ZICTA

ZAMBIA INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

2014 Annual Report

Vision

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

Mission

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

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 perform with fairness, impartiality and 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 synergitically as a unit to achieve common goals

Objectives

- To effectively enforce ICT regulations, standards and guidelines in order to ensure compliance
- To promote the widespread availability and usage of electronic communications networks and services throughout Zambia, in order to contribute to the socio-economic development.
- To promote research and development in ICT in order to generate information for decision making and product improvement
- To manage the scarce resources in order to enhance equitable access and effective utilization
- To promote the establishment of a secure ICT infrastructure in order to enhance user confidence.
- To effectively coordinate the formulation and review of ICT regulations, guidelines and standards in order to provide a framework for effective administration of ICT programmes.
- To effectively monitor the provision of ICT services in order to facilitate protection of consumers, general public and the environment.
- To effectively plan, monitor and evaluate the implementation of the Authority's programmes in order to facilitate development and implementation of appropriate interventions and assess the impact.
- To enhance the Authority's capacity to deliver in order to ensure effective regulation.
- To effectively and efficiently manage the provision of administrative and logistical support services in order to enhance operations of the Authority.
- To ensure the provision of universal postal and courier services, in order for all citizens to have access to a minimum range of such services, of specified quality, at affordable prices, irrespective of their geographical location in Zambia.
- To stimulate competition in the provision of un-reserved postal and courier services in order to ensure that such competition drives efficiency, cost-reflective pricing and innovation in postal and/ or courier products, services and processes.

Acronyms

3G	Third Generation Mobile Network
4G	Fourth Generation Mobile Network
CEC	Copperbelt Energy Corporation
DCA	Department of Civil Aviation
GPRS	General Packet Radio Service
GRZ	Government of The Republic of Zambia
GSM	Global System for Mobile Communication
ICT	Information and Communications Technology
ISP	Internet Service Provider
MNO	Mobile N etwork Operator
MoU	Memorandum of Understanding
MTN	MTN Zambia Limited
PSTN	Public Switched Telephone Network
SAT3	South Atlantic 3/West Africa Submarine Cable
SMS	Short Message Service
UASF	Universal Access and Service Fund
WACS	Submarine communications cable linking South Africa with the United Kingdom
ZABS	Zambia Bureau of Standards
ZEMA	Zambia Environmental Management Agency
ZICTA	Zambia Information and Communications Technology Authority

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Board of Regulators

Mr. Emmanuel M. Musonda
BOARD CHAIRPERSON

Mr. Charles K. Sipanje
BOARD MEMBER

Mrs. Patricia Jere
BOARD MEMBER

Mr. Keith Asherwood
BOARD MEMBER

Brig. Gen. Emelda Chola
BOARD MEMBER

Mr. Vestus Chungu
BOARD MEMBER

Mrs. Margaret K. Chalwe Mudenda
BOARD MEMBER

Mr. Patrick Chisanga
BOARD MEMBER

Mr. Yuthulu Liwanga
BOARD MEMBER

Chairman's Message

On behalf of the Board of Directors, Management and staff of the Zambia Information and Communication Technology Authority, I am pleased to present to you the Authority's Annual Report for the year ended 31st December, 2014 as required by the ICT Act No. 15 of 2009.

The world continued to register positive improvements in access and usage of information and communication technologies during the review period. Particularly, global mobile subscriptions grew to close to 7 billion despite a slowdown in global mobile penetration.

Mobile broadband remains the fastest growing market segment with an estimated global penetration of 32 percent in 2014-four times higher than the penetration recorded just five years earlier. This growth is mainly driven by the availability and uptake of more affordable devices and types of plans on offer on the market. Nevertheless, the divide between developed and developing countries remains rife.

During the period under review, Access to ICT services in Zambia remained favourable. The total number of mobile telephone subscribers declined marginally in 2014 by less than 3 percentage points to 10.1 million representing a penetration rate of 65 percent. This is against a total of 10.4 million subscribers recorded the previous year and a corresponding penetration rate of 71.2 percent. The decline in penetration rate was partly on account of growth in the population against relative stagnation in the number of subscribers.

In order to further advance its universal access mandate, the Authority continued to invest in unserved and underserved areas. ZICTA completed the installation of 165 communication towers located in selected chiefdoms across the country. The project which is funded under the universal access programme is aimed at providing mobile network coverage to unserved areas in the country. A total of 204 communication towers were planned for construction and installation in 2014 with a possibility of scaling up the number in the medium to long term.

As the Authority continues to make efforts towards increasing access to ICTs, it is aware of the risks associated with increase uptake and usage of the services. It is for this reason that in 2014, the Authority engaged the International Telecommunications Union to assist in drafting the National Child Online Protection Strategy. This development made Zambia become the first country in Africa to develop such a framework. Further, a cyber security forensics laboratory at the Zambia Police Service headquarters was established and launched. The laboratory will assist in bringing redress to incidences of cyber related threats and crimes.

The Authority continued to implement its mandate of facilitating the entry of new players on the market through licencing. A notable development over the review period was the emergence of a new sub sector on the market encompassing passive infrastucture services. IHS Zambia Limited, a subsidiary of the largest telecommunications infrastructure service provider in Africa- IHS Holding Limited, took over the management of passive infrastructure previously owned by MTN Zambia. On the other hand, a newly incorporated company, Zambian Tower Company Limited, took over the ownership and management of the passive elements of network infrastructure previously owned by Airtel Zambia Limited. These developments are a reflection of the Authority's commitment to be responsive to the dynamic business models existing in our environment.

The Authority also continued to make efforts towards improving the diversity and quality of postal and courier services. This is in line with its mandate of regulating postal and courier services in the country. Particularly, the Authority concluded the pilot phase of the National Addressing and Postcode project during the period under review. The project which seeks to develop a national addressing system is expected to enhance efficiency in the delivery of postal and couriers services, enhance e- commerce and ease accessibility to destinations among other benefits.

In 2014, Zambia put forth its candidature for election to the ITU council at the recent ITU Plenipotentiary conference. Although the country was not successful in the election, I am proud to report that this was a rewarding opportunity for Zambia to showcase its achievements in the ICT sector to the rest of the world.

On behalf of the Board, I would like to express my appreciation to the Director General and her staff for the hard work put in during the review year. I look forward to an even more exciting year for the ICT sector in 2015.

Emmanuel Musonda

Senior Management Team

Margaret K. Chalwe Mudenda
DIRECTOR GENERAL

Thomas Malama
DIRECTOR LEGAL & REGULATORY AFFAIRS

Clementina Simwanza
DIRECTOR FINANCE

Patrick Mutimushi
DIRECTOR TECHNOLOGY & ENGINEERING

Mofya Chisala
DIRECTOR SUPPORT SERVICES

Mulenga Chisanga
DIRECTOR MARKET, COMPETITION & LICENSING

Thomas Matandala
DIRECTOR HUMAN CAPITAL DEVELOPMENT & ADMINISTRATION

Drector General's Message

The year 2014 was challenging but progressive for the Zambia Information and Communication Technology Authority. In view of the scarcity of resources to implement all its intended programmes, the Authority had to embark on the most effective programmes so as to deliver the best possible results given its limited financial allocation from the treasury. At the beginning of the review period, the Authority identified four focus areas which included affordability, broadband infrastructure development, review of the licencing framework and strengthening internal capacity.

The Authority made significant progress in reviewing the current licensing framework with the aim of developing a more technology neutral and converged licencing framework. It is also envisaged that the proposed framework will encourage innovation in products and services as well as enhance competition in the market. This process is expected to continue in the subsequent period with wider consultation with diverse stakeholders.

In order to attract and retain investment in the ICT sector, the Authority signed a memorandum of understanding with the Zambia Development Agency that would facilitate collaboration between the two institutions. The Authority intends to leverage on the experience of the Zambia Development Agency in attracting investment and improving the Business environment in the ICT sector.

The Authority continued to make deliberate steps towards encouraging greater efficiency in the utilisation of resources. During the period under review, ZICTA through the Minster responsible for Transport and Communications issued Access Guidelines that facilitate infrastructure sharing in the ICT sector. This is not only expected to eliminate entry barriers on the market but also translate into lower cost of services on the market.

