stations. The ZNBC Radio 2 programme provided an opportunity for instant feedback from across the country, as it was a live (phone-in) programme. Some of the key topics which were discussed in the media during the period under review include; ZICTA's Collaborative Partnerships, SIM Card verification deadline, Consumer Protection, the Young Innovation Programme and emerging trends in the ICT Sector.

8.1.2 Print Media

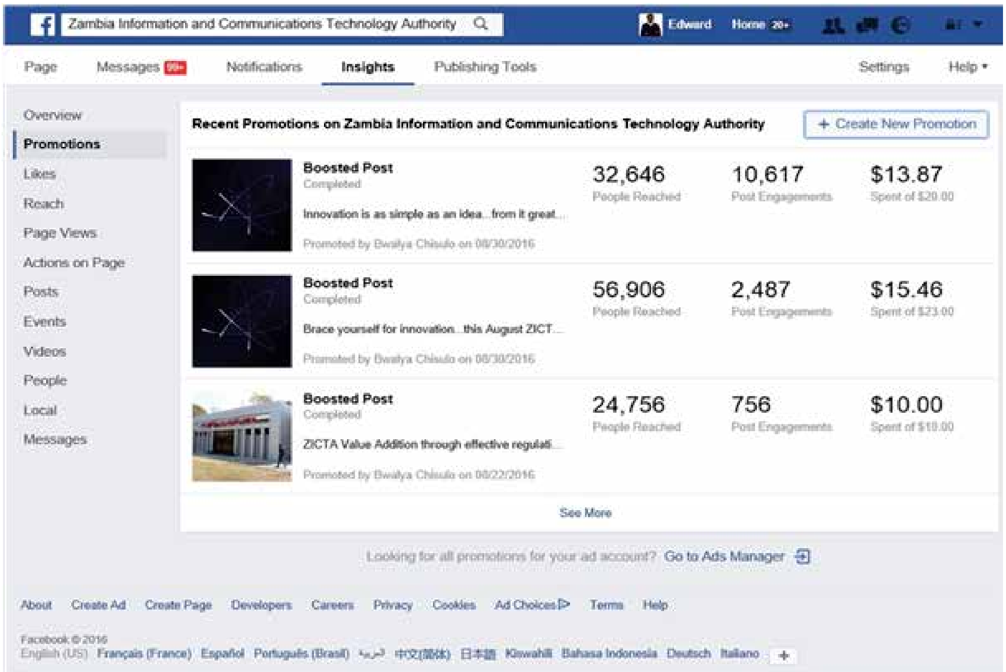
The print media remains one of the ZICTA's main channels in as far as information dissemination is concerned, and this is owing to its comparative advantage of being able to reach key decision makers and members of the public both in rural and urban areas. In the period under review, the Authority received a fair and neutral coverage in both private and public print media, with most of its activities published in the state-owned Zambia Daily Mail and Times of Zambia as well as the privately owned Daily Nation newspaper. This gave the Authority an opportunity to reach out to its various stakeholders, mainly the consumers in all the 10 provinces.

8.1.3 Press Releases

ZICTA issued numerous press statements during the period under review, such as; The Samsung Galaxy Note 7 phone recall, Zambia Wins Seat at Pan African Postal Union (PAPU), Zambia Vying for a seat at the Universal Postal Union (UPU) and the Last Mile SIM Verification Exercise. The press statements were in line with ZICTA's mandate in regulating the ICT environment. Noteworthy to mention, the Samsung Recall press statement by ZICTA was aimed at urging Samsung Electronics Corporation-Zambian Branch to indicate to the Authority how best to withdraw the Samsung Galaxy Note 7 from the Zambian market as the device could overheat and pose a health risk generated a lot of interest in the media. Overall ZICTA has kept a neutral-positive sentiment in this regard which was good.

8.2 Social Media Presence

Since the launch of the twitter and Facebook page, the Authority's fun base has continued to grow. For an average of 6.5 post per week, the average post reach is over 5,000 people. The post have included event announcements, press releases and links to favourable articles. Social media interaction was at its highest on the launch day of the Young Innovator Innovation Programme, and immediately following the press release announcing the Samsung Galaxy Note 7 recall. As at December 31, 2016 the Authority had a total of 20, 454 likes on Facebook.



Picture I: Facebook Boosted Campaigns

8.2.1 Website

By the third quarter of the period under review, the Public Relation unit began to review the website to make the site more searchable, informative, attractive and technically manageable, and changes to the website were recommended.

8.2.2 Website Redesign

With approval from the Director Support Services, the Unit submitted propositions for the redesign of the ZICTA website to create a more informative, attractive version of the website. The Unit recommended that the static pages be made interactive with redirections to other links when clicked. The pages have since been approved and the webmaster has begun the back-end development. By the time of compiling this report, the webmaster had already created the pages and test functionalities. At the time of compiling this report, the Unit was still awaiting the new site (in form of the URL link to a test server) to be reviewed. The Public Relations Unit intended to study the web data over time so that it can be used to help show a relationship between targeted marketing campaigns and increased interest in specific content areas.

8.2.3 Meltwater Monitoring

The Authority has had media coverage during this period in various media channels. Meltwaters, an independent Media Monitoring firm contracted by ZICTA assisted in monitoring and giving daily feedback on all the coverage on ZICTA on online publications and social media mentions.

8.3 Advertising Plan

The Authority undertook a short perception study during the 2016 Zambia International Trade Fair (ZITF) and conducted interviews using a questionnaire. This was replicated during the Agricultural and Commercial Show (ACSZ) after which the outcomes were used in creating information, education and communication material for dissemination.

The flowchart depicting the recommended advertising plan was completed and includes a mixture of television, radio, magazine and online avenues. In 2016, radio was seen as an excellent medium of increasing awareness of product or services. Most of the radio budget was allocated to Hot FM which was seen as a lead station amongst the youths and adults. Listeners had an average household incomes above ZMW 1, 000 and tended to be highly educated, married professional who were home and car owners. The Hot FM Red Hot Breakfast show that featured famous Radio Presenter, Hope Chishala and Chi was probably the most widely followed programme. For magazine, no major articles or advertisement have been posted in any magazine. None the less, the unit also budgeted for Google and Facebook advertising which was a highly targeted method of reaching certain demographics. The Public Relations Unit also redesigned three billboards for three locations namely: Lusaka - Lumumba office, Ndola and the Kabwe billboards.

8.4 Promotional Material

During the third quarter, the PR continued to create infrastructure and tools needed for effective communication including press kit brochures and the consumer educational kit. These were to be used as key awareness materials in 2017.

8.5 Publications

The Public Relations Unit has since distributed Annual Reports (2010, 2011, 2012 and 2013) to the Ministry of Transport and Communications. During the year under review, the Unit also developed a newsletter which captures staff activities for the year. Content preparation for brochures and review of new publications had been concluded in line with ZICTA rebranding and the Strategic Plan 2017-2021.

8.6 Local Stakeholder Engagement

The main reasons for stakeholder collaborations was to avoid duplication of efforts, provide event information, stakeholder recommendations and highlight opportunities for cross-promotion between sectors.

During the period under review, the Authority collaborated with other institutions on various issues under its stakeholder engagement strategy. Notable among them is the Zambia Bureau of Standards (ZABS), the Independent Broadcasting Authority (IBA) and the Central Statistics Office (CSO) who featured on "Five Minutes with ZICTA" to highlight how they have worked with the Authority. Other local stakeholder engagement activities undertaken in the period under review include;

8.6.1 Church Sensitisation

In accordance with it's 2016 Activity Plan, the PR Unit coordinated and participated in the sensitisation of Men at Christian Fellowship at Trinity Congregation on ZICTA's mandate, issues of cyber security, Child online Protection, social media and Girls in ICT.

The Unit, in collaboration with other units, hosted a stakeholder engagement session with Catholic youth to sensitive them on the above stated topical issues.

8.6.2 Girls in ICT Day Commemoration

The Unit in collaboration with United Nations International Children's Emergency Fund (UNICEF) and National AIDS Council (NAC) organised the commemoration of International Girls in ICT Day through the hosting of a two day Mentorship Programme for 210 girls at Edinburgh Hotel in Kitwe. Following discussions, UNICEF agreed to finance the event and meet the accommodation allowance costs for all the girls, their teachers and the mentors. The collaboration between ZICTA, UNICEF and NAC in the area of girls in ICT would continue through a mentorship initiative program which would be an ongoing programme.

8.6.3 International Community Resident in Zambia

As part of stakeholder engagement, the PR Unit organised a sensitisation breakfast meeting for the international community resident in Zambia. The event served as a platform to share information on the mandate of the institution and several projects that it was running. This is also in view of the need to expose the projects the Authority was running and the possible need for donor support to this targeted audience.

8.6.4 Academia Sensitisation

A sensitisation session for Copperbelt University students to share with them information regarding ZICTA's mandate, cyber security Girls in ICT programme and the Young ICT Innovators initiative was held during this period.

8.7 International Stakeholder Engagement

In the area of international collaboration, the Unit facilitated and participated in the Communications Regulators' Association of Southern Africa (CRASA) Annual General Meeting at which ZICTA made valuable contributions and interventions. The ZICTA delegation also used the opportunity to deliver the campaign message for Zambia's intention to contest for the Pan African Postal Union (PAPU) and Universal Postal Union (UPU) Administrative Council seats respectively.

Other international events ZICTA participated in during the period under review include the African Telecommunications Union (ATU) held in Cairo, Egypt from May 7-9 2016 as well as the Global Symposium for Regulators which was also held from May 11-14, 2016 in Sharm- el- Sheikh, Egypt.

During the UPU, the ZICTA delegation led by the Director General, Margaret Chalwe Mudenda, used the opportunity to deliver the campaign message for Zambia's intention to contest for the Universal Postal Union (UPU) Administrative Council seats.

8.8 Event Management

During the year under review, the Public Relations Unit in collaboration with other units, were consistent with their undertaking to manage three (3) events. These include the following; the Launch of 650ws Braille Printer donated to the Zambia Library, Cultural and Skills Training Centre in Lusaka for the visually impaired and the ZICTA Young ICT Innovators' Incubation Programme. Further, the Unit hosted the ZICTA Child online Protection Ambassador, Catherine Phiri, on September 9, 2016 at Southern Sun Hotel in Lusaka.

The PR Unit also participated in the 2016 "Right to Know Day" march past from Cairo Road to the Freedom Statue, Government Complex in Lusaka on September 28, 2016. The event is an annual commemoration aimed at enhancing access to information.

During the period under review, the Authority in conjunction with the three mobile service providers namely MTN, Airtel and Zamtel held a SIM Verification Press Briefing at Great East Park Shopping Mall from 09:00hrs to 10:00hrs.The briefing was meant to re-emphasise and stress the SIM Card Verification Deadline which was scheduled for October 31, 2016. In this regards, ZICTA Director for Support Services, Mofya Chisala, gave the remarks on the Last Mile SIM Card Registration and Verification Campaign on behalf of the Director General. The briefing, which was also attended by Chief Executive Officers from the three mobile service providers, was well-covered by print, social and electronic media. It was to inform members of the public that all consumers who would have not verified their SIM Cards after October 31, 2016 would be illegible for disconnection.

9.0 HUMAN CAPITAL AND DEVELOPMENT

9.1 Labour compliment

The total labour strength as at December 31, 2016 was at one hundred and thirty-two (132) comprising of twenty-four (24) in Management while one hundred and eight (108) were non-Management staff. In gender terms and numbers, female staff were forty-seven (47) and male staff were eighty five (85). While retention on staff was recorded at 97%.

Table 16: detailed labour compliment in 2016

DETAIL	MALE	FEMALE	TOTAL
Labour Strength as at 01.01.2016	83	44	127
Recruitments	6	3	9
Resignations	(2)	0	(2)
End of contract	0	0	0
Non-renewal of contract	0	0	0
Dismissals	0	0	0
Termination of contract	0	0	0
Early Retirement	(1)	0	(1)
Death	1	0	(1)
Labour Strength as at 31.12.2016	85	47	132

9.2 Staff Wellness

The Authority continued to support staff wellness. In the period being reviewed, the medical managed fund scheme administered by Professional Insurance was terminated.

An in-house medical scheme was introduced with selected medical service providers within Lusaka as well as a 20% cost sharing on total medical bills incurred monthly for registered dependants of principal members. The principals' medical costs are to be covered by the Authority at 100% of total bills incurred.

9.3 Capacity Building

During the year end 2016, the Authority encouraged staff's career development. Therefore, it has continued to sponsor staff for part-time studies under different programs in disciplines associated with their roles.

In the period being reviewed, thirteen (13) were undertaking different studies as shown in Table 17 below.

Number of Staff	Type of qualification to be attained
Eight (8)	Undergraduate (Masters)
Four (4)	Postgraduate (Degrees and Diploma)

9.4 Corporate Strategic Plan 2017 -21

The Human Capital Unit spearheaded the development of the 2017-21 Strategic Plan in collaboration with the appointed Strategic Plan consultants, Grant Thornton and departments/units within the Authority. The Plan was approved by the Board in November 2016.