In 2013, the Authority updated the Cost of service models initially developed in 2010. The primary purpose of the exercise was to align the cost models to the current dynamics on the market. Consequently, a new interconnection glyde path was developed with the implementation initiated in the period under review. This is expected to lead to a reduction in the overall cost of ICT services both at a wholesale and retail level with the trend expected to continue in the subsequent periods.

The Authority continued to make efforts aimed at improving consumer experience in the usage of ICT services. This was done through intensive technical monitoring of service quality using internationally acceptable methods. The Authority intends to continue investing in equipment and human resources to effectively monitor the quality of ICT services on the market. In addition, the Authority continued to monitor and bring redress to consumer complaints through its call center and interactive social media platforms.

The Authority continued to leverage on the experience of other countries and regulators through its participation in regional and international meeting. Notable among the meetings the Authority effectively participated was the Communication Regulators Association of Southern Africa, World Summit Information Society, Global Symposium for Regulators and Universal Postal Union. These fora continue to provide a platform for sharing experiences and knowledge across countries and regions on international best practices in the regulation of ICT services.

As the sector remains dynamic in the products and services offered by operators, the Authority continued to respond to these trends without stifling growth and innovation. For instance, the proliferation of mobile financial services has presented new opportunities to consumers as well as a different dimension to regulation. As a first step to ensuring that consumer interest are upheld without limiting innovation and growth among operators, the Authority signed a memorandum of understanding with the Bank of Zambia to facilitate collaboration on areas of common regulatory jurisdiction.

The Authority remains committed to facilitating the growth and development of the ICT sector while upholding the interest of consumers through affordable and quality ICT products and services.

Margaret Chalwe Mudenda

1.0 RECENT GLOBAL DEVELOPMENTS IN THE ICT SECTOR

1.1 Global Mobile and Fixed Telephone Penetration

In 2014, growth in global mobile penetration was 2.6 percent, the lowest recorded over the last decade. This was mainly on account of the global market attaining saturation levels of close to 7 billion subscriptions. At the same time, usage of fixed telephony continued its decline across all regions of the world. Globally, fixed telephone penetration decreased by 2 percent[1]. The decline in fixed telephone subscriptions over the years has been accompanied by strong mobile cellular market growth up until 2010 when they began to slow down.

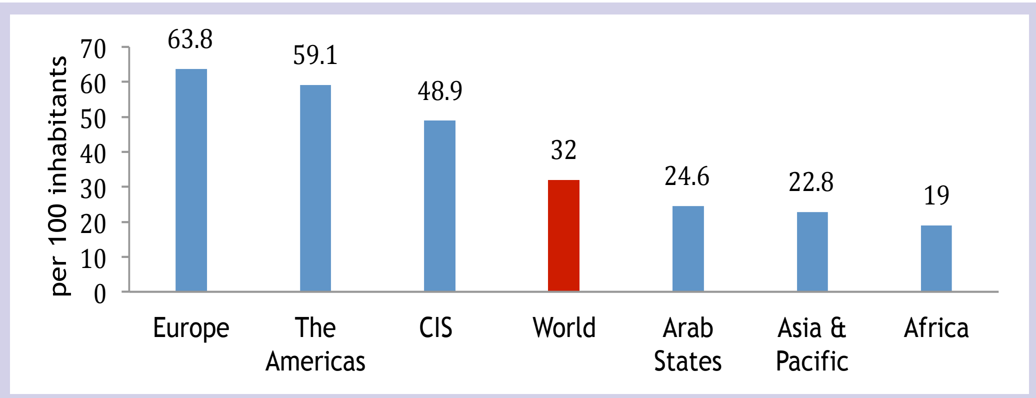
1.2 Global Fixed Broadband[2] Penetration

Fixed broadband subscriptions increased to 711 million in 2014 representing a penetration rate of 10 percent, against 220 million in 2005. However, this growth has not been proportionate across regions. In most developed countries, fixed broadband penetration reached relatively high levels of around 28 percent while most developing countries had penetration rates of around 6 percent and less than 1 percent in least developed countries.

1.3 Global Mobile Broadband Penetration

Mobile broadband remains the fastest growing market segment with an estimated global penetration of 32 percent in 2014-four times higher than the penetration recorded just five years earlier. This growth is mainly driven by the availability and uptake of more affordable devices (smart phones) and types of plans on offer on the market. Nevertheless, the divide between developed and developing countries remains huge. Mobile broadband penetration in Africa is on average about 19 percent compared to 64 percent in Europe, the highest in the world (see figure 1).

Figure 1: Active Mobile – Broadband Subscriptions by Region 2014



Source: ITU World Telecommunication/ICT indicators database

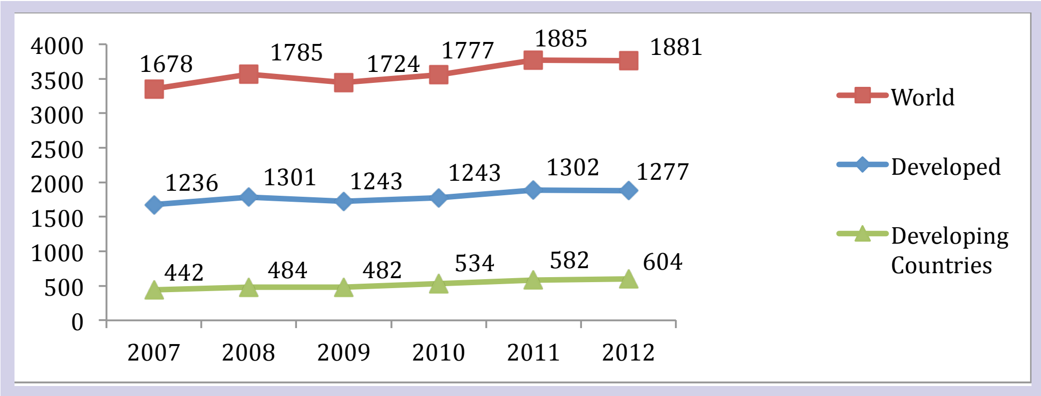
[1] Global ICT statistics based on: ITU (2014): Measuring the Information Society Report

[2] According to the ITU means Data transmission rate of at least 256 kbps

1.4 Global Telecommunication Revenue

Total telecommunication revenue in 2012 stagnated relative to 2011 amounting to USD 1.88 trillion[3] representing 2.7 percent of global Gross Domestic Product (GDP). Much of this growth was associated with the developed countries despite some marginal decline in revenue recorded in 2012 while developing countries had a smaller share in spite of some recorded improvement. This performance is reflected in figure 2 below:

Figure 2: Telecommunication Revenue by level of Development, 2007-2012



Source: ITU World Telecommunication/ICT indicators database

3 Financial Data is presented with a lag due to data limitations

2.0 NATIONAL DEVELOPMENTS IN THE ICT SECTOR

2.1 Establishment of Computer Forensics Laboratory

A cyber security forensics laboratory at the Zambia Police Service headquarters was established and launched in July, 2014 by the Zambia Information and Communications Technology Authority (ZICTA). The laboratory was primarily established to address the increasing incidence of cyber related threats and crimes. Specifically, the laboratory will among other things provide a platform for the retrieval, analysis, and reporting of evidence contained on computer systems and computing devices.

2.2 Memorandum of Understanding between ZICTA and the Bank of Zambia

ZICTA and the Bank of Zambia signed a memorandum of understanding in 2014. The memorandum of understanding provides a general framework for the two organisations to share information and work together on common areas of regulatory and supervisory interest with a particular emphasis on mobile financial services.

2.3 Pilot Phase of the National Addressing and Postcode Project

The pilot phase of the National Addressing and Postcode project was concluded by ZICTA in 2014. The project which seeks to develop a national addressing system is expected to enhance efficiency in the delivery of postal and couriers services, enhance e- commerce and ease accessibility to destinations among other benefits. The first phase of implementation of the project, where physical addressing infrastructure will be installed, is scheduled to commence early in 2015.