9.5 Employees Activities

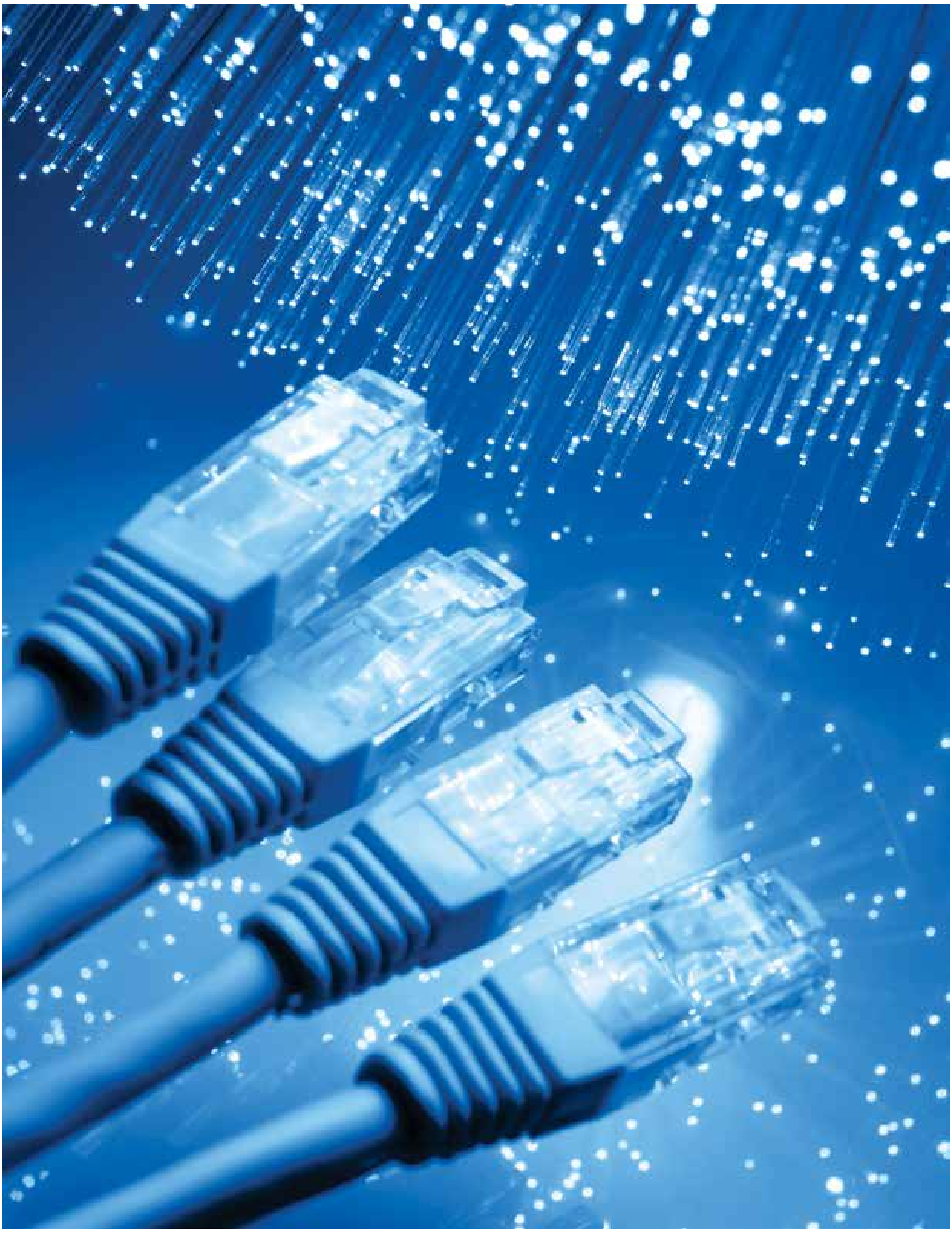
Departmental sports were held at which departments/units competed in various sports. This activity provided a platform for staff to interact and break the usual work business environment.

9.6 End of year event

The Authority postponed the planned and scheduled end-of-year party for the December 16, 2016, in remembrance and respect of the late Mr. Davies Bambala who suddenly passed on November 29, 2016 having served the Authority for twenty years.

9.10 Industrial Relations

In the year under review, the industrial relations continued to be relatively calm.



10.0 LEGAL AND REGULATORY AFFAIRS

10.1 Corporate Governance

ZICTA is governed by the Board of the Authority which has been given the mandate to exercise and perform the powers and functions of the Authority.

The Board is appointed by the Minister of Transport and Communications in terms of Part I of the First Schedule to the ICT Act No. 15 of 2009.

The Act provides that the Board should consist of the following members:

i. one representative each from the Ministries responsible for information and communications technology and home affairs;
ii. one member from an agency responsible for national security;
iii. a representative of the Attorney General;
iv. one person nominated by the National Farmers Union;
v. one person nominated by the Zambia Consumers Protection Association;
vi. one person nominated by the Law Association of Zambia;
vii. one person nominated by the Engineering Institution of Zambia;
viii. one person nominated by a trade union representing staff employed by the Authority; and
ix. one other person appointed by the Minister.

The Director General, who is the chief executive officer of the Authority, is an ex-officio Member.

10.2 Role of the Board

The primary responsibility of the Board of the Authority is to provide governance and oversight functions to the Authority in accordance with the ICT Act, the Postal Services Act No. 22 of 2009, the Electronic Communications and Transactions Act No. 21 of 2009 and other relevant laws and regulations.

Some of the specific responsibilities of the Board include the following:

- Provide strategic direction by approving management strategies and plans including financial budgets, and monitor the Authority's performance against such strategies and plans;
- Determine employee remuneration and conditions of service to ensure that they are consistent with sustainable achievement of the Authority's objectives and prudent management of operations;
- Approve and regularly review the performance and effectiveness of the Authority's corporate governance policies and procedures;
- Approve and monitor the effectiveness of the Authority's risk management and control framework; ensure that management takes actions to mitigate identified risks; and
- Appoint the Director General and the Board Secretary as well as approve the appointment of senior staff of the Authority as recommended by the Director General.

10.3 Board Committees

The Board has constituted Committees to assist in the performance of its functions under the Act. The Board has the following Committees:

- Policy, Legal and Regulatory Affairs Committee;
- Audit Committee;
- Technical Committee; and
- Finance, Human Resource and Administration Committee.

10.4. Major Developments under Legal and Regulatory Affairs

10.4.1 Review of the Licensing Framework

In 2015 the Authority conducted a review of the licensing framework which was necessitated by the high paced developments in the ICT sector and the inconsistencies between the ICT market and the current licensing framework. The result of the review was a concept paper which proposed a new licensing framework. The concept paper to review the licensing framework was approved by the Board of the Authority on December 5, 2015. The Board directed the Authority to submit the concept paper to the Ministry of Transport and Communications (MTC) for approval.

Following the approval by the MTC to consult with the stakeholders on the review of the licensing framework, a consultation paper was prepared to seek views of the licensees and the general public regarding the review of the current licensing framework. The consultation paper was circulated to stakeholders for their comments. A total of twenty two (22) responses were received. Further, The Authority organised a consultative meeting with stakeholders to review the proposed licensing framework on June 23, 2016. A report on the consultative process and the necessary legislative instruments were drafted and submitted to management. The licensing framework was approved by the Board on condition that the proposed framework be submitted to the Business Regulatory Review Agency (BRRA) for approval in line with the Business Regulatory Act. Approval was granted by the BRRA in November 2016. The Final concept paper on the review of the licensing framework and the legislative instruments were submitted to the Ministry of Transport and Communications for approval.

10.4.2 Postal Services Act (General) Regulations, SI 31 of 2016

During the period under review, the Minister of Transport and Communications passed the Postal Services (General) Regulations. The Regulations operationalised the postal sector. They also provided the licensing process, compensation and fees payable by licensees.

10.4.3 Exemption Guidelines

In 2016, the Authority published the Licence Exemption Guidelines to provide for the licence exemption procedure, and registration of exempt persons or activities before they are declared as such under section 20 of the ICT Act.

10.4.4 Enforcement

The Legal and Regulatory Affairs Department was responsible for conducting Enforcement. During the year 2016, enforcement was conducted against eighty nine (89) entities for operating Radio and Electronic Communication Services without licenses on the Copperbelt, Southern, Western, Northern, Muchinga, North Western, Luapula and Central Provinces. Penalties were meted out against the errant entities. A total amount of K313 212 .83 was raised from this activity being payment for licence fees and fines.

10.4.5 Focus for 2017

The focus for the year 2017 shall be on the following:

I. Implementation of the licensing framework;

II. Review of Legal and Regulatory Framework in the ICT Sector; and

III. Advocate for issuance of Tariff Regulations whose aim is to among other things empower the Authority to set rates and terms and conditions of electronic communication services offered by an electronic communications provider.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended
31 December 2016

MPH Chartered Accountants

Zambia Information and Communications Technology Authority
Separate Financial Statements for the year ended 31 December 2016

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Report of the Board to the Members

The members of the Board submit their report on the activities for the year ended December 31, 2016.

1. The Authority

The Zambia Information and Communications Technology Authority (ZICTA) is an autonomous body established under the Information and Communication Technologies (ICT) Act No. 15 of 2009. The Authority`s mandate is drawn from 3 pieces of legislation, namely, the ICT Act, the Electronic Communications and Transactions (ECT) Act No. 21 of 2009 and the Postal Services Act No. 22 of 2009. The Authority`s principal functions as outlined in these Acts are mainly to regulate the provision of the electronic communication services and products, and the monitoring of the performance of the sector, including the levels of investment and availability, quality, cost and standards of the electronic communication services.

2. Review of activities

Main business and operations

The principal functions of the Authority are to:

i) Supervise and regulate electronic communications services;
ii) Ensure that such services are provided in a safe and secure environment;
iii) Regulate the provision of postal and courier services; and
iv) Monitor the level of investment and the availability, quality, cost and standards of the electronic communications services in Zambia.

The Authority received grant income of **K105,803,252** for the year ended 31 December 2016 (2015: K 106,237,885). The surplus of income over expenditure for the year ended 31 December 2016 amounted to **K3,264,619** (2015: deficit of K46,965,030).

Business address	Plot No. 4909, Corner of Independence and United Nations Avenues Lusaka
Postal address	P.O Box 36871 Lusaka Zambia

3. Events after the reporting date

The members of the Board are not aware of any material facts, circumstances or events which occurred between the reporting date and the date of this report which might influence an assessment of the Authority's financial position or the results of its operations.

Report of the Board to the Members (continued)

4. The Board and Secretary

The Members of the Board and the Secretary during the year under review were as follows:

Mr. Emmanuel Musonda Mpankata	-	Chairman
Mr. Patrick Chisanga	-	Member
Ms. Daisy N. Ng'ambi	-	Member
Mrs. Patricia Jere	-	Member
Mr. Vestus Chungu	-	Member
Mr. Keith Asherwood	-	Member
Brig. Gen Emelda Chola (RTD)	-	Member
Mrs. Margaret K. Chalwe-Mudenda	-	Member
Mr. Thomas Malama	-	Secretary

5. Management

Members of Management of the Authority during the year were as follows:

Mrs. Margaret K. Chalwe-Mudenda	-	Director General (Chief Executive)
Mr. Thomas Malama	-	Director Legal and Regulatory Affairs
Mrs. Clementina Simwanza	-	Director Finance
Mr. Patrick Mutimushi	-	Director Technology and Engineering
Mr. Mulenga Chisanga	-	Director Markets, Competition and Licensing
Mr. Mofya Chisala	-	Director Support Services
Mr. Thomas Matandala	-	Director Human Capital Development and Administration

6. Employees

The average number of persons employed by the Authority during the year was 133 (2015: 127). The total remuneration paid to employees by the Authority was K66,391,524 (2015: K62,218,390).

7. Donations

The Authority made donations during the year amounting to **K52,179** (2015: K521,080).

8. Capital expenditure

The capital expenditure during the year amounted to **K9,384,601** (2015: K18,157,127). In the opinion of the Board, the fair value of the property and equipment is at least equivalent to their carrying amounts.

By order of the Board.

Secretary

Lusaka ....

Date: 22.03.17

Statement of responsibilities in respect of the preparation of financial statements

The Members of the Board ("The Board") are responsible for the preparation of financial statements for each financial period that present fairly the state of affairs of the Authority and its financial activities for that period. In preparing the financial statements, the Board is required to:

(a) design, implement and maintain internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement;
(b) select suitable accounting policies and then apply them consistently; and
(c) make judgments and accounting estimates that are reasonable and prudent in the circumstances.

The Board is also responsible for ensuring that the Authority keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority. It is also responsible for safeguarding the assets of the Authority, and taking reasonable steps for the prevention and detection of fraud and other irregularities. The independent external auditors, MPH Chartered Accountants, have audited the financial statements and their report is shown on pages 66 to 69.

The Board is also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

In the opinion of the Board the financial statements are drawn up so as to present fairly the financial activities of the Authority for the year ended 31 December 2016 and its financial position as at that date, and have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Information and Communication Technologies Act No. 15 of 2009.

Approval of the financial statements

The financial statements of the Authority as indicated above and set out on pages 70 to 110 were approved by the Board on ......22 . 03 . 17...... and were signed on its behalf by:

....	....
Board Chairman	**Member of the Board**

MPH Chartered Accountants
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Independent Auditor's Report

To the members of Zambia Information and Communications Technology Authority

Report on the financial statements

We have audited the separate financial statements of the Zambia Information and Communications Technology Authority ("the Authority"), which comprise the Statement of Financial Position as at 31 December 2016, and the Statement of Comprehensive Income, the Statement of Changes in Accumulated Funds and the Statement of Cash Flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Authority as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Information and Communication Technologies Act No. 15 of 2009.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investments in subsidiaries

The Authority holds investments in two entities; the Zambia ICT College and the Zambia National Data Centre Limited (ZNDC). Both entities are incorporated under the Companies Act as companies limited by guarantee. The subsidiaries were incorporated in 2010 and 2015 respectively.

Independent Auditor's Report (continued)

We refer to note 18 of the financial statements

Key audit matter	Our response
The Authority has control over the two entities as defined by IFRS 10 *Consolidated Financial statements*. Consequently the Authority is required to consolidate the subsidiaries in the Authority's consolidated financial statements. However due to the none availability of financial statements for Zambia ICT College the Authority elected to prepare 'Separate Financial Statements' as provided for under International Accounting Standard 27 ' *Separate Financial Statements'*. Further the Authority elected to account for these investments at cost.	Our audit procedures in respect to the accounting for the investments included, among others: • Assessing the existence of ZICTAs control over the investee entities; • Ascertaining the reasonableness and the reasons for the Authority electing to prepare separate financial statements; • Determining the cost of the investments and evaluating the reasonableness of the Authority's judgements as to the existence of impairment indicators and performing related impairment tests on the investments. Based on available evidence ZICTA has control over the subsidiaries. Up to date financial statements of the Zambia ICT College are not available to ensure timely preparation of the consolidated financial statements of the Authority. The Authority`s election to account for the investment at cost is appropriate in the circumstances and the investments are fairly stated. We found disclosures in note 18 to be appropriate.

Employee terminal benefits

The Authority accrues for employee terminal benefits in respect of employees that are not on contract. The provision represents the liability payable to employees for the periods served as at 31 December. The liability to employees is limited to the period of service. The benefit is paid when the employee decides to leave employment or the employer decides to release the employee based on retirement at age 55 or before the retirement age for reasons within the law. This is a condition of employment for all employees.

Under this self-funded defined contribution plan, ZICTA sets aside f unds that are managed internally.

We refer to notes 14 and 15 of the financial statements.

Key audit matter	Our response
During the year the Board resolved to vary the conditions of service of employment for permanent and pensionable employees. In this regard the Authority resolved to pay all accrued terminal benefits within the 2017 financial year. Consequently the Authority has not discounted the carrying value of the liability on the basis that all the amounts are payable within one year.	Our audit procedures in respect to the accounting for the employee terminal benefits included, among others: • Ascertaining that management and the Board were committed to vary the terms and conditions of employment for permanent and pensionable staff and had the ability and commitment to carry through the decision. • Determine that in the light of the above decision, the terminal benefits was fairly stated and the valuation was correct.

On the basis of available evidence we believe the Board is committed and able to carry through the decision to vary the conditions of service and that consequently the liabilities do not require discounting as they are payable within one year. We found the disclosures in notes 14 and 15 to be appropriate.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing , as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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

Other Information

The Directors are responsible for the other information included in the annual report. Our opinion on the financial statements does not cover other information and we do not express an audit opinion thereon. Our responsibility is to read the other information and consider whether the information therein is materially consistent with the financial statements. If based on our work, we conclude that there is a material misstatement we are required to report to that fact. We have nothing to report in this regard.

Other Matter

The supplementary information set out on pages 111 to 114 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

Report on other legal and regulatory requirements

In accordance with Part II Section 3(i) of the First Schedule of the Information and Communications Technologies Act No 15 of 2009, we report that, in our opinion, the required accounting records, and other records relating to the Authority's accounts have been properly kept in accordance with the Act .

Independent Auditor's Report (continued)

Section 70 and 71 of the Information and Communications Technologies Act No. 15 of 2009 and the Information Communications Technologies (Universal Access) Regulations, 2012 provided for the set up of the Universal Access Fund and the appointment of a Fund Manager to administer the Fund. The Authority has not appointed a Fund Manager to administer the Fund.

MPH
MPH Chartered Accountants

22 . 03 . 17
Lusaka, Zambia

Hampande Hachongo (AUD/F000186)
Partner

Zambia Information and Communications Technology Authority
Separate Financial Statements for the year ended 31 December 2016

Statement of Comprehensive Income

	Note	2016 K	2015 K
Revenue			
Grant income	4(i)	**105,803,252**	106,237,885
International traffic fees	4(ii)	**53,146,658**	-
		158,949,910	106,237,885
Other income			
Interest income on bank term deposits		**2,118,954**	4,042,323
Reversal of income tax provision on staff benefits		**5,092,800**	-
Sundry income		**2,098,590**	3,346,337
		9,310,344	7,388,660
		168,260,254	113,626,545
Expenditure			
Salaries, gratuity and other retirement benefits	5(i)	**(84,928,304)**	(83,038,205)
Administration	5(ii)	**(59,975,386)**	(54,011,026)
Operating expenses	5(iii)	**(7,323,183)**	(11,038,710)
Depreciation expense	7	**(12,768,762)**	(12,503,634)
		(164,995,635)	(160,591,575)
Surplus of income over expenditure/(excess of expenditure over income) for the year	5	**3,264,619**	(46,965,030)
Other comprehensive income		**-**	-
Total comprehensive income for the year		**3,264,619**	(46,965,030)

Zambia Information and Communications Technology Authority
Separate Financial Statements for the year ended 31 December 2016

Statement of Financial Position

	Note	2016 K	2015 K
Assets			
Non-Current Assets			
Property and equipment	7	**68,611,914**	72,439,070
Retirement benefit asset	17	**4,011,092**	4,011,092
Investments in subsidiaries	18	**-**	-
		72,623,006	76,450,162
Current Assets			
Inventory	8	**2,045,941**	647,761
License and international traffic fee receivables	9	**-**	10,234
Other receivables and prepaid expenses	10	**26,798,963**	29,352,469
Amounts due from related parties	16(vi)	**9,769,218**	-
Held to maturity investments	11	**6,207,353**	-
Cash and bank balances	12	**12,648,476**	46,011,142
		57,469,951	76,021,606
Total Assets		**130,092,957**	152,471,768
Accumulated Funds and Liabilities			
Accumulated funds		**88,743,134**	85,478,515
Non-Current Liabilities and Other Funds			
Employee terminal benefits	14	-	14,828,294
Total-Non-Current Liabilities and Other Funds		-	14,828,294
Current Liabilities			
Amounts due to related parties	16(iii)	**1,228,882**	18,471,148
Sundry payables and accrued expenses	13	**23,348,846**	33,693,811
Employee terminal benefits	14	**16,772,095**	-
Total Current Liabilities		**41,349,823**	52,164,959
Total Accumulated Funds and Liabilities		**130,092,957**	152,471,768

The financial statements set out on pages 66 to 116, which have been prepared on a going concern basis, were approved by the Board on 22.03.17 and were signed on its behalf by:

Board Chairman

Member of the Board

Statement of Changes in Accumulated Funds

	Accumulated funds
	K
Balance at 31 December 2014 as previously reported	**128,665,442**
Prior year adjustment as at 31 December 2013	1,073,529
Balance as at 31 December 2014 restated	**129,738,970**
Balance at 31 December 2014 restated	**129,738,970**
Prior year adjustment as at 31 December 2014	2,704,574
Balance as at 31 December 2014 restated	**132,443,545**
Excess of expenditure over income for the year	(46,965,030)
Balance as at 31 December 2015	**85,478,515**
Balance as at 1 January 2016	**85,478,515**
Surplus of income over expenditure for the year	3,264,619
At 31 December 2016	**88,743,134**

Accumulated funds

The accumulated funds represent retained excess of income over expenditure for the current year and balances brought forward from previous years.

Statement of Cash flows

	Note	2016 K	2015 K
Cash flows from operating activities			
Surplus of income over expenditure/(deficit of expenditure over income) for the year		**3,264,619**	(46,965,030)
Adjustments			
Depreciation expense	7	**12,768,762**	12,503,634
Loss/(gain) on disposal of fixed assets		**299,871**	(52,028)
Fair value adjustment		**-**	-
Interest income on bank term deposits		**(2,118,954)**	(4,042,323)
Interest income on staff loans		**(1,052,207)**	(1,205,986)
Interest income on other bank accounts		**(70,379)**	(22,660)
Operating cash flows before movements in working capital		**13,091,712**	(39,784,393)
Movements in working capital			
Decrease/(Increase) in inventory	8	**(1,398,180)**	(135,128)
Decrease/(Increase) in license fee receivables	9	**10,234**	20,399
Decrease/(Increase) in other receivables	10	**2,553,507**	1,173,563
Decrease/(Increase) in amounts due from related parties		**(9,769,218)**	-
Decrease/(Increase) in held to maturity investments		**(6,207,353)**	-
Increase/(Decrease) in sundry payables	13	**(10,344,965)**	2,902,001
Increase/(Decrease) in retirement benefits	14	**1,943,801**	2,254,969
Increase/(Decrease) in amounts due to related parties	16(ii)	**(17,242,266)**	18,471,148
Net cash out flows from operating activities		**(27,362,728)**	(15,097,441)
Cash flow from investing activities			
Proceeds from disposal of property and equipment		**143,124**	64,414
Expenditure on property and equipment	7	**(9,384,601)**	(18,157,126)
Net cash out flows from investing activities		**(9,241,477)**	(18,092,712)
Cash flows from financing activities			
Interest received		**3,241,540**	5,270,969
Net cash from financing activities		**3,241,540**	5,270,969
Decrease in cash and cash equivalents		**(33,362,665)**	(27,919,184)
Cash at the beginning of the year		**46,011,142**	73,930,326
Cash and cash equivalents at end of the year	12	**12,648,476**	46,011,142

Included in the cash flows are restricted funds amounting to K1,228,882 (2015: K18,471,148) belonging to Universal Access Funds.

Accounting Policies

1. The Zambia Information and Communications Technology Authority

The Zambia Information and Communication Technology Authority (ZICTA) is an autonomous body established under the Information and Communication Technologies (ICT) Act No. 15 of 2009. The Authority`s mandate is drawn from 3 pieces of legislation, namely, the ICT Act, the Electronic Communications and Transactions (ECT) Act No. 21 of 2009 and the Postal Services Act No. 22 of 2009. The Authority`s principal functions as outline in these Acts are mainly to regulate the provision of the electronic communication services and products, and the monitoring of the performance of the sector, including the levels of investment and availability, quality, cost and standards of the electronic communication services.

2. Basis of preparation and accounting policies

Statement of compliance

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Information and Communication Technologies Act No. 15 of 2009 .

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Authority takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Separate financial statements

The Authority has issued these Separate Financial Statements in accordance with the provisions of IAS 27 *Separate Financial Statements*. Under IAS 27 an entity may elect to issue Separate Financial Statements and account for investments in subsidiaries either at cost, in accordance with IFRS 9 *Financial Instruments*, or using the equity method as described in IAS 28 *Investments in Associates and Joint Ventures*. The authority has issued these Separate Financial Statements due to the none availability of up to date financial

Accounting Policies (continued)

3. Basis of preparation and accounting policies (continued)

Separate financial statements (continued)

statements of one of the subsidiaries to enable timely consolidation in accordance with IFRS 10, *Consolidated Financial Statements*. The subsidiary undertakings are listed in note 18.

2.1 Revenue recognition

Grant income

Grant income represents funds received from Government during the year. Income from the Government is recognised in the statement of income and expenditure when there is reasonable assurance that it will be received and the Authority will comply with the conditions associated with the grant.

Grants that compensate the Authority for expenses incurred are recognised in comprehensive income on a systematic basis in the same periods in which the expenses are recognised.

Grants that compensate the Authority for the cost of an asset are recognised in comprehensive income on a systematic basis over the useful life of the asset.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Authority and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.2 Property and equipment

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Authority's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for the intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Item	*Rate*
Leasehold land and buildings	2%
Furniture and fittings	20%
Motor vehicles	25%
Office equipment	30%
Telecommunication and radio equipment	10%

Accounting Policies (continued)

Basis of preparation and accounting policies (continued)

2.2 Property and equipment

Capital work in progress is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2.3 Impairment of tangible and other assets

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income and expenditure.

At the end of each reporting period, the Authority reviews the carrying amounts of its tangible and other assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Authority estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in income and expenditure, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal on impairment loss is recognised immediately in income and expenditure, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.4 Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through income and expenditure) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through income and expenditure are recognised immediately in the statement of income and expenditure.

Accounting Policies (continued)

2.4 Financial instruments (continued)

Financial assets

Financial assets are classified into the following specified categories: 'held-to-maturity' investments and 'receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified at fair value through income and expenditure.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables (including trade and other receivables, cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Authority has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Authority's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Accounting Policies (continued)

2.4 Financial instruments (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through income and expenditure to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Derecognition of financial assets

The Authority derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Authority continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities (including borrowings and trade and 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 Authority derecognises financial liabilities when, and only when, the Authority's obligations are discharged, cancelled or they expire.

2.5 Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that the Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Accounting Policies (continued)

2.5 Provisions (continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.6 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Zambian Kwacha (K).

Transactions and balances

In preparing the financial statements of the Authority, transactions in currencies other than the Authority's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. 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.

Exchange differences on monetary items are recognised in income or expenditure in the period in which they arise.

2.7 Retirement benefit obligations

(i) *Defined benefit plan*

A defined benefit plan is a retirement benefit plan that is not a defined contribution plan.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out every three years. Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in accumulated funds and will not be reclassified to income and expenditure. Past service cost is recognised in income and expenditure in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Accounting Policies (continued)

2.7 Retirement benefit obligations (continued)

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Re-measurement.