2.4 Construction of Communication Towers

ZICTA completed the installation of 165 communication towers located in selected chiefdoms across the country. The project, which is funded under the universal access programme, is aimed at providing mobile network coverage to unserved areas in the country. A total of 204 communication towers were planned for construction and installation in 2014 with a possibility of scaling up the number in the medium to long term.

2.5 Acquisition of Quick Edge Zambia Limited by ISAT Africa

Quick Edge Zambia Limited a prominent Internet Service Provider (ISP) in Zambia was successfully acquired by ISAT Africa in 2014. ISAT Africa is a Telecommunications company originally from the United Arab Emirates. Following the acquisition, ISAT Africa Zambia established the first commercial Very Small Aperture Terminal (VSAT) hub in Lusaka. The VSAT hub is expected to facilitate the transmission and reception of data via satellite with anticipated benefits of superior quality internet services and wider scope of coverage.

2.6 Launch of Government Wide Area Network E-Government

A Government Wide Area Network (GWAN) was launched by the Government of the Republic of Zambia in June, 2014. The GWAN connects twenty (20) key government ministries and Agencies in Lusaka. The core rationale of the project is to enhance information sharing among government entities. The total GWAN is currently being facilitated by Zamtel's fibre connectivity. The network is also expected to be extended to provincial centers in 2015.

2.7 External Management of Passive Network Infrastructure Elements

MTN Zambia and Airtel Zambia changed their operational business models in 2014 by outsourcing the management of passive elements of their network infrastructure. IHS Zambia Limited, a subsidiary of the largest telecommunications infrastructure service provider in Africa- IHS Holding Limited, took over the management of passive infrastructure previously owned by MTN Zambia. On the other hand, a newly incorporated company, Zambian Tower Company Limited, took over the ownership and management of the passive elements of network infrastructure previously owned by Airtel Zambia Limited. These developments saw the emergence of a new sub-sector on the market which posed important ramifications on the existing licencing regime for the ICT sector.

2.8 Development of Child Online Protection Strategy

In 2014, ZICTA engaged the international Telecommunications Union to assist in drafting the National Child Online Protection Strategy. This development made Zambia become the first country in Africa to develop such a framework. Among the notable stakeholders that provided input into the strategy were the Zambia Police Service, Child online Zambia, officials from the ministry of education and teachers from various schools. The implementation of the strategy is expected to commence in 2015 with clear monitoring and evaluation systems in place.

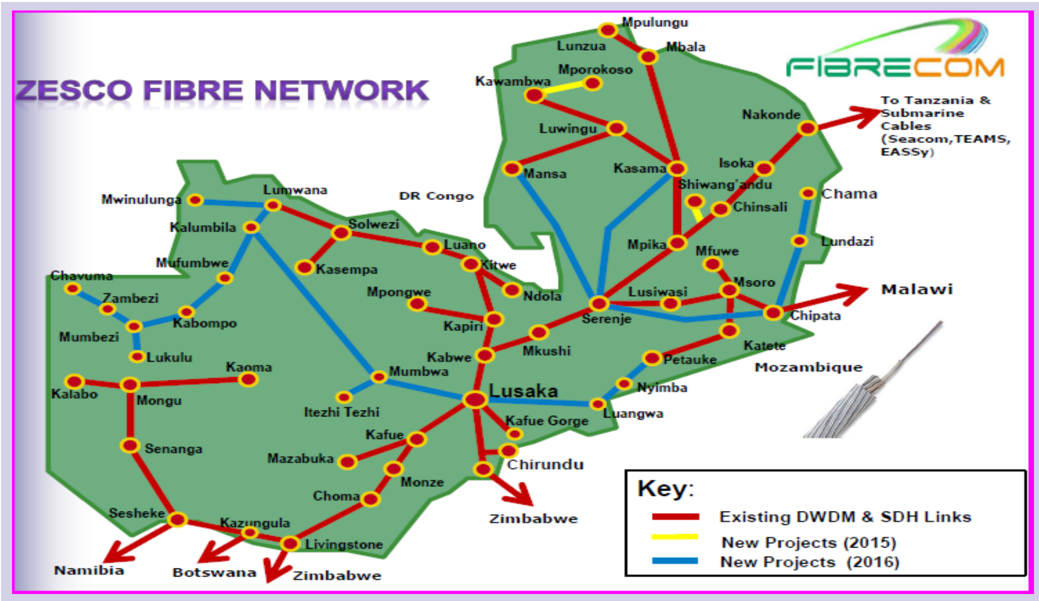
2.9 Newly Licensed Companies in the ICT sector

The Authority issued only one new license in 2014, a Public Data license, to City Channels Limited. However, several entities renewed their licences in 2014.Specifically, 37 private network licences, 6 value added service licences, 2 Internet Service Provider (ISP) licences and 1 public data licence were renewed. This outturn implies that there were no changes in the competition landscape arising from new entrants on the market. However, the expiry of the Statutory Instrument (SI) number 111 of 2009 in December, 2014 could have notable implications on competition in the provision of voice services market should the policy provide for new entrants on the market.

2.10 Transmission Network Deployment

The ZESCO fibre network in 2014 was approximately 5,000Km and spanned the whole country. It is the widest single fibre network in Zambia providing broadband connection to all 10 provincial capitals and 36 districts (see figure 3). The fibre network infrastructure is built on the electricity pylon. Currently, the ZESCO fibre has connections to five (5) international gateway links to undersea cables through Tanzania, Malawi, Zimbabwe, Namibia and Botswana.

Figure 3: ZESCO Fibre Network 2014

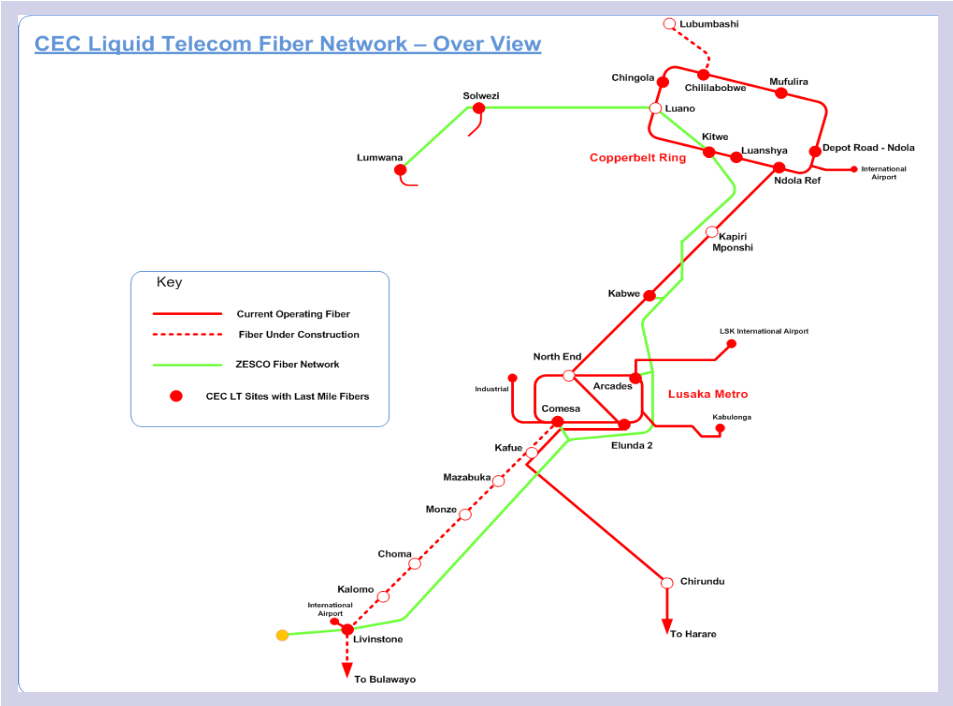


Source: ZESCO

CEC Liquid Telecom owns and operates both metropolitan and national fibre networks. The Lusaka metropolitan fibre network for CEC Liquid Telecom spanned about 175Km in 2014.