The Authority presents the first two components of defined benefit costs in income and expenditure in the line item employee benefits expense. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Authority's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(ii) *Defined contribution plan*

A defined contribution plan is a retirement benefit plan under which the Authority pays fixed contributions into a separate entity. The Authority has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Obligations for contributions to the defined contribution plan are recognised as an employee benefit expense in comprehensive income when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

ZICTA sets aside funds for retirement benefits of employees under a self- funded defined contribution plan that is managed internally. An accrual for the liability is made based on number of years and salary at the end of each reporting period. Under this scheme, employees retire at the age of 55 years.

(iii) Other entitlements

Employee entitlements to annual leave and contract gratuity are recognised when they accrue to employees. Accrued leave pay and gratuity is accounted for in income and expenditure as it arises.

The Authority and all its employees also contribute to the National Pension Scheme, which is a defined contribution scheme.

2.8 Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventory is based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition.

2.9 Critical accounting estimates and judgments

Critical judgments in applying accounting policies

In the application of the Authority's accounting policies, which are described above, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Authority's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Held to maturity financial assets

The Authority classifies financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the Authority evaluates its intention and ability to hold such investments to maturity. If the Authority fails to keep these investments to maturity, other than selling an insignificant amount close to maturity, it will reclassify the entire class as available-for-sale.

Discount rate used to determine the carrying amount of the Authority's defined benefit obligation

The Authority's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting year on Government bonds. Significant judgment is required to set the criteria for Government bonds to be included in the population from which the yield curve is derived.

Impairment losses on receivables

In determining whether an impairment loss should be recorded in income or expenditure, the Authority makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before a decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of a debtor, or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Accounting Policies (continued)

2.9 Critical accounting estimates and judgments (continued)

Assessment of the existence of control for consolidation

Significant judgement is required to determine the existence of control, the basis on which an investor consolidates an investee entity. IFRS:10 defines control as:

- Power over the investee;
- Exposure, or rights, to variable returns from investment with the investee; and
- The ability to use power over the investee to affect the amount of the investor`s return.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates of asset lives, residual values and depreciation methods

The Directors review the estimated useful lives of property, plant and equipment at the end of each annual reporting period to determine the appropriate level of depreciation and whether there is any indication that those assets have suffered an impairment loss. The Directors assigned a residual value of nil as equipment is not held for trading and is normally scrapped.

2.10 Investments in subsidiaries

A subsidiary is an entity in which the Authority has control. The Authority controls an investee when the Authority is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are measured at historical cost decreased by potential accumulated impairment losses. The Authority assess regularly at the end of reporting period whether there is any impairment loss by comparing the carrying values of each investment with its recoverable amount. If any recoverable amount is lower, the Authority recognises the impairment loss through the use of an allowances account. Investments in subsidiaries are presented in the line 'Investments in subsidiaries ' in the statement of financial position.

2.11.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Authority has applied amendments to IFRSs and new Interpretations issued by the International Accounting Standards Board (IASB) that are relevant to its financial statements and are mandatory effective for accounting periods beginning on or after 1 January 2016.

- ***Annual Improvements to IFRSs 2012-2014 Cycle and 2011-2013 Cycle***

  Annual improvements include amendments to a number of IFRSs, which are summarised below. Except for IAS 19 –'Employee benefits', the application of the amendments has had no impact on the disclosures or amounts recognized in the Authority's financial statements for 2016.

Accounting Policies (continued)

2.11 Application of new and revised International Financial Reporting Standards (continued)

2.11.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements (continued)

- ***Annual improvement to IFRs -2012-2014 Cycle and 2011-2013 Cycle (continued)***

Standard	Subject of amendment	Details
IFRS 5 *Non-current assets Held for Sale and Discontinued Operations*	Changes in methods of disposal	The amendments introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held for distribution accounting is discontinued.
IFRS 7 *Financial Instruments Disclosures(with consequential amendments to IFRS 1)*	Servicing contracts	The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of disclosures required in relation to transferred assets; and clarify that the offsetting disclosures are not explicitly required for interim periods. However, the disclosures may need to be included in the condensed interim financial statements issued under IAS 34 *Interim Financial Reporting*.
IAS 19 *Employee Benefits*	Discount rate: region market issue	The amendments clarify that the high quality corporate bonds used to estimate the discount rate for post – employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level.
IAS 34 *interim Financial Reporting*	Disclosure of information included 'elsewhere in the interim financial report'	The amendments clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

Accounting Policies (continued)

2.11 Application of new and revised International Financial Reporting Standards (continued)

2.11.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements (continued)

- ***Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations***

  The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if, and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

  A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

  The amendments apply prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016.

  The application of these amendments has had no impact on the disclosures or the amounts recognized in the Authority's financial statements.

- ***Amendments to IAS 1: Disclosure Initiative***

  The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice:
  - An entity should not reduce the understandability of its statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

Accounting Policies (continued)

2.11 Application of new and revised International Financial Reporting Standards (continued)

2.11.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements *(continued)*

- ***Amendments to IAS 1: Disclosure Initiative (continued)***

  - In other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss;
  - An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.

  The application of these amendments has had minimal impact on the disclosures or the amounts recognized in the Authority's financial statements.

- ***Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation***

  The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

  - When the intangible asset is expressed as a measure of revenue; or
  - When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

  The amendments apply prospectively for annual periods beginning on or after 1 January 2016. The Authority uses the straight-line method for depreciation and amortisation of its property, plant and equipment, and intangible assets respectively. The directors of the Authority believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, there is no impact of these amendments on the Authority's financial statements.

- ***Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants***

  The amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

Accounting Policies (continued)

2.11 Application of new and revised International Financial Reporting Standards (continued)

2.11.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements (continued)

- ***Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (continued)***

  These amendments have no effect on the Authority's financial statements as the Authority is not engaged in agricultural activities.

- ***Amendments to IAS 27: Equity Method in Separate Financial Statements***

  The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in the separate financial statements;
  - at cost;
  - in accordance with IFRS 9 (or IAS 39 for entities that have yet to adopt IFRS 9), or;
  - using the equity method as described in IAS 28 "Investments in Associates and Joint Ventures".

  The same accounting must be applied to each category of investments and the amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.
  The amendment is effective 1 January 2016 and the Authority has implemented the amendments and elected to prepare Separate Financial Statements for the year ended 31 December 2016. Further, the Authority opted to account for investments in subsidiaries at cost.

- ***Amendments to IFRS 14: Regulatory Deferral Accounts***

  IFRS 14 is an interim standard which provides relief for first-adopters of IFRS in relation to the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). The standard permits these entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts.

  The amendments have no impact on the Authority's financial statements.

Accounting Policies (continued)

2.11 Application of new and revised International Financial Reporting Standards (continued)

2.11.2 New and revised IFRSs in issue but not yet effective

- **IFRS 9 :*Financial Instruments***

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

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

Accounting Policies (continued)

2.11 Application of new and revised International Financial Reporting Standards (continued)

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

- **IFRS 9 : *Financial Instruments (continued)***

  - The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

  IFRS 9 is effective for annual periods beginning 1 January 2018.

  The directors of the Authority anticipate that the application of IFRS 9 in the future will not have a material impact on amounts reported in respect of the Authority's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Authority undertakes a detailed review.

- **IFRS 15: *Revenue from Contracts with Customers***

  In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

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

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

  Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

  IFRS 15 is effective 1 January 2018. The Directors of the Authority anticipate that the application of IFRS 15 in the future could have an impact on the amounts reported and disclosures made in the Authority's financial statements. An assessment of the impact is yet to be undertaken.

Accounting Policies (continued)

2.11 Application of new and revised International Financial Reporting Standards (continued)

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

- ***IFRS 16: Leases***

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Control is considered to exist if the customer has:

- the right to obtain substantially all the economic benefits from the use of an identified asset; and
- the right to direct the use of the asset.

The standard provides guidance to determine whether those conditions are met, including instances where the supplier has substantive substitution rights, and where the relevant decisions about how and for what purpose the asset is used are predetermined.

IFRS 16 introduces significant changes to lease accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lease to recognize a right –of- use asset and lease liability at lease commencement for all leases, except for short – term leases and leases of low value assets.

The right of –use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short – term leases (i.e. one that does not include a purchase option and has a lease term of commencement date of 12 months or less) and leases of low value assets, the lessee should recognize the lease payments associated with those leases as an expense on either a straight line basis over the lease term or another systematic basis similar to the current accounting for operating leases.

In contrast to lease accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease as an operating lease or a finance lease.

In addition, IFRS 16 also provides guidance on the accounting for sale and leaseback transactions. Extensive disclosures are also required by the standard.

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early adoption permitted for entities that apply IFRS 15 at or before the initial application of IFRS 16. The Board is of the opinion that the standard will not have a significant impact on the future financial statements of the Authority as the Authority has not generally undertaken lease transactions.

Accounting Policies (continued)

2.11 Application of new and revised International Financial Reporting Standards (continued)

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

- ***Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions***

  The amendments clarify the following:

  - In estimating the fair value of a cash – settled share based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share based payments.
  - Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature' such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
  - The modification of a share – based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

    I. the original liability is derecognized;
    II. the equity-settled share-based payment is recognized at the modification date fair date value of the equity instrument granted to the extent that the services have been rendered up to the modification date; and
    III. any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognized in profit or loss immediately.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted.

  In the opinion of the Directors the IFRS 2 amendments will have no impact on the Authority's financial statements.

Accounting Policies (continued)

2.11 Application of new and revised International Financial Reporting Standards (continued)

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture.

IAS 28 has been amended to reflect the following:

- Gains and losses resulting from transactions involving assets that constitute a business between an investor and its associate or joint venture are recognized to the extent of unrelated investor's interest in the associate or joint venture.

- Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognized in full in the investor's financial statements.

IFRS 10 has been amended to reflect the following:

- Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrealized investor's interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investor's interest in the new associate or joint venture.

The effective date of the amendments is yet to be determined. However earlier application of these amendments is permitted.

The Directors are yet to determine the impact of these amendments to future financial statements of the Authority.

- ***Amendments to IAS 7: Disclosure initiative***

The amendments require an entity to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non- cash changes. The amendments do not prescribe a specific format to disclose financing activities; however, an entity may fulfill the disclosure objectives by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. Entities are not required to present comparative information for earlier periods. The Directors are of the opinion that the amendments will impact future presentation of the Authority's financial statements. The extent is however yet to be determined.

Accounting Policies (continued)

2.11 Application of new and revised International Financial Reporting Standards (continued)

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

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

  The amendments clarify the following:

  - Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;

  - When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains) an entity assesse a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;

  - The estimate of probable future taxable profit may include the recovery of some of the entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - In evaluating whether sufficient future taxable profits are available , an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

  The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.

  As the Authority is exempt from tax (note 6). The amendments will have no impact on future financial statements of the Authority.

Notes to the Financial Statements

	2016 K	2015 K

3. License fees

On 1 January 2013, the Government issued Statutory Instrument No. 15 of 2013 which required that license and other fees collected by the Authority be remitted to the Government treasury. Accordingly, with effect from that date these fees are no longer recorded as income of the Authority.

The Authority collected a total of **K163,246,885** (2015: K122,985,215), and remitted a total of **K165,376,700** (2015: K122,230,198) in respect of license fees. Details of the license fees collected and remitted are as shown in Appendix 2.

The amounts owing to the Government from operators totaled **K66,735,968** (2015 : K44,032,172), as detailed in Appendix 3.

4. Grant income

(i) Grant income represents funds receivable from Government during the year.

(ii) Effective 1 January 2016 the Authority, as provided for by statutory instrument No.80 of 2015 commenced collection of fees on international traffic. 11 cents of 20 US cents retained by operators, 6 cents of 20 US cents is retained by ZICTA whilst 3 cents of US 20 cents is remitted to Government.

5. Expenditure

	2016 K	2015 K
(a) Salaries, gratuity and other retirement benefits		
Basic salaries	**27,583,589**	25,368,483
Education allowance	**5,663,162**	5,479,256
Housing allowance	**7,158,276**	6,900,508
Retention allowance	**4,152,095**	4,756,532
Transport allowance	**4,251,725**	4,044,741
Gratuity expenses	**15,067,763**	19,537,944
Social tour and holiday allowance	**5,550,857**	4,928,699
Other	**15,500,837**	12,022,042
	84,928,304	83,038,205
(b) Administration		
Impairment provision	**4,846,707**	-
Board expenses	**6,982,688**	8,120,683
Zambia ICT College payroll expenses	**10,376,033**	7,826,054
Medical expenses	**2,201,602**	16,300
Meeting and conferences abroad	**8,510,291**	7,730,199
Other	**27,058,065**	30,317,790
	59,975,386	54,011,026
(c) Operating expenses		
Service maintenance agreements	**1,956,557**	897,994
System operating expenses	**1,590,562**	1,806,298
Other	**3,776,064**	8,334,418
	7,323,183	11,038,710

6. Taxation

Zambia Information and Communications Technology Authority is exempt from income tax under section 5 of the Income Tax Act CAP 323: Part 3 - Exempt organisations.

7. Property and equipment

	Leasehold land and buildings	Machinery and equipment	Telecommunication and radio equipment	Motor vehicles	Furniture and fittings	Capital work in progress	Total
Cost	K	K	K	K	K	K	K
At 1 January 2015	32,078,631	16,799,045	42,293,291	20,993,580	2,880,643	101,251	115,146,441
Additions	-	2,925,123	175,630	4,159,992	140,437	10,755,945	18,157,127
Disposals	-	(557,889)	-	(1,092,301)	(247,110)	-	(1,897,300)
Transfers	-	-	-	-	-	-	-
At 31 December 2015	32,078,631	19,166,279	42,468,921	24,061,271	2,773,970	10,857,196	131,406,268
Additions	-	2,931,076	-	1,453,782	274,823	4,724,920	9,384,601
Disposals	-	(1,302,545)	-	(924,511)	(440,043)	-	(2,667,099)
Transfers	362,091	87,081	2,839,182	-	-	(3,288,354)	-
At 31 December 2016	**32,440,722**	**20,881,891**	**45,308,103**	**24,590,542**	**2,608,750**	**12,293,762**	**138,123,770**
Depreciation							
At 1 January 2015	1,811,442	13,718,845	19,749,805	11,010,641	2,057,745	-	48,348,478
Charge for the year	641,573	2,890,338	4,095,549	4,583,340	292,835	-	12,503,634
Disposals	-	(555,129)	-	(1,092,301)	(237,484)		(1,884,914)
At 31 December 2015	2,453,015	16,054,054	23,845,354	14,501,680	2,113,096	-	58,967,198
Charge for the year	646,074	2,916,202	4,380,598	4,541,033	284,855	-	12,768,762
Disposals	-	(1,302,545)	-	(481,516)	(440,043)	-	(2,224,104)
At 31 December 2016	**3,099,089**	**17,667,711**	**28,225,952**	**18,561,197**	**1,957,908**	**-**	**69,511,856**
Carrying amount							
At 31 December 2016	**29,341,633**	**3,214,182**	**17,082,151**	**6,029,345**	**650,842**	**12,293,761**	**68,611,914**
At 31 December 2015	29,625,616	3,112,225	18,623,567	9,559,591	660,874	10,857,196	72,439,070

The cost of fully depreciated assets at 31 December 2016 was K25,053,367 (2015: K17,242,089).

Notes to the Financial Statements (continued)

	Note	2016 K	2015 K

8. Inventory

	2016 K	2015 K
Office stationery	**604,518**	647,761
House number signage	**1,441,423**	-
	2,045,941	647,761

9. License and international traffic fee receivables

	2016 K	2015 K
License fee receivables	**3,433,272**	3,433,272
Derecognition of license fees receivables	**(3,423,038)**	-
Impairment provision	**(10,234)**	(3,423,038)
	-	10,234
International traffic fees	**4,846,707**	-
International traffic fees impairment provision	**(4,846,707)**	-
	-	10,234

i) These license fees represent fees that were recoverable and due to ZICTA prior to the issue of SI 15 of 2013 on 1 January 2013. These balances have been transferred to GRZ in 2016.
ii) International traffic fees recoverable are due from one operator, Zamtel.

The Authority does not hold any collateral over these balances.

Movement in allowance for doubtful debts

	2016 K	2015 K
Balance at the beginning of the year	**3,423,038**	3,508,705
Derecognition of impairment provision on license fees	**(3,423,038)**	-
Decrease in the impairment provision for bad debts	**-**	(85,667)
International traffic fees impairment provision	**4,846,707**	-
Balance at end of the year	**4,846,707**	3,423,038

Ageing of impaired license and international traffic fee receivables

	2016 K	2015 K
120 + days	**4,846,707**	3,423,038

Notes to the Financial Statements (continued)

10. Other receivables and prepaid expenses

	2016 K	2015 K
Receivables from employees	**24,576,226**	26,739,567
Other staff receivable	**362,047**	-
Prepayments	**1,560,191**	1,907,514
VAT recoverable	**-**	493,100
Sundry receivables	**302,499**	214,289
Sub-total	**26,800,963**	29,354,470
Impairment provision	**(2,000)**	(2,000)
Sub-total	**26,798,963**	**29,352,469**
	26,798,963	29,352,469
Movement in impairment provision		
At beginning of the year	**2,000**	2,000
Movement during the year	**-**	-
At year end	**2,000**	2,000

Receivables from employees

The receivables from employees are loans and advances to employees that are recovered through the payroll. The loans and advances are unsecured and carry an interest charge of 4% to 5%. The loans and advances are given to employees as part of the Authority's retention policy. The repayment terms vary based on the purpose of the loan or advance.

The value of the receivables are analysed as follows:

	2016 K	2015 K
Fair value at market rate	**13,727,383**	15,325,905
Unexpired benefits to employees	**10,848,843**	11,334,359
	24,576,226	26,660,264

Interest income on receivables in income and expenditure from employees is as follows:

	2016 K	2015 K
Interest income at market rate	**3,088,661**	3,448,329
Expired benefits provided by the employer	**(2,036,454)**	(2,205,986)
Interest on employee receivables in income and expenditure	**1,052,207**	1,205,986

Notes to the Financial Statements (continued)

	2016 K	2015 K
11. Held to maturity investments		
180 days fixed term deposits	**6,207,353**	-
91 days fixed term deposits	**5,545,877**	34,363,370
	11,753,230	34,363,370
The fixed term deposits are held with the following financial institutions:		
Zampost Microfinance Limited	**6,207,353**	-
Finance Bank Zambia Limited	**5,545,877**	34,363,370
	11,753,230	34,363,370
Less: disclosed in the Statement of Financial Position as cash and bank balances (note 12)	**5,545,877**	34,363,370
Disclosed as held to maturity investments	**6,207,353**	-

12. Cash and bank balances

Cash and cash equivalents include held to maturity investments maturing less than 90 days after year end. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flow can be reconciled to the related items in the Statement of Finance Position as follows:

Bank account balances and cash in hand	7,102,599	11,647,772
Fixed term investments classified under cash equivalents (note 11)	5,545,877	34,363,370
	12,648,476	46,011,142

Included in the Fixed Term Investments classified under cash equivalents are restricted funds amounting to K1,228,882 (2015:K18,471,148) belonging to Universal Access Fund.

Notes to the Financial Statements (continued)

13. Sundry payables and accrued expenses

	2016 K	2015 K
Employee end of contract gratuity	12,880,078	20,784,389
Leave pay	1,917,026	1,822,006
Other payroll accruals	4,071,195	3,740,811
Sub-total	**18,868,299**	26,347,206
Prepaid fees	218,299	1,692,976
Trade creditors	2,087,814	3,638,864
Audit fees provision	193,824	300,000
Legal and professional charges	960,000	1,000,000
Other payables	1,020,610	714,765
	23,348,846	33,693,811

	2016 K	2015 K
Employee end of contract gratuity		
At beginning of year	20,784,389	11,929,701
Charge for the year	15,067,763	17,210,619
Payments during the year	(17,879,274)	(8,355,931)
Reversal of income tax provision on staff benefits	(5,092,800)	-
At end of year	**12,880,078**	20,784,389

14. Employee terminal benefits

	2016 K	2015 K
At beginning of year	14,828,294	12,573,325
Charge for the year	3,416,016	3,609,194
Payments during the year	(1,472,215)	(1,354,225)
At end of year	**16,772,095**	14,828,294
Due within one year	**16,772,095**	-
Due after one year	**-**	14,828,294
	16,772,095	14,828,294

Employee terminal benefits represent the liability payable to employees for the periods served as at 31 December. The liability to employees is limited to the period of service. The benefit is paid when the employee decides to leave employment or the employer decides to release the employee based on retirement at age 55 or before the retirement age for reasons within the law. This is a condition of employment for all employees.

Notes to the Financial Statements (continued)

		2016 K	2015 K

15. Financial instruments

Capital management

The Board manages the Authority to ensure that the Authority will be able to continue as a going concern while maximising the return to the stakeholders through the optimisation of returns on investments made. The Authority had no borrowings as at the reporting date.

Gearing ratio

The Authority reviews the capital structure on an ongoing basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Authority has no borrowings and therefore has a 0% gearing ratio (2015: 0%).

Categories of financial instruments

	Note	2016 K	2015 K
Financial assets			
Cash and bank balances	12	**12,648,476**	46,011,142
Receivables from employees	10	**24,938,273**	26,739,567
Prepayments	10	**1,560,191**	1,907,514
Amounts due from related parties	16(vi)	**9,769,218**	-
Held to maturity investments	11	**6,207,353**	-
VAT claimable	10	**-**	493,100
Sundry debtors	10	**300,499**	212,289
License fee receivables	9	**-**	10,234
		55,424,010	75,373,846
Finance liabilities held at amortised cost or fair value			
Staff obligations	13	**18,868,299**	26,347,206
Prepaid fees	13	**218,299**	1,692,976
Trade creditors	13	**2,087,814**	3,638,864
Audit fees provision	13	**193,824**	300,000
Legal and professional charges provision	13	**960,000**	1,000,000
Other payables	13	**1,020,610**	714,765
Employee terminal benefits	14	**16,772,095**	14,828,294
Amounts due to related parties	16(iii)	**1,228,882**	18,471,148
		41,349,823	66,993,253

Financial risk management objectives

Management co-ordinates access to domestic markets, monitors and manages the financial risks related to the operations of the Authority. These risks include market risk (including currency risk), credit risk, liquidity risk and cash flow interest rate risk.

The Authority does not enter into or trade in derivative financial instruments.

	2016 K	2015 K

15. Financial instruments (continued)

Market risk

The Authority's activities expose it primarily to the financial risk of changes in foreign currency exchange rates (see below). The Authority does not trade any derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk. This is also because the Authority does not have debt.

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

The Authority undertakes certain transactions dominated in foreign currencies. Hence, exposure to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as approved by the Board.

The carrying amount of the Authority's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

Currency	**Asset/liabilities**	2016 K	2015 K
US Dollars	Trade creditors	936,745	1,504,342
US Dollars	Bank balances	2,749,691	137,944
US Dollars	Receivables	4,846,707	-

The Authority is exposed to foreign exchange risk arising primarily from the importation of raw materials and finished goods and receivables arising from International traffic fees.

	Mid-market exchange rates as at 31 Dec 2016	**Mid-market exchange rates as at 31 Dec 2015**	**Average currency appreciated during the year**
US Dollars	9.87	10.99	10.19%

At 31 December 2016, if the US Dollar had appreciated or depreciated by 10% against the Kwacha, with all other variables held constant, the increase or decrease in the surplus for the year would have been K937,792 (31 December 2015: K79,173).

		2016 K	2015 K

15. Financial instruments (continued)

Interest rate risk management

The exposure to interest rate is reviewed regularly by management to align with interest rate reviews and defined risk appetite, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

The Authority's exposure to interest rate is low as they do not have interest bearing borrowings and invest in fixed interest bearing investments.

Credit management

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Authority. The Authority has adopted a policy of only dealing with creditworthy counterparties and obtaining an advance payment, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Authority's maximum exposure to credit risk is analysed below:

	Note	2016 K	2015 K
Sundry debtors	10	**300,499**	212,289
VAT claimable	10	**-**	493,100
Prepayments	10	**1,560,191**	1,907,514
Receivable from employees	10	**24,938,273**	26,739,567
License fee receivables	9	**-**	10,234
Held to maturity investment	11	**6,207,353**	-
Cash and bank balances	12	**12,648,476**	46,011,142
		45,654,792	75,373,846

The Authority holds security over its financial assets in respect of receivables from employees. The Receivables from employees in respect of house loans are mortgaged by the Authority, and the certificates of title are in the custody of the Authority. The Authority also provides for an insurance scheme to cover all loans above K50, 000.00 in the event of death of an employee. The cost of the insurance is borne by the employee which is recovered over a period of 24 Months.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Authority's short, medium and long-term funding and liquidity management requirements. The Authority manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Authority's remaining period for contractual maturity of it's non—derivate financial assets and liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets and liabilities.

Notes to the Financial Statements (continued)

			2016 K	2015 K

	1 to 3 months	3 months to 1 year	More than 1 year	Total
31December 2016	K	K	K	K
Liabilities				
Staff obligations	-	12,880,078	-	12,880,078
Trade creditors	-	2,087,814	-	2,087,814
Leave pay	-	1,917,026	-	1,917,026
Other payroll accruals	-	4,071,195	-	4,071,195
Other payables	-	2,392,733	-	2,392,73
Employee terminal benefits	-	16,772,095	-	16,772,095
Amounts due to related parties	-	1,228,882	-	1,228,882
	-	**41,349,823**	**-**	**41,349,823**
31 December 2016				
Assets				
Bank and cash balances	12,648,476	-	-	12,648,476
Held to maturity investments	-	6,207,353	-	6,207,353
Amounts due from related parties	9,769,218	-	-	9,769,218
Receivables from employees	-	7,762,125	17,176,148	24,938,273
Prepayments	1,560,191	-	-	1,560,191
Sundry debtors net	300,499	-	-	300,499
	24,278,384	**13,969,478**	**17,176,148**	**55,424,010**
31 December 2015				
Liabilities				
Staff obligations	-	-	20,784,389	20,784,389
Trade creditors	-	3,638,864	-	3,638,864
Leave pay	-	1,822,006	-	1,822,006
Other payroll accruals	-	3,740,811	-	3,740,811
Other payables	-	3,707,741	-	3,707,741
Employee terminal benefits	-	-	14,828,294	14,828,294
Amount due to related parties	-	18,471,148	-	18,471,148
	-	**31,380,570**	**35,612,683**	**66,993,253**

15. Financial instruments (continued)

Liquidity risk management (continued)

	1 to 3 months	3 months to 1 year	More than 1 year	Total
31 December 2015	**K**	**K**	**K**	**K**
Assets				
Bank and cash balances	46,011,142	-	-	46,011,142
License fee receivables	10,234	-	-	10,234
Receivables from employees	-	-	26,739,567	26,739,567
Prepayments	1,907,514	-	-	1,907,514
VAT claimable	493,100	-	-	493,100
Sundry debtors	212,289	-	-	212,289
	48,634,279	**-**	**26,739,567**	**75,373,846**

Fair value measurements

The information set out below provides information about how the Authority determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lusaka Stock Exchange).
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Authority considers relevant and observable market prices in its valuations where possible.