The national backbone network stretches from Chirundu in Southern Province to Lumwana in North-Western Province through to DRC. The total length of the fibre network including the Metropolitan rings in 2014 was about 2,200Km (see figure 5). The network has an international gateway through Zimbabwe to the undersea cable.

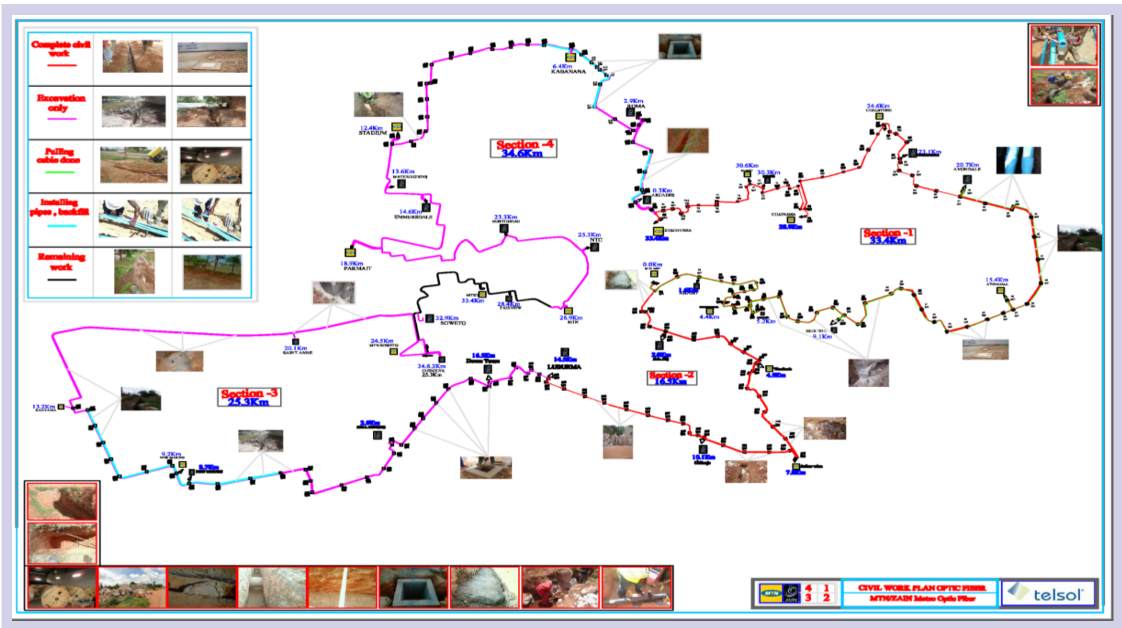
Figure 5: CEC Liquid Telecom National backbone and metro Fibre Networks



Source: CEC Liquid Telecom

The Metro Fibre network for MTN Zambia is divided into four (4) Sections. The length of Section 1 is 33.4 Km, Section 2 is 16.5Km, Section 3 25.3Km and Section 4 is 34.6Km (see figure 6). The total length of the MTN Zambia metro network in 2014 was 109.8Km.

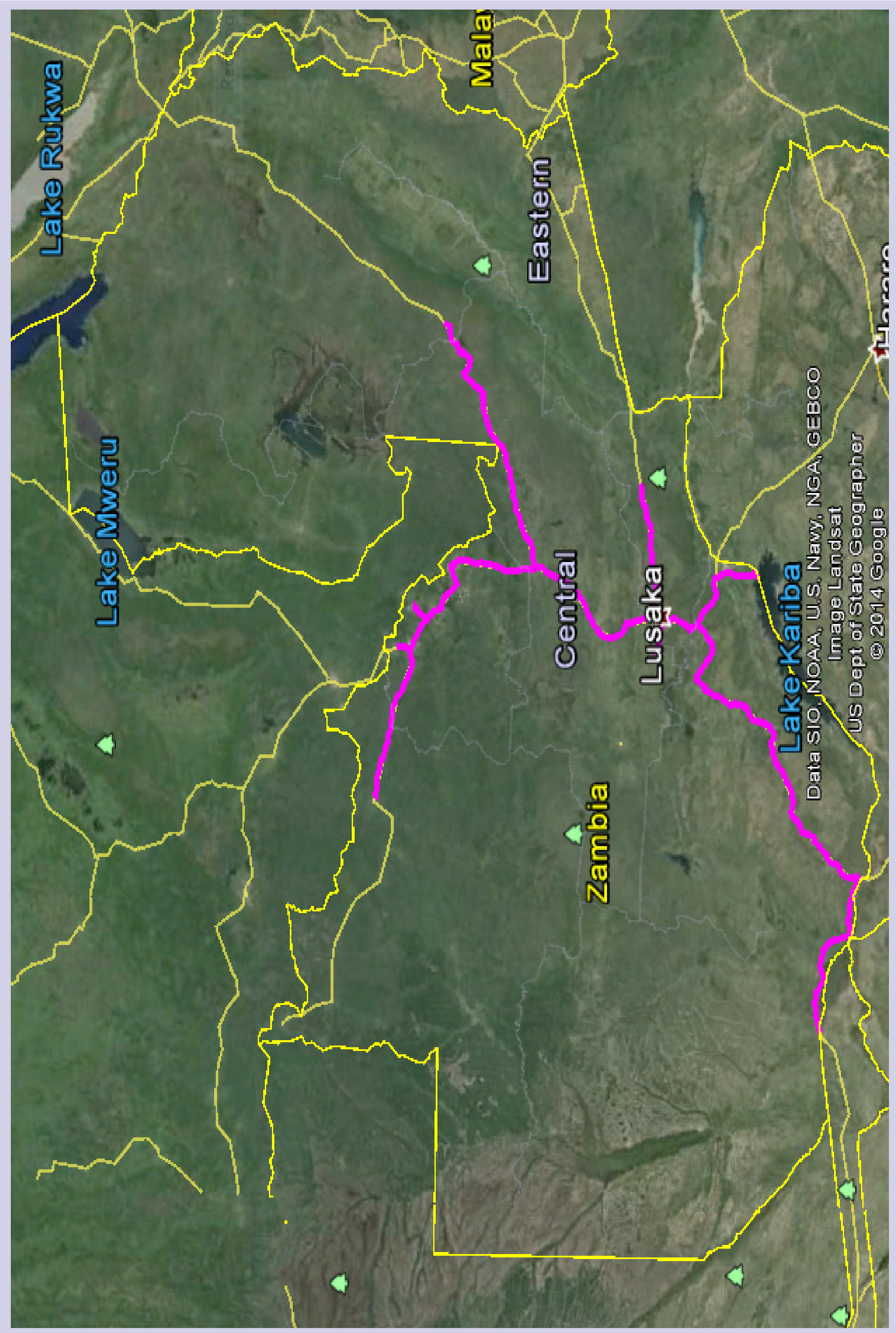
Figure 6: MTN Metropolitan Fibre Network



Source: MTN Zambia

The Zamtel backbone fibre network spanned 2,048 Km across the country by the end of 2014.

Figure 7: Zamtel National backbone Fibre Networks



Source: Zamtel

3.0 MACRO-ECONOMIC DEVELOPMENTS

3.1 Economic Growth

The domestic economy, which has had uninterrupted growth since 1998 is estimated to have relatively stagnated to a growth rate of 6 percent in 2014 compared to 6.7 percent recorded in 2013. This growth was largely driven by agriculture; mining; construction; transport, storage and communications. Particularly, the transport, storage and communications sector grew by 13.2 percent on account of increased output in the primary and secondary sectors. This is because ICTs are an important enabler of production across all sectors. Combined together, the transport, storage and communications sector is estimated to have contributed 15.6 percent to GDP[4].

3.2 Monetary policy

Monetary policy in 2014 continued to be anchored on maintaining single digit inflation with the country setting an end year target of 6.5 percent. However, the country missed this target with end year inflation reported at 7.9 percent. This was mainly on account of pass through effects from the depreciation of the exchange rate as well as an upward adjustment in the price of fuel and electricity tariffs. The spike in inflation had adverse implications on the cost of operations for the private sector including those operating in the ICT sector.