Fair value of the Authority's financial assets and financial liabilities that are measured at fair value on a recurring basis.

There were no financial assets and liabilities that are measured at fair value on a recurring basis during the period. The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

Notes to the Financial Statements (continued)

	2016	2015
	K	K

15. Financial instruments (continued)

Fair value measurements (continued)

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	K	K	K	K
Bank and cash balances	**12,648,476**	**12,648,476**	46,011,142	46,011,142
Held to maturity investments	**6,207,353**	**6,207,353**	-	-
Receivables from employees	**24,938,273**	**24,938,273**	26,739,567	26,739,567
Prepayments	**1,560,191**	**1,560,191**	1,907,514	1,907,514
Amounts due from related parties	**9,769,218**	**9,769,218**	-	-
VAT claimable	**-**	**-**	493,100	493,100
Sundry debtors	**300,499**	**300,499**	212,289	212,289
License fee receivables	**-**	**-**	10,234	10,234
Financial liabilities				
Staff obligations	**18,868,299**	**18,868,299**	20,784,389	20,784,389
Prepaid fees	**218,299**	**218,299**	1,692,976	1,692,976
Trade creditors	**2,087,814**	**2,087,814**	3,638,864	3,638,864
Audit fees	**193,824**	**193,824**	300,000	300,000
Legal and provision charges provision	**960,000**	**960,000**	1,000,000	1,000,000
Employee terminal benefits	**16,772,095**	**16,772,095**	14,828,294	14,828,294
Other payables	**1,020,610**	**1,020,610**	714,765	714,765
Amounts due to related parties	**1,228,882**	**1,228,882**	18,471,148	18,471,148

Notes to the Financial Statements (continued)

	2016 K	2015 K

16. Related party transactions

The Authority undertakes to disclose the nature of related party relationships, types of transactions necessary for the understanding of the annual financial statements.

In the context of the Authority, related party transactions include any transactions carried out with any of the following:

- Government ministries and parastatals;
- Subsidiaries;
- Pension fund;
- Board Members; and
- Key management personnel.

The transactions to be reported are those that affect the Authority in making financial and operating decisions.

i) Transactions during the year
Collections on behalf of and payments to Government

	2016 K	2015 K
(a) Collections on behalf of Government (Appendix 2)	**163,246,885**	122,985,215
(b) Payments to Government (Appendix 2)	**165,376,700**	122,230,198

This represents collections made by ZICTA on behalf of Government from operators and subsequently remitted to Government.

	2016 K	2015 K
(c) Grant receivable for the year from the Government	**105,803,252**	106,237,885
(d) Expenditures on behalf of ZNDC	-	-
(e) Expenditures on behalf of Zambia ICT College	**12,571,689**	7,826,054
(f) Pension costs-defined benefit contribution	**482,013**	449,668

Notes to the Financial Statements (continued)

	2016 K	2015 K
ii) Board expenses		
Zambia ICT College Limited	**836,416**	479,561
ZICTA	**6,982,688**	8,119,019
	7,819,104	8,598,580

iii) Amounts due to related parties

	2016 K	2015 K
Amounts due to Universal Access Fund	**1,228,882**	**18,471,148**

This represents short term investments placed with banks registered with ZICTA who are able to offer good interest rates.

vi) Amounts due from related parties

	2016 K	2015 K
Amounts due from Universal Access Fund	**952,281**	**-**
Government grant	**8,816,937**	**-**
	9,769,218	**-**

Government grant represents funds receivable from Government in respect of grant income allocation for the year.

Compensation of key management personnel

The remuneration of Directors and other members of key management is determined by the Board having regard to funding and market trends.

The remuneration of key members of management during the year was as follows:

	2016 K	2015 K
(a) Key management personnel compensation Salaries and other short term benefits	**10,226,611**	10,385,286
(b) Loans due from key management personnel	**2,388,809**	2,585,583
(c) Payables due to key management personnel	**3,829,420**	4,591,964

	2016	2015
	K	K

17. Retirement benefits

The Authority provides a pension scheme for all non-fixed contract employees administered by a Board of Trustees. The assets of this scheme are held in administered trust funds legally separate from the Authority's assets and are governed by the Pension Scheme Regulation Act, No. 26 of 1996.

The Board of the pension fund is composed of an equal number of representatives from both the employer and employees. The board of the pension fund is required by law and its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme. The board of the pension fund is responsible for the investment policy with regards to the assets of the fund.

Contributions to the defined benefit fund are charged against income based upon actuarial advice. Any deficits are funded to ensure the ongoing financial soundness of the fund. The benefits provided are based on the years of membership and salary level. These benefits are provided from contributions by employees and the employer, as well as income from the assets of the scheme.

The fund is subject to an actuarial valuation every three years by independent consultant actuaries. The latest actuarial valuation was carried out by Independent Actuaries and Consultants to determine the fund's position as at 31 December 2014 and shows that the plan assets were K 6,068,368 (31 December 2013: K9,112,091) and liabilities were K2,057,276 (31 December 2013: K7,436,201) resulting in a surplus of K 4,011,092 (31 December 2013: K1,675,890).

Investment risk	The present value of the defined benefit plan liability is calcu lated using a discount rate determined by reference to high quality corporate bond yields; if the return on the plan is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after employment. An increase in the life expectancy of the plan participants will increase the plan`s liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such an increase in the salary of the plan participants will increase the plan`s liability.

	2016 K	2015 K

17. Retirement benefits (continued)

The principal assumptions used for the purposes of the last actuarial valuations were as follows:

	2016	2015
Discount rate	19% p.a	19% p.a
General inflation	8.5% p.a	8.5% p.a
Salary inflation	11.5% p.a	11.5% p.a
Pension increase provision	8.5% p.a	8.5% p.a
Post retirement interest rate	9.7% p.a	9.7% p.a
Present value of obligations	2,057,276	2,057,276
Fair value of plan assets	(6,068,368)	(6,068,368)
Surplus on actuarial valuation	**(4,011,092)**	(4,011,092)

Amounts recognised in comprehensive income in respect of the defined benefit plan are as follows.

	2016	2015
Service cost:		
Current service cost	-	-
Employee contributions	-	-
Net interest expense	-	-
Components of defined benefit costs recognised in profit or loss	-	-

The next valuation of the Benefits Fund is due in 2017.

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of properties and derivatives are not based on quoted market prices in active markets.

Significant actuarial assumptions for the determination of the defined oblig ation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If there is an increase in the discount rate by 1%, the defined benefit obligation will decrease by K192,818.
- If there is an increase in salary rate by 1%, the defined benefit obligation will increase by K223,410.
- If there is an increase in the mortality rate by 1 year, the defined benefit obli gation will increase by K17,301.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	2016 K	2015 K

17. Retirement benefits (continued)

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

18. Investments in subsidiaries

	Place of operation and incorporation	31 December 2016	31 December 2015	31 December 2016	31 December 2015
		Holding in %	Holding %	ZMW	ZMW
Zambia ICT College Limited (Note 1)	Zambia	100	100	-	-
Zambia National Data Centre Limited (Note 2)	Zambia	100	100	-	-
				-	-

Note 1

In May 2014, the Government of the Republic of Zambia through the Minister of Transport, Works, Supply and Communication handed over the Zambia ICT College to ZICTA. The Zambia ICT College was incorporated as a company limited by guarantee (with no share capital) in 2010. ZICTA appointed the Trustees and the Board members of the company. The principal activities of the College are to offer various ICT skills training courses delivered using various media such as e-learning platform, e-classroom and e-lab.

Note 2

In December 2015, ZICTA incorporated a company, the Zambia National Data Centre, a company in which ZICTA owns all the shares. The Board of the company is appointed by ZICTA. The principal activities of the company are storage of data, back up and disaster recovery.

Note 3

Significant transactions between ZICTA and the subsidiaries are disclosed in note 16.

19. Contingent liabilities

Judith MC Tembo vs ZICTA (Complaint No. 194 of 2011)

The complainant, a former employee, had her contract terminated by the Authority. January 2012, she sued the Authority in the Industrial Relations Court claiming a number of reliefs, including damages for wrongful dismissal. The Complainant was unsuccessful in the Industrial Relations Court and appealed to the Supreme Court. Her appeal partially succeeded. The Authority has thus paid the sum of K147,861.57. The amount is exclusive of interest which the parties are yet to agree on. It is estimated that the interest will not exceed

Notes to the Financial Statements (continued)

	2016	2015
	K	K

19. Contingent liabilities (continued)

K50,000.

There were no other known significant contingent liabilities as at 31 December 2016.

20. Capital commitments

	2016 K	2015 K
Authorised by the Board and contracted for	**6,580,287**	**5,244,929**

21. Events after the reporting date

As at the date of signature of these financial statements, there were no material facts or circumstances that have occurred between the accounting date and the date of the financial statements which may require adjustment to or disclosure in these financial statements.

Appendix 1: Detailed Statement of Income and Expenditure

	2016 K	2015 K
Income		
Grant income	**105,803,252**	106,237,885
International traffic fees	**53,146,658**	-
	158,949,910	106,237,885
Other income		
Reversal of income tax on staff benefits	**5,092,800**	-
Interest on bank term deposits	**2,118,954**	4,042,323
Sundry income	**844,619**	1,038,150
Staff loans interest	**1,052,207**	1,205,986
Exchange gain	**131,385**	1,079,541
Bank interest	**70,379**	22,660
	9,310,344	7,388,660
Total income	**168,260,254**	113,626,545
Expenditure (Refer to pages 112 - 114 for details)	**(164,995,635)**	(160,591,575)
Surplus of income over expenditure/(excess of expenditure over income for the year)	**3,264,619**	(46,965,030)

Appendix 1: Detailed Statement of Income and Expenditure (continued)

	2016 K	2015 K
Expenditure		
Salaries and wages	**66,391,524**	62,218,390
Gratuity and retirement benefits	**18,483,779**	20,819,815
Repatriation and relocation expenses	**388,775**	479,776
Depreciation	**12,768,762**	12,503,634
Meetings and conferences - abroad	**8,510,291**	7,730,199
Zambia ICT College operating expenses	**11,735,273**	7,826,054
Insurance	**1,948,193**	1,159,345
Advertising expenses	**2,255,626**	1,902,660
Postal National Addressing System	**517,308**	2,718,143
Workshop, seminars and training abroad	**847,725**	2,046,563
Service maintenance agreement	**2,271,179**	1,429,624
Hosting of workshops	**1,060,348**	3,335,403
Trade shows and exhibitions	**976,243**	2,462,051
Repairs and maintenance	**2,053,416**	1,499,704
Communications expenses	**1,289,850**	1,550,251
Subscriptions	**2,257,918**	2,094,753
Publicity and promotional expenses	**967,434**	1,034,698
Consumer awareness expenses	**324,165**	827,553
Operating expenses - CCTCD Zm Domain	**69,907**	174,661
Research and development	**468,927**	325,498
Projects - National Base Line Study	**-**	1,694,791
Balance carried forward	**135,586,643**	135,833,566

Appendix 1: Detailed Statement of Income and Expenditure (continued)

	2016 K	2015 K
Expenditure (continued)		
Balance brought forward	**135,586,643**	135,833,566
Board expenses	**6,982,688**	8,119,019
Cyber security operating expenses	**279,899**	201,355
System operating expenses	**1,590,562**	1,430,282
Staff welfare	**511,123**	706,646
Standardisation expenses	**647,868**	585,830
Outside services - security	**661,553**	633,448
Tender and evaluations expenses	**595,467**	524,019
Fuel, oil and lubricants	**592,011**	521,632
Printing and stationery expenses	**1,324,885**	823,358
Monitoring, compliance and inspection expenses	**476,968**	573,891
Meetings and conferences - local	**742,692**	966,792
Education and training	**260,723**	584,513
Quality of service monitoring expenses	**339,070**	332,513
Postal operating expenses	**2,000**	47,373
Outside services - other	**425,205**	348,069
Travelling expenses	**88,129**	288,043
Corporate social responsibility	**52,179**	521,080
Audit fees	**180,000**	200,000
Bank charges	**190,163**	218,136
Office consumables	**368,397**	350,967
Consultancy services	**554,879**	207,632
Uniform and protective clothing	**107,552**	251,124
Enforcement expenses	**67,967**	145,311
Library expenses	**79,052**	233,138
Recruitment expenses	**53,002**	-
Electricity and water	**336,203**	128,972
Seminars and workshops - local	**148,561**	122,252
Subsistence and travel expenses	**100,015**	123,273
World Consumer rights day expenses	**16,470**	37,297
Rent and rates	**64,928**	65,118
Legal and professional charges	**-**	4,400
Balance carried forward	**153,426,854**	155,129,049

Appendix 1: Detailed Statement of Income and Expenditure (continued)

	2016 K	2015 K
Expenditure (continued)		
Balance brought forward	**153,426,854**	155,129,049
Collaborative activities	**-**	93,482
Fixed site monitoring	**234,986**	443,196
Business continuity program	**-**	104,673
Type approval expenses	**-**	128,522
Drafting of regulations and guidelines	**24,000**	261,396
Exchange loss	**758,404**	506,777
Call centre expenses	**156,567**	138,985
Computer software and network expenses	**160,325**	73,233
Stamps and postages expenses	**128,952**	144,521
Business lunches and entertainment	**126,651**	139,042
Study tours - abroad	**725,361**	45,867
Inadvertent cross-border roaming expenses	**-**	23,615
Funeral expenses	**72,799**	25,963
World Telecoms Day expenses	**-**	149,126
Medical expenses	**2,201,602**	1,755,662
HIV/AIDS at work place	-	2,186
Digital audio broadcasting expenses	-	152,283
General legal expenses	**111,563**	79,612
Zambia ICT College Board expenses	**836,416**	479,561
Skills development expenses	**-**	298,693
Projects-Digital Migration	**70,986**	99,158
Stakeholders engagement expenses	**102,852**	243,523
Disposal of assets	**308,371**	73,799
Project monitoring and evaluation	**388,277**	-
Online licensing system	**263,962**	-
Child online protection	**50,000**	-
International traffic fees-impairment provision	**4,846,707**	-
Total expenditure	**164,995,635**	160,591,575
Surplus of income over expenditure/(excess of expenditure over income) for the year	**3,264,619**	(46,965,030)

Appendix 2 – Funds collected on behalf of Government

	2016 K	2015 K
Nature of funds collected on behalf of Government		
Annual operating fees	**56,427,101**	52,804,652
Radio license fees	**60,152,854**	49,910,197
International traffic fees	**24,150,602**	-
Numbering fees	**12,504,500**	8,230,600
Private network fees	**4,833,337**	5,388,893
Sundry income	**2,769,435**	1,504,007
Type approval fees	**1,125,720**	901,308
Upfront fees	**1,166,668**	4,150,002
Value added services	**116,668**	95,556
Total funds collected	**163,246,885**	122,985,215
Remittance to GRZ	**165,376,700**	122,230,198
Funds (retained)/remitted to GRZ not relating to the year) (Note below)	**2,129,815**	(755,017)

Note

Excess funds remitted to GRZ in 2016 represent funds received in advance of invoices being issued.