At the same time, average commercial bank lending rates increased to 19.3 percent following an increase in the Bank of Zambia policy rate to 12.5 percent from 9.75 percent at the end of December, 2013. The most significant highlight was the rapid depreciation of the kwacha against major partner trading currencies especially in the first half of 2014. The kwacha maintained relative stability in the second half of 2014 following corrective interventions by the Central Bank.

3.3 Fiscal policy

The stock of Government's external debt as at end of 2014 was estimated at US $4.7 billion. This represents an increase of 34 percent from US $3.5 billion as at end 2013. The increase in the external debt stock was mainly on account of the US $1 billion Eurobond that was issued during the year as part of programmed financing in the 2014 budget.

At the same time domestic debt including arrears as at end of 2014 stood at K21.9 billion representing an increase of 5.6 percent from K19.7 billion as at end of December 2013. The increase in domestic debt has potential to crowd out private investment and push interest rates upwards. The introduction of a Treasury Single Account is expected to limit Government's increased borrowing on the domestic money markets to finance its operations and in turn minimize domestic borrowing.

[4] Disaggregated data on the contribution of the ICT sector to GDP is not available from the Central Statistical Office

Table 1: Trends in Selected Macroeconomic Variables

	2010	2011	2012	2013	2014*
Percentage Change in GDP Constant Prices	10.3	6.3	6.7	6.7	6.0
Inflation (%)	7.9	7.2	7.3	7.1	7.9
Average Exchange Rate (ZMW/US$)	4.8	4.9	5.1	5.4	6.3
Budget Deficit (% of GDP)	3.3	3.6	4.8	6.8	5.2
Commercial Banks' Average Lending Rates	26.4	23.6	16.1	16.3	19.3
Reserve Accumulation (Months of Imports)	4.1	3.4	3.2	3.5	3.6

Table constructed from BoZ data and MoF Economic reports

*End year Estimates

4.0 PERFORMANCE OF THE ICT SECTOR

4.1 Mobile Telephony Market

4.1.1 Mobile Telephone Subscription

The total number of mobile telephone subscribers declined marginally in 2014 by less than 3 percentage points to 10.1 million representing a penetration rate of 65 percent[5]. This is against a total of 10.4 million subscribers recorded the previous year and a corresponding penetration rate of 71.2 percent. The decline in penetration rate was partly on account of growth in the population against relative stagnation in the number of subscribers. Stagnation in the number of subscribers can be attributed to the close of the sim registration exercise, after which unregistered sim cards were switched off.

Table 2: Selected Indicators on Mobile Telephone Subscription: 2010- 2014

	2010	2011	2012	2013	2014
Population '000'	13,092	13,721	14,156	14,605	15,545
Total number of subscribers '000'	5,446	8,164,	10,524	10,395	10,114
Growth in subscription	23.6%	49.9%	28.90%	-1.20%	-2.70%
Penetration rate	41.6%	60%	74%	71%	65%

Source: Submissions by Operators

4.1.2 Market Shares of Mobile Network Subscription

MTN Zambia Limited and Airtel Zambia Limited continued to have relative dominance in market share over Zamtel in the number of subscribers (see figure 8). In 2014, MTN Zambia Limited had the largest market share of 48.7 percent followed by Airtel Zambia which had a market share of 36.3 percent. Zamtel had the least share in mobile subscribers of 14.9 percent.

Figure 8: Trend in Shares of Mobile Network Subscription; 2011-2014

Source: Submissions by Operators

[5] Mobile Penetration is calculated = (number of mobile subscriptions / total population *100). Population based on the Central Statistical Office's 2013 Population and demographic projections 2011-2035 report

4.1.3 Prepaid and Post Paid Mobile Subscriptions

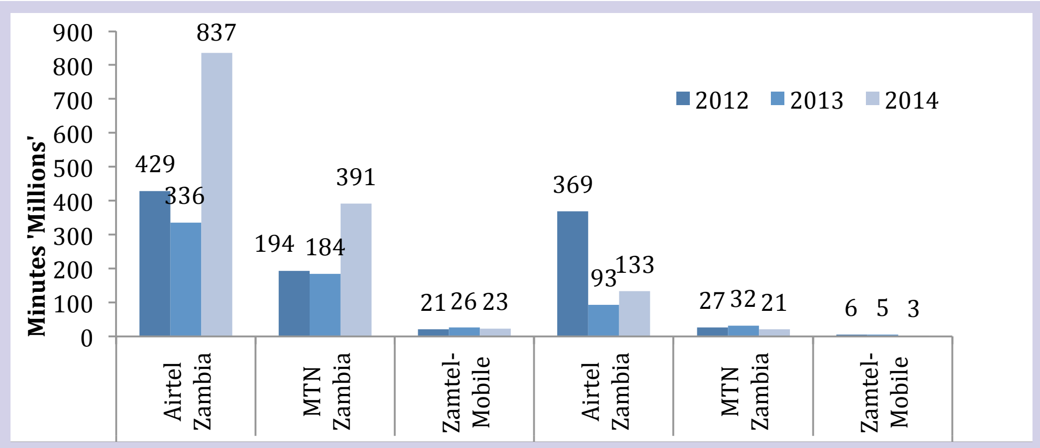
Mobile voice subscriptions can be sub-divided into prepaid, where customers purchase credit prior to service use, and postpaid, where customers enter into a contractual billing arrangement with a mobile service provider. Prepaid mobile customers continued to constitute the largest proportion of subscribers accounting for close to 99 percent of the total number of mobile subscribers on the market.

4.1.4 MobileTraffic Volumes

4.1.4.1 Mobile Voice Traffic

Domestic incoming mobile voice traffic defined as the number of minutes originating on domestic mobile networks, recorded a more than double increase in 2014 amounting to 1.2 billion minutes compared to 546 million minutes in 2013. Airtel Zambia Limited had the largest proportion of incoming domestic traffic constituting about 67 percent of the total incoming domestic traffic volume followed by MTN Zambia who had a share of 31 percent. Zamtel accounted for only 2 percent of the total incoming domestic mobile voice traffic in 2014 (see figure 10). The average traffic per user for incoming domestic voice traffic was 124 minutes per subscriber.

Figure 9: Incoming Mobile Voice Traffic by Operator; 2012– 2014

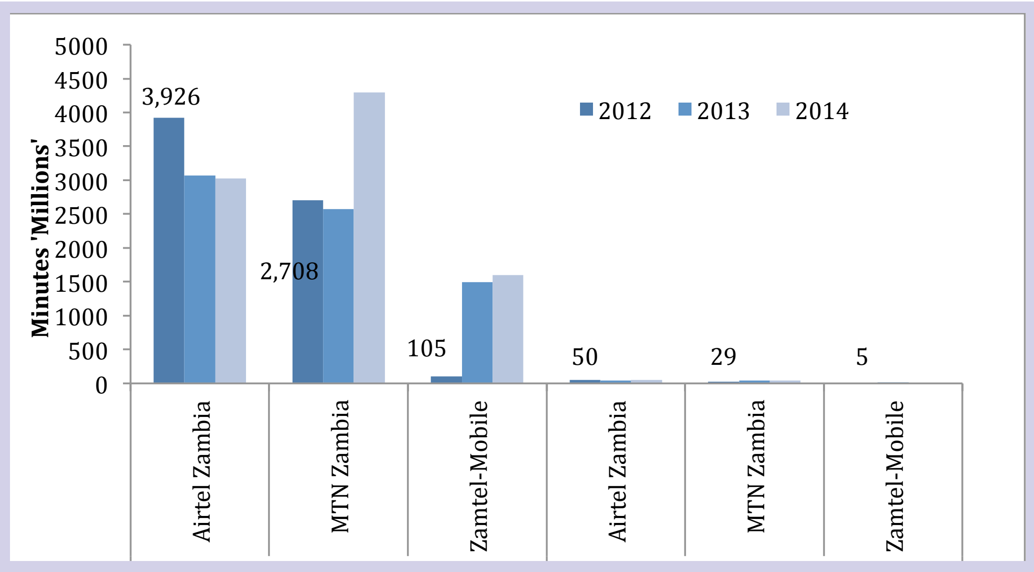


Source: Submissions by Operators

International incoming voice traffic also increased marginally from 131 million minutes in 2013 to 157 million minutes in 2014 representing a growth of about 20 percent. Airtel Zambia Limited dominated the share of international mobile voice traffic with 85 percent of the total international mobile voice traffic followed by MTN Zambia and Zamtel mobile who were responsible for 13.3 percent and 1.2 percent respectively.

Domestic outgoing mobile voice traffic increased in 2014 by 25 percent to reach 8.9 billion minutes compared to 7.1 billion minutes in 2013. MTN Zambia limited accounted for the largest share of domestic outgoing mobile voice traffic in 2014 followed by Airtel Zambia and Zamtel mobile specifically represented by 48 percent, 34 percent and 18 percent respectively (see figure 10).

Figure 10: Outgoing Mobile Voice Traffic by Operator; 2012– 2014



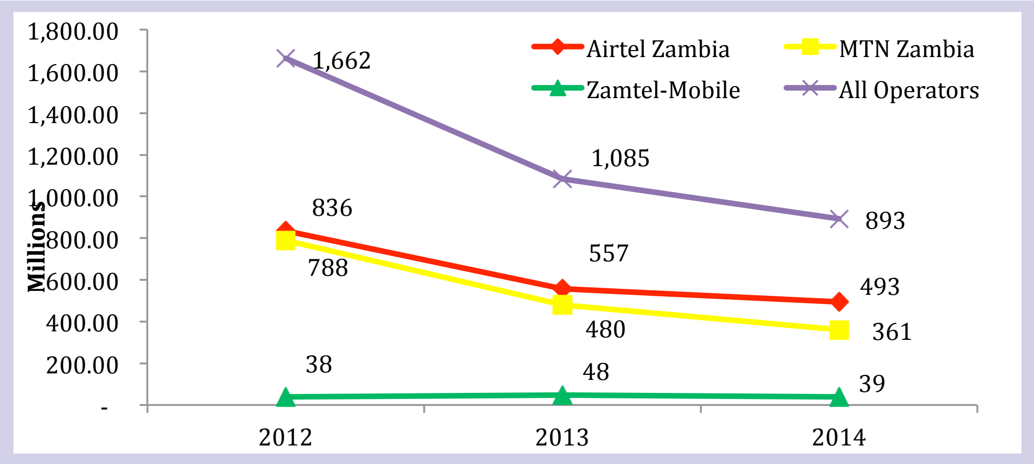
Source: Submissions by Operators

On the other hand, international mobile outgoing traffic declined by 3 percent in 2014 to 102 million minutes across all providers. Airtel Zambia Limited and MTN Zambia Limited accounted for 48 percent and 44 percent shares of international outgoing traffic, respectively. Zamtel had the least share of 8 percent.

4.1.4.2 SMS and MMS Traffic

Total SMS and MMS traffic continued on its downward trajectory declining by 18 percent in 2014 to traffic volume of 893 million SMS and MMS from 1.1 billion SMS and MMS reported in 2013 (see figure 11). The decline in the volume of SMS and MMS could mainly be explained by the proliferation of free and/or cheaper internet-based messaging/chat applications like WhatsApp, Facebook, Skype and Viber among others. These applications have a competitive cost advantage over the conventional SMS and MMS.

Figure 11: SMS and MMS Traffic by Operator; 2012- 2014



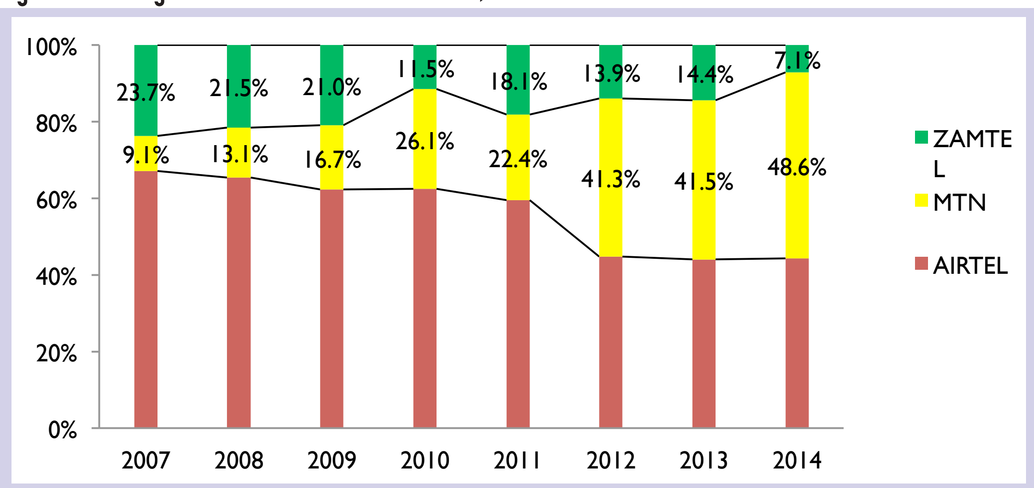
Source: Submissions by Operators

4.1.5 Revenue and Tax Performance

The mobile telephone sub-sector recorded an improvement in revenue performance increasing by 25 percent from ZMW 3.1 billion recorded in 2013 to ZMW 3.9 billion in 2014. All the three mobile network operators reported improvements in their revenue performance. MTN Zambia had the largest share of total revenue constituting 48 percent followed by Airtel Zambia which accounted for 44 percent of the revenue. Zamtel accounted for 7 percent of total revenue from the mobile telecommunications market.

There was a corresponding improvement of 73 percent in tax revenue performance in 2014 within the mobile telecommunication sub-sector. The total tax revenue collected from the market increased from ZMW 687 million in 2013 to ZMW 1.2 billion in 2014. Airtel Zambia contributed 47 percent of this government revenue while MTN Zambia provided 46 percent. Zamtel accounted for the remaining 7 percent of the tax revenue from the subsector (see figure 12).

Figure 12: Changes in Market Shares of Revenue; 2007- 2014

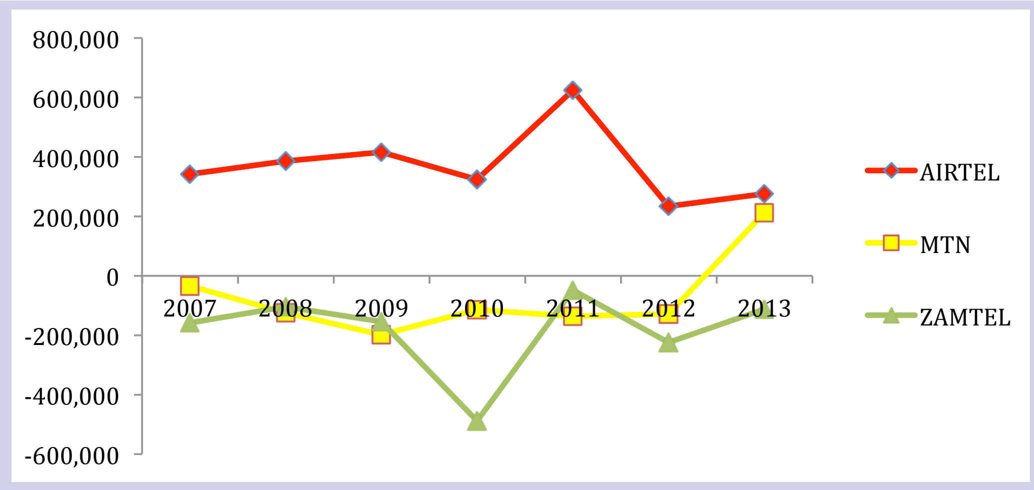


Source: Submissions by Operators

4.1.6 Industry Profitability

Only Airtel Zambia posted profits before 2013 with a significant positive spike observed in 2011. In addition, MTN Zambia also posted its first profits for the first time in 2013. On the other hand, ZAMTEL is yet to post any profits as at 2013 (see figure 13).