Appendix 3 – Funds owing to Government by Operators

	2016 K	2015 K
Zamtel		
Annual operating fees 2012 balance	**3,176,136**	3,176,136
Numbering fees balance 2013	**1,728**	1,728
Annual operating fees 2013	**7,372,455**	7,372,455
Annual operating fees - estimate	**8,642,340**	8,642,340
Network, Service, Public Data license	**393,889**	393,889
Numbering fees 2015	**1,346,558**	1,346,558
Spectrum fees 2014 and 2015	**14,100,101**	14,100,100
Annual operating fees 2015	**8,998,965**	8,998,965
Numbering 2016	**2,409,837**	-
Spectrum fees 2016	**10,575,077**	-
Annual operating fees-2016-forecast	**9,718,882**	-
Total funds receivable	**66,735,968**	44,032,172

Zambia Information and Communications Technology Authority

Universal Access Fund

Financial Statements for the year ended
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MPH Chartered Accountants

Zambia Information and Communications Technology Authority
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Statement of responsibilities in respect of the preparation of financial statements

The Members of the Board ("The Board") are responsible for the preparation of financial statements for each financial period which present fairly the state of affairs of the Fund and its financial activities for that period. In preparing the financial statements, the Board is required to:

(a) design, implement and maintain internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement;
(b) select suitable accounting policies and then apply them consistently; and
(c) make judgments and accounting estimates that are reasonable and prudent in the circumstances.

The Board is also responsible for ensuring that the Fund keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund. It is also responsible for safeguarding the assets of the Fund, and taking reasonable steps for the prevention and detection of fraud and other irregularities. The independent external auditors, MPH Chartered Accountants, have audited the financial statements and their report is shown on pages 120 and 121.

The Board is also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

In the opinion of the Board the financial statements are drawn up so as to present fairly the financial activities of the Fund for the year ended 31 December 2016 and its financial position as at that date, and have been prepared in accordance with the accounting policies set out at note 2 to the financial statements and in the manner required by the Information and Communication Technologies Act No. 15 of 2009 and the Information and Communications Technologies (Universal Access) Regulations, 2012.

Approval of the financial statements

The financial statements of the Fund as indicated above and set out on pages 120 to 142 were approved by the Board on ......22.03.17...... and were signed on its behalf by:

....
Board Chairman

....
Member of the Board

MPH Chartered Accountants
Plot No. 4434A, Kumoyo Road, Longacres
P.O. Box 31014, Lusaka, Zambia

Plot 16 B, Kantanta Street
Nkana East
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Independent Auditor's Report

To the members of Zambia Information and Communications Technology Authority : Universal Access Fund

Opinion

We have audited the financial statements of the Zambia Information and Communications Technology Authority Universal Access Fund ("the Fund"), which comprise the Statement of Financial Position as at 31 December 2016, and the Statement of Comprehensive Income, the Statement of Changes in Accumulated Fund and the Statement of Cash Flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at December 31, 2016, and of its financial performance and its cash flows for the year then ended on the basis of the accounting policies described in note 2 and in the manner required by the Information and Communication Technologies Act No. 15 of 2009 and the Information and Communications Technologies (Universal Ac cess) Regulations, 2012.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the statements in accordance with the accounting policies set out at notes 2.1 to 2.9 and in the manner required by the Information and Communications Technologies Act No 15 of 2009 and the Information and Communications Technologies (Universal Access) Regulations, 2012, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing , as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

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

Other Information

The Directors are responsible for the other information included in the annual report. Our opinion on the financial statements does not cover other information and we do not express an audit opinion thereon. Our responsibility is to read the other information and consider whether the information therein is materially consistent with the financial statements. If based on our work, we conclude that there is a material misstatement we are required to report to that fact. We have nothing to report in this regard.

Other matter

The supplementary information set out on pages 143 to 144 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

Report on other legal and regulatory requirements

In our opinion, the required accounting records, and other records relating to the Fund's accounts have been properly kept in accordance with generally accepted accounting practices and in the manner required by the Universal Access Regulations.

Section 70 and 71 of the Information and Communications Technologies Act No. 15 of 2009 and the Information Communications Technologies (Universal Access) Regulations, 2012 provided for the set up of the Universal Access Fund and the appointment of a Fund Manager to administer the Fund. The Zambia Information and Communications Technology Authority has not appointed a Fund Manager to administer the Fund.

MPH

MPH Chartered Accountants

22 . 03 . 17
Lusaka, Zambia

Hampande Hachongo (AUD/F000186)
Partner

Zambia Information and Communications Technology Authority
Universal Access Fund
Financial Statements for the year ended 31 December 2016

Statement of Comprehensive Income

	Note	2016 K	2015 K
Income			
Universal Access contributions	3	56,402,101	52,804,652
		56,402,101	52,804,652
Other income			
Write back of inventory impairment provision	5	-	3,195,474
Interest income on bank term deposits		16,372,034	8,232,966
Sundry income		248,262	-
		16,620,296	**11,428,440**
		73,022,397	**64,233,092**
Expenditure			
Operating expenses	App 1	(12,948,019)	(12,453,588)
Administrative expenses	App1	(466,948)	(309,326)
Depreciation	App1	(12,220,324)	-
		(25,635,291)	**(12,762,914)**
Surplus of income over expenditure for the year		**47,387,106**	**51,470,178**
Other comprehensive income		-	-
Total comprehensive income for the year		**47,387,106**	**51,470,178**

Zambia Information and Communications Technology Authority
Universal Access Fund
Financial Statements for the year ended 31 December 2016

Statement of Financial Position

	Note	2016 K	2015 K
Assets			
Non-current assets			
Property and equipment	4	95,217,822	85,086,685
		95,217,822	**85,086,685**
Current assets			
Inventory	5	-	-
Other receivables	6	4,672,538	-
Amount due from related party	7	1,418,351	18,660,619
Held to maturity investments	8	10,332,548	34,794,830
Cash and bank balances	9	79,154,060	2,817,504
		95,577,497	**56,272,953**
Total assets		**190,795,319**	**141,359,638**
Accumulated funds and liabilities			
Accumulated funds		188,109,523	140,722,417
Current liabilities			
Sundry payables and accrued expenses	10	**1,733,515**	637,221
Amount due to related party	12	**952,281**	**-**
		2,685,796	**637,221**
Total accumulated funds and liabilities		**190,795,319**	**141,359,638**

The financial statements set out on pages 122 to 142, were approved and authorised for issue by the Board on 22.03.17 and were signed on its behalf by:

Board Chairman	**Member of the Board**

Zambia Information and Communications Technology Authority
Universal Access Fund
Financial Statements for the year ended 31 December 2016

Statement of Changes in Accumulated Fund

	Accumulated fund
	K
Balance at 1 January 2015	89,252,239
Surplus of income over expenditure for the year	51,470,178
Balance at 31 December 2015	**140,722,417**
Balance at 1 January 2016	140,722,417
Surplus of income over expenditure for the year	47,387,106
Balance at 31 December 2016	**188,109,523**

The Accumulated Fund represents the excess of income over expenditure and other movements in the Fund arising other than out of income and expenditure.

Zambia Information and Communications Technology Authority
Universal Access Fund

Financial Statements for the year ended 31 December 2016

Statement of Cash flows

	Note	2016 K	2015 K
Cash flows from operating activities			
Surplus of income over expenditure for the year		47,387,106	51,470,178
Adjustments			
Interest income on bank term deposits		(16,372,034)	(8,232,966)
Depreciation		12,220,324	-
Operating cash flows before movements in working capital		**43,235,396**	**43,237,212**
Movements in working capital			
Decrease/(increase) in other receivables	6	(4,672,538)	-
Increase/(decrease) in other payables	10	1,096,294	637,221
(Increase)/decrease in amounts due from related parties	7	17,242,268	(18,660,619)
(Increase)/decrease in held to maturity investments	8	24,462,282	(19,952,223)
Increase)/decrease in amounts due to related parties		952,281	-
Net cash inflow generated from/(used in) operating activities		**82,315,983**	**5,261,591**
Cash flow from investing activities			
Expenditure on property and equipment	4	(22,351,461)	(12,109,824)
Net cash out flow from investing activities		**(22,351,461)**	**(12,109,824)**
Cash flows from financing activities and funds			
Interest received		16,372,034	8,232,966
Net cash from financing activities		**16,372,034**	**8,232,966**
Increase in cash and cash equivalents			
Increase in cash and cash equivalents		**76,336,556**	**1,384,733**
Cash at the beginning of the year		2,817,504	1,432,771
Cash and cash equivalents at end of the year	9	**79,154,060**	**2,817,504**

Accounting Policies
Notes to the Financial Statements

1. The Universal Access Fund

Section 10 (1) of the Information and Communication Technologies Act provided for the setting up of the Universal Access and Service Fund (UAF). The purpose of the Fund was to enable Government through ZICTA to finance the Universal Access Project (The Information and Communication Technology – Universal Access (Amendment) Regulations, 2013 (SI 86 of 2013)). Licensees are required under Section 20 (1) of the Information and Communication Technologies (Universal Access) Regulations, 2012 to make contributions to the Fund at the rate not exceeding 1.5 percent of the gross annual turnover of the Licensee. The contributions are collected by the Zambia Information and Communications Technology Authority.

2. Accounting policies

2.1 Basis of preparation and accounting policies

Statement of compliance

The financial statements of the Fund have been prepared in accordance with the accounting policies selected and consistently applied by management as set out in note 2 and in the manner required by the Information and Communication Technologies Act No. 15 of 2009 and the Information and Communications Technologies (Universal Access) Regulations, 2012.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions and measurements that have some similarities to fair value but are not fair value.

2.2 Income

Universal Access Contribution

Contributions to the Fund have been recognised on the receipts basis and represent contributions made by operators licensed under the Information and Communication Technologies Act No. 15 of 2009. Section 20 (1) of the Information and Communication Technologies (Universal Access) Regulations, 2012 provides that a licensee shall contribute to the Fund in accordance with section 10 of the Information and Communication Technologies Act No. 15 of 2009, at the rate not exceeding 1.5 percent of the gross annual turnover. The contributions are collected by ZICTA. The basis of determination of the contribution are the financial results of the operator. This information is in some cases not readily available.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.2 Revenue recognition (continued)

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.3 Property and equipment

Leasehold land and buildings held for use in the provision of services, or for administrative purposes, are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Fund's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for the intended use. Depreciation of these assets commences when the assets are ready for their intended use.

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

Item	*Rate*
Leasehold land and buildings	2%
Furniture and fittings	20%
Motor vehicles	25%
Office equipment	30%
Telecommunication and radio equipment	10%
VSAT	14%
GSM	20%
Power-Solar	7%
Power-Grid	14%
Tower mast	4%
Fence	4%
Battery	33%

Capital work in progress is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income and expenditure.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.4 Impairment of tangible and other assets

At the end of each reporting period, the Fund reviews the carrying amounts of its tangible and other assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in income and expenditure, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal on impairment loss is recognised immediately in income and expenditure, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.5 Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through income and expenditure) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through income or expenditure are recognised immediately in the statement of income and expenditure.

Financial assets

Financial assets are classified into the following specified categories: ‘held-to-maturity' investments and ‘receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.5 Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as fair value through income and expenditure.

Receivables

Receivables are non-derivative financial assets with fixed or determi nable payments that are not quoted in an active market. Receivables (including trade and other receivables, cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Fund has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Funds’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

Notes to the Financial Statements (continued)

2. Accounting policies(continued)

2.5 Financial instruments (continued)

Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through income or expenditure to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For all financial assets objective evidence of impairment could include:

- significant financial difficu lty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the debtor will enter bankruptcy or financial re-organisation.

Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities (including borrowings and trade and 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 Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

Notes to the Financial Statements (continued)

2.Accounting policies(continued)

2.6 Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.7 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Zambian Kwacha (K).

Transactions and balances

In preparing the financial statements of the Fund, transactions in currencies other than the Fund's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. 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.

Exchange differences on monetary items are recognised in income and expenditure in the period in which they arise.

2.8 Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventory is based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition.

2.9 Critical accounting estimates and judgments

In the application of the Fund's accounting policies, which are described above, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.9 Critical accounting estimates and judgments (continued)

Critical judgments in applying accounting policies

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the Directors have made in the process of applying the Fund's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Held to maturity financial assets

The Fund classifies financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the Fund evaluates its intention and ability to hold such investments to maturity. If the Fund fails to keep these investments to maturity, other than selling an insignificant amount close to maturity, it will reclassify the entire class as available-for-sale.

Impairment losses on receivables

In determining whether an impairment loss should be recorded in income or expenditure, the Fund makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before a decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of a debtor, or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2.10 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates of asset lives, residual values and depreciation methods

The Directors review the estimated useful lives of property, plant and equipment at the end of each annual reporting period to determine the appropriate level of depreciation and whether there is any indication that those assets have suffered an impairment loss. The Directors assign a residual value of nil as equipment is not held for trading and is normally scrapped.

Notes to the Financial Statements (continued)

	2016 K	2015 K
3. Income		
Annual operating fees network-Network Services	-	1,767,964
Annual operating fees network-Public Data	-	326,195
Annual operating fees service-Wireless internet	400,000	-
Annual operating fees service-Mobile Cellular	54,325,075	49,072,899
Annual operating fees service-Internet	1,677,026	1,637,594
	56,402,101	**52,804,652**

The Fund raises income primarily from collections from annual operating fees, the bulk of which comes from annual operating fees on mobile cellular services from Airtel, MTN and Zamtel. The operating fees are charged on total annual turnover at a rate of 2% and 3%, of which an apportionment of 50% is made to the Fund. There are, however, significant amounts owing to the Fund in unpaid operating fees from Zamtel amounting to K37,908,778 (2015: K28,189,896), as shown in Appendix 2.

Zambia Information and Communications Technology Authority
Universal Access Fund
Financial Statements for the year ended 31 December 2016

Notes to the Financial Statements (continued)

4. Property and equipment

	VSAT HUB	GSM	VSAT	Power-Solar	Power Grid	Tower Mast	Fence	Battery	Capital work in progress	Total
Cost	K	K	K	K	K	K	K	K	K	K
At 1 January 2016	-	-	-	-	-	-	-	-	85,086,685	85,086,685
Additions	-	-	-	-	-	-	-	-	22,351,461	22,351,461
Transfers	3,907,981	17,419,773	4,838,826	12,124,162	1,811,656	28,742,625	14,806,807	17,032,667	(100,684,497)	-
At 31 December 2016	**3,907,981**	**17,419,773**	**4,838,826**	**12,124,162**	**1,811,656**	**28,742,625**	**14,806,807**	**17,032,667**	**6,753,649**	**107,438,146**
Depreciation										
At 1 January 2016	-	-	-	-	-	-	-	-	-	-
Charge for the year	501,524	3,058,423	594,693	1,491,414	110,804	1,009,279	519,932	4,934,255	-	12,220,324
At 31 December 2016	**501,524**	**3,058,423**	**594,693**	**1,491,414**	**110,804**	**1,009,279**	**519,932**	**4,934,255**	**-**	**12,220,324**
Carrying amount										
At 31 December 2016	**3,406,457**	**14,361,350**	**4,244,133**	**10,632,748**	**1,700,852**	**27,733,346**	**14,868,875**	**12,098,412**	**6,753,649**	**95,217,822**
At 31 December 2015	-	-	-	-	-	-	-	-	85,086,685	85,086,685

The Capital work in progress represents construction of Towers that was in progress at the year end. As the works had not yet been completed and commissioned no depreciation has been recognised.

The land on which the towers have been erected was public and acquired traditionally, and the Fund is yet to secure title deeds.

Notes to the Financial Statements (continued)

	2016 K	2015 K
5. Inventory		
Mobile payphones transferred in	-	-
Impairment provision	-	-
Net inventory	-	-

Inventory cost

	2016 K	2015 K
Inventory written back	342,457	3,537,931
Provision written off against inventory	(342,457)	-
Disposal of inventory	-	(3,195,474)
Inventory at 31 December	**-**	**342,457**

Inventory impairment provision

	2016 K	2015 K
Opening balance/transfer in	342,457	3,537,931
Provision written off against inventory	(342,457)	-
Write back of provision	-	(3,195,474)
At 31 December	**-**	**342,457**

During the year part of the inventory of Mobile Payphones that had been written off were distributed to schools and the value of the inventory distributed was written back to inventory before distribution.

Notes to the Financial Statements (continued)

	2016 K	2015 K
6. Other receivables		
Prepayment	4,669,492	-
Sundry receivables	3,046	-
	4,672,538	**-**
7. Amount due from related party		
Zambia Information and Communications Technology Authority	1,418,351	18,660,619
	1,418,351	**18,660,619**
8. Held to Maturity Investments		
180 days fixed term deposits	10,332,548	34,794,830
60 days fixed term deposits	63,530,959	-
	73,863,507	**34,794,830**
The fixed term deposits are held with the following financial institutions:		
Investrust Bank Zambia Plc	-	21,356,515
Zambia National Commercial Bank Plc	33,254,301	13,438,315
Finance Bank	30,276,658	-
Zampost Microfinance Limited	10,332,548	-
	73,863,507	34,794,830
Less: disclosed in the Statement of Financial Position as cash and bank balances	63,530,959	-
Disclosed as held to maturity investments	**10,332,548**	**34,794,830**

9. Cash and bank balances

Cash and cash equivalents include held to maturity investments maturing less than 90 days after year end. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flow can be reconciled to the related items in the Statement of Financial Position as follows:

	2016	2015
Bank account balances and cash in hand	15,623,101	2,817,504
Fixed term investments classified under cash equivalents (note 8)	63,530,959	-
	79,154,060	**2,817,504**

	2016 K	2015 K

10. Sundry payables and accrued expenses

	2016 K	2015 K
Audit fees	200,000	150,000
Accrued expenses	1,533,515	487,221
	1,733,515	**637,221**

11. Financial instruments

Categories of financial instruments

Financial assets

	Note	2016 K	2015 K
Held to maturity investments	8	10,332,548	34,794,830
Cash and bank balances	9	79,154,060	2,817,504
		89,486,608	**37,612,334**

Financial risk management objectives

ZICTA's Management co-ordinates access to domestic markets, monitors and manages the financial risks related to the operations of the Fund. These risks include market risk (including currency risk), credit risk, liquidity risk and cash flow interest rate risk.

The Fund does not enter into or trade in derivative financial instruments.

Market risk

The Fund's activities expose it primarily to the financial risk of changes in foreign currency exchange rates (see below). The Fund does not trade any derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk. This is also because the Fund does not have debt.

There has been no change to the Fund's exposure to market risk or the manner in which it manages and measures the risk.

		2016 K	2015 K

11. Financial instruments (continued)

Foreign currency risk management

The Fund undertakes certain transactions dominated in foreign currencies. Hence, exposure to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as approved by the Board. At year end the Fund did not have any foreign currency denominated monetary assets and liabilities. The Fund is exposed to foreign exchange risk arising primarily with respect to the importation of raw materials and finished goods for projects.

Interest rate risk management

The exposure to interest rate is reviewed regularly by management to align with interest rate reviews and defined risk appetite, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

The Fund's exposure to interest rate is low as the Fund does not have interest bearing borrowings.

Credit management

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Fund. The Fund has adopted a policy of only dealing with creditworthy counterparties and obtaining an advance payment, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Authority's maximum exposure to credit risk is analysed below:

	Note	2016 K	2015 K
Held to maturity investments	8	10,332,548	34,794,830
Other receivables	6	4,672,538	-
Amount due from related party	7	1,418,351	18,660,619
Cash and bank balances	9	79,154,060	2,817,504
		95,577,497	**56,272,953**

The Fund does not hold any collateral or credit enhancements to cover its credit risk associated with its financial assets.

	2016	2015
	K	K

11. Financial instruments (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Fund's remaining period for contractual maturity of it's non—derivate financial assets and liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets and liabilities.

	1 to 3 months	3 months to 1 year	More than 1 year	Total
31December 2016	**K**	**K**	**K**	**K**
Liabilities				
Liabilities	**2,685,796**	**-**	**-**	**2,685,796**
	2,685,796	**-**	**-**	**2,685,796**
31 December 2016				
Assets				
Bank and cash balances	**79,154,060**	**-**	**-**	**79,154,060**
Held to maturity investments	**-**	**10,332,548**	**-**	**10,332,548**
	79,154,060	**10,332,548**	**-**	**89,486,608**
31 December 2015				
Liabilities				
Liabilities	637,221	-	-	637,221
	637,221	**-**	**-**	**637,221**
31 December 2015				
Assets				
Bank and cash balances	2,817,504	-	-	2,817,504
Held to maturity investments	-	34,794,830	-	34,794,830
	2,817,504	**34,794,830**	**-**	**37,612,334**

	2016	2015
	K	K

11. Financial instruments (continued)

Fair value measurements

The information set out below provides information about how the Authority determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lusaka Stock Exchange).
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

Fair value of the Fund's financial assets and financial liabilities that are measured at fair value on a recurring basis.

There were no financial assets and liabilities that are measured at fair value on a recurring basis during the period. The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

11. Financial instruments (continued)

Fair value measurements (continued)

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	K	K	K	K
Held to maturity investments	10,332,548	10,332,548	34,794,830	34,794,830

Fair value hierarchy as at 31 December 2016

	level 1	level 2	level 3	Total
Financial assets	K	K	K	K
Held to maturity investments	-	10,332,548	-	10,332,548
Financial liabilities				
Sundry payables and accrued expenses	-	2,685,796	-	2,685,796

Fair value hierarchy as at 31 December 2015

	level 1	level 2	level 3	Total
Financial assets	K	K	K	K
Held to maturity investments	-	34,794,830	-	34,794,830
Financial liabilities				
Sundry payables and accrued expenses	-	637,221	-	637,221

Notes to the Financial Statements (continued)

	2016 K	2015 K

12. Related party transactions

In the context of the Fund, related party transactions include any transactions carried out with any of the following:

- Government ministries and parastatals;
- ZICTA; and
- Members of the Governing Board and key management personnel of ZICTA.

The transactions to be reported are those that affect the Fund in making financial and operating decisions.

The fund has a related party relationship with the Zambia Information and Communication s Technology Authority. During the year the transactions that took place with related parties are as follows:

Related party transaction balances

Receivable

	2016 K	2015 K
Zambia Information and Communications Technology Authority	**1,418,351**	18,660,619
Payable		
Zambia Information and Communications Technology Authority	**952,281**	-

This represents amounts to be transferred to Universal Access Fund following the separation of the accounts as the Fund now presents its own standalone accounts. The payables relate to amounts refundable to ZICTA.

13. Contingent liabilities

There were no known significant contingent liabilities as at 31 December 2016.

14. Capital commitments

	2016 K	2015 K
Authorised by the Board and contracted for	**24,350,804**	11,712,954

15. Events after the reporting date

As at the date of signature of these financial statements, there were no material facts or circumstances that have occurred between the accounting date and the date of approval of the financial statements which may require adjustment to or disclosure in these financial statements.

Zambia Information and Communications Technology Authority
Universal Access Fund
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Appendix 1: Detailed Statement of Income and Expenditure

	2016 K	2015 K
Income		
Universal Access contribution	56,402,101	52,804,652
	56,402,101	**52,804,652**
Sundry income		
Inventory	16,372,034	3,195,474
Interest income on bank term deposits	248,262	8,232,966
	16,620,296	**11,428,440**
Expenditure		
Operating expenses		
Special Projects - Connecting and Learning	1,713,769	952,082
Special Projects - Tertiary Institutions	2,638,739	3,354,402
Special Projects - Operating Tower Installations	5,247,913	2,702,875
People with Disabilities	1,909,092	-
Special Projects - Computer Assembly Plant	-	885,650
Special Projects - Monitoring & Evaluation	1,438,506	1,363,105
Inventory expensed	-	3,195,474
Total operating expenses	**12,948,019**	**12,453,588**
Administrative expenses		
Audit fees	200,000	150,000
Advertising	-	66,130
Exchange losses	243,379	-
Bank charges	23,569	-
Depreciation	12,220,324	-
Meetings and conferences	-	60,330
Printing and stationery	-	21,076
Education and training	-	11,790
Total administrative expenses	**12,687,272**	**309,326**
Total expenditure	**25,635,291**	**12,762,914**
Excess of income over expenditure for the year	**47,387,106**	**51,470,178**

The Fund has no staff and that all related staff costs are borne by ZICTA.

Zambia Information and Communications Technology Authority
Universal Access Fund
Financial Statements for the year ended 31 December 2016

Appendix 2: Contribution due from Zamtel

	2016 K	2015 K
Universal Access contributions due		
Annual operating fees 2012 balance	3,176,136	3,176,136
Annual operating fees 2013	7,372,455	7,372,455
Annual operating fees 2014-estimate	8,642,340	8,642,340
Annual operating fees 2015	8,998,965	8,998,965
Annual operating fees 2016	9,718,882	-
	37,908,778	**28,189,896**