Figure 13: Profits before Tax by Operator in ZMW '000'; 2007-2013



Source: Based on Various Financial Statements

4.1.7 Mobile Network Operators' Tariffs

The findings of the cost of service study conducted by PricewaterHouse coopers in 2013 on behalf of ZICTA revealed that operators were applying relatively high margins on their tariffs. For instance, average existing tariffs on outgoing on-net calls were estimated to be 106 percent higher than the cost based estimates despite taking into account a margin of 22 percent. Similarly, tariffs applied on outgoing calls to other mobile operators' networks were found to be relatively high (See table 3).

Table 3: Selected Findings of the Cost of Service Study

PWC Indicative Cost Estimates			ZICTA Computations					ZICTA Analysis	
Service	Service Type	Total Cost per minute	Mark up	Tariff before taxes	VAT	Excise Duty	Calculated cost based End Retail Tariff	Average Existing Tariffs	Difference (%) between existing and estimate
		ZMW	22%		16%	15%		ZMW / Min	
Outgoing - Calls on net	Retail	0.3190	0.0702	0.3892	0.0623	0.0584	0.5098	1.0508	106%
Outgoing - Calls to other mobile operators	Retail	0.4455	0.0980	0.5435	0.0870	0.0815	0.7120	1.3533	90%
SMS - On net	Retail	0.0110	0.0024	0.0134	0.0021	0.0020	0.0176	0.2429	1281%

Source: 2013 Cost of Service Study, ZICTA

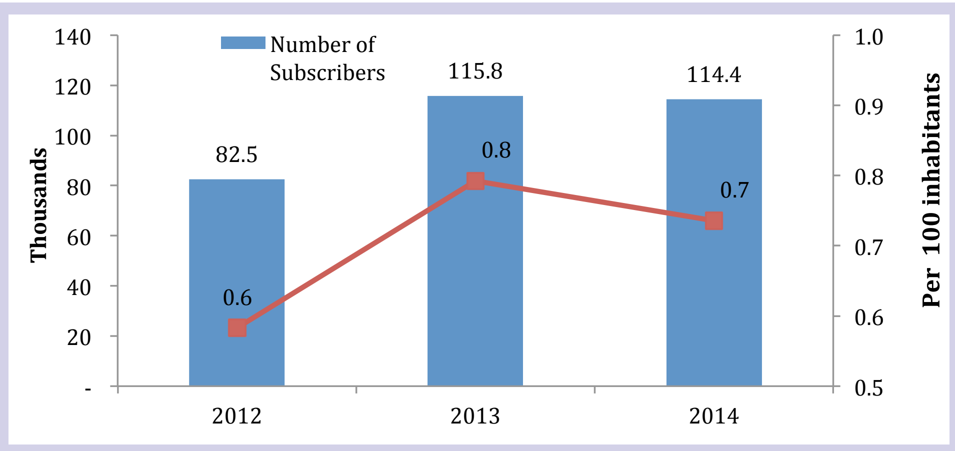
The application of the recommendations of the cost of service study is expected to be effected in 2015. However, a number of promotional offers with discounts on voice and SMS services were approved by ZICTA in 2014 allowing for consumers to face relatively lower tariffs compared to the advertised rates.

4.2 Fixed Telephony Market

4.2.1 Fixed Telephony Subscription and Penetration

There was some relative stagnation in the number of fixed telephone (PSTN) subscribers in 2014. A total of 114 thousand subscribers were reported in 2014 relative to 115 thousand reported in 2013 which represents a decline of about 1 percentage point. This performance reflects a deterioration in fixed telephone penetration from 0.8 percent reported in 2013 to 0.7 percent in 2014 (see figure 14). The dwindling penetration rates are in line with global trends where mobile telephone usage is substituting fixed telephone utilization.

Figure 14: Number of Subscribers and Penetration Rates for PSTN; 2012-2014

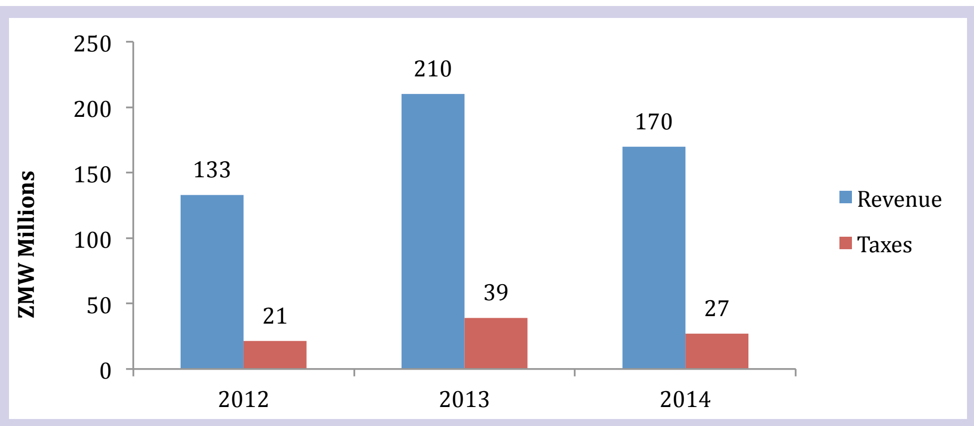


Source: Submissions by Operators

4.2.2 PSTN Revenue and Tax Contribution

Total Revenue in the PSTN market segment marginally declined by 19.2 percent to reach 170 million from 210 million recorded in 2013. Correspondingly, tax contribution to the treasury from PSTN services declined by 21.6 percent following the drop in revenue (see figure 15).

Figure 15: PSTN Revenue and Tax Contribution; 2012-2014



Source: Submissions by Operators

4.3 Internet Services Market

Access to Internet services in the country continued to improve increasing to a total of 3.7 million users in 2014 from 2.5 million users reported in 2013. This increase reflects an improvement of 48 percent and enhanced internet penetration to 24.2 percent in 2014 from 18.5 percent reported the previous year. However, about 99 percent of the internet users are using mobile internet (see table 4). They access internet services through mobile cellular networks using mobile devices such as smartphones, SIM based wireless modems (dongos) and other SIM based portable devices.

In spite of the number of both fixed wireless internet subscribers and mobile internet users increasing in 2014, the growth in mobile internet users has been exponential in line with global trends. This could mainly be attributed to the ease of accessing mobile internet services and the relatively lower cost of accessing the service.

Table 4: Internet Access and Penetration Rates: 2012-2014

Internet Usage	2012	2013	2014
Internet Subscription – Fixed Wireless	15,839	17,231	27,882
Internet users Per 100 Inhabitants	0.12	0.13	0.18
Mobile Internet Users - Smartphones/ Blackberry/Dongos	2,314,983	2,517,132	3,741,615
Mobile Internet users Per 100 Inhabitants	17.2	18.4	24.1
Internet Usage – fixed wireless & Mobile Internet Usage	2,330,822	2,534,363	3,769,497
Internet Usage Per 100 Inhabitants	17.3	18.5	24.2

Source: Submissions by Operators

4.4 Postal and Courier Services Market

4.4.1 Global and National Trends on the Market

Zambia's postal and courier services sector continued to be impacted by global trends particularly revolving around the rise of e-commerce. The increase in cross-border online shopping has shown considerable potential to generate huge new volumes of small parcels and packets that postal services around the world are uniquely positioned to handle and deliver at low cost.

According to the World Trade Organisation, cross-border online retail sales reached $100bn in 2013 and will continue to accelerate, driven by the rising ranks of consumers in the developing world, where people are discovering they can buy all manner of merchandise that is unavailable locally from a growing list of Web retailers and online marketplaces that ship across borders direct to their doorsteps.

Postal and Courier operators are already benefitting from this trend. Parcels and logistics contributed 17% of global postal service revenue in 2012, compared to just 9% in 2002, as e-commerce generates ever-higher volumes of small parcels flowing through the global system.

On the domestic front, bringing redress to the logistical barriers to global e-commerce will require further investment in ICTs and physical infrastructure in addition to improved partnerships and coordination between the operators, shippers and other stakeholders. The movement towards standardised customs, payment and delivery processes cannot be overlooked either. The Government working together with the Authority is committed to developing a responsive postal sector policy aimed at making improvements throughout the postal and courier services value chain.

4.4.2 National Addressing and Postcode Project

Following the launch of the project, the Authority proceeded to carry out a countrywide feasibility assessment exercise aimed at identifying the districts with the highest state of readiness in terms of implementation. The assessment considered various factors including the availability of mapping resources, economic activity and postal density among others.

The districts with the highest scores in this regard were as follows:

1. Lusaka
2. Kitwe
3. Chingola
4. Ndola
5. Kabwe

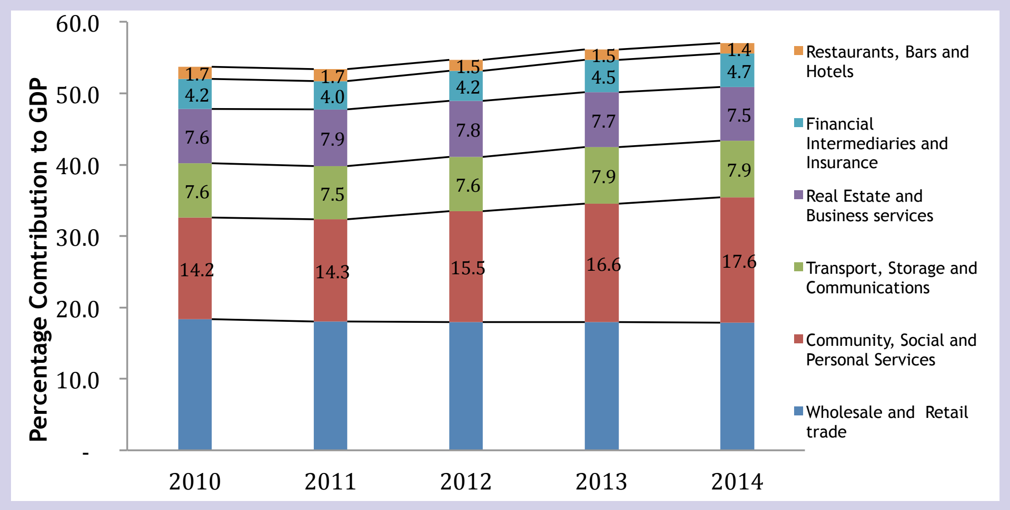
The above listed districts have since been included in the next phase of the project and will benefit from the installation of 32,500 house numbers (6,500 in each of the 5 Districts) in selected neighbourhoods by the first quarter of 2015, at an estimated cost of ZMW 4, 662,500.

Another notable project milestone during this period was the completion and final acceptance of the National Address Database System which is now ready to accommodate address data from all over the Country. The functionality and full benefit of the database to the multiple stakeholders initially envisioned will continue to increase as more and more address data is uploaded.

4.5 Contribution of the ICT sector to the Economy

The ICT sector categorized as a part of the tertiary segment of the economy continued to play an important role in the growth of the economy both as an enabler of growth as well as through its direct contribution to the production of goods and services. The tertiary segment of the economy recorded a contribution of 57 percent to GDP in 2014 compared to 56.2 percent recorded in 2013. The transport, storage and communication sector's contribution was relatively constant at 7.9 percent between 2013 and 2014[6] (See figure 16).

Figure 16: Contribution of ICT to GDP Relative to Other Tertiary Sectors: 2010-2014[6]

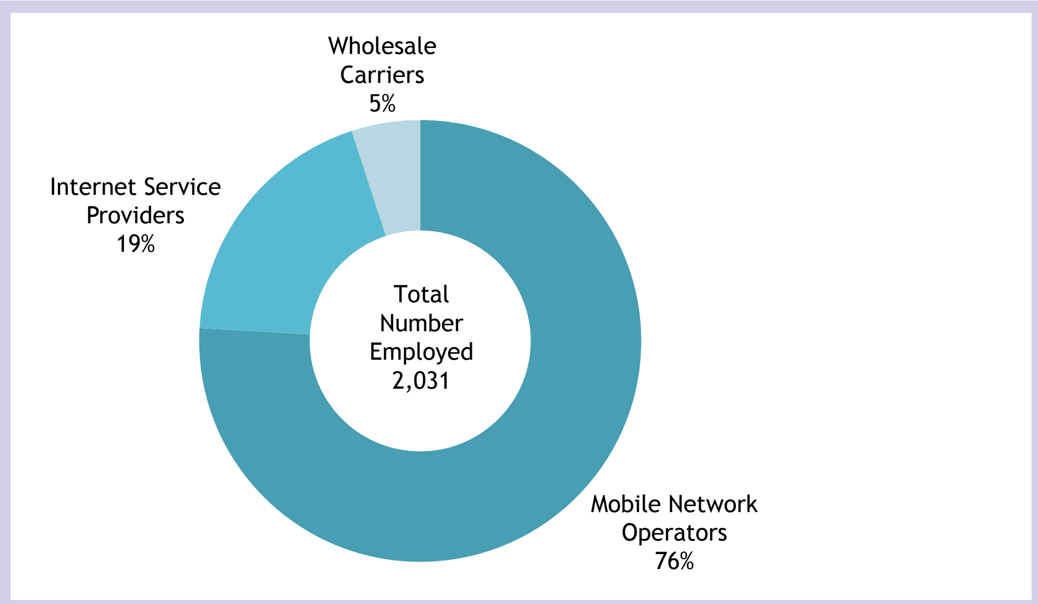


Source: CSO National Accounts Estimates; 2014

4.6 Contribution of ICT Sector to Employment

In 2014, a total of 2,031 people were employed by Mobile Network Operators, Wholesale Carriers of Data and ISPs. This performance represents an improvement of 7.3 percent relative to the performance in 2013. Mobile Network Operators employed the largest proportion among the listed categories of providers followed by ISPs and wholesale carriers (see figure 17).

Figure 17: Total Number of Employees by Subsector



[6] The ICT sector contribution to GDP is computed together with Transport and Storage by the Central Statistical Office.

5.0 OUTLOOK OF THE ICT SECTOR IN 2015

The ICT sector is expected to continue to record improvements in its performance in 2015. Specifically, mobile telephone penetration in 2014 was below 70 percent which provides scope for more subscribers to be adopted in 2015. Similarly, internet penetration in the country was below 25 percent in 2014. There is thus a lot of potential for improvements in the number of people accessing internet services, particularly mobile internet.

The macro- economic environment is expected to be stable with the government projecting an end year target for inflation of 7 percent while the economy is also estimated to grow by 7 percent. Growth in the ICT sector is expected to remain positive on account of increased investments by operators to cater for the increasing magnitude of their subscribers as well as investments in fibre-optic network infrastructure for the provision of internet services. ZICTA through the universal access programme will also continue to construct and install communication towers in selected underserved and unserved areas.

There is uncertainty on the competition landscape in 2015 for the provision of voice services sub-sector following the expiry of SI no. 111 of 2009 on 18th December 2014. The government has yet to provide guidance on the number and nature of players that will be allowed on the market. Any changes to this market structure are expected to have ramifications on pricing, quality of service, innovation, market shares and revenues generated on the market.

In 2015, the management of passive elements of network infrastructure by third parties is expected to be fully operational. This is a relatively new sub-sector in the market which may have important implications on regulation and the cost of providing services.

Appendix 1: Mobile Network Tariffs: 2012-2014

Airtel Zambia	Per Minute Rate		
	2012	2013	2014
Prepaid On Net to mobile - Peak & Off-Peak	0.987	1.02	1.07
Postpaid On Net to mobile - Peak & Off-Peak	0.84	1.02	1.07
Prepaid On Net to Fixed-Line - Peak & Off-Peak	0.987	1.02	1.07
Postpaid On Net to Fixed-Line - Peak & Off-Peak	0.84	1.02	1.07
SMS On-Net	0.296	0.2	0.21
SMS Off-Net	0.296	0.2	0.21
SMS International	0.542	0.542	0.5691

MTN Zambia	Per Minute Rate		
	2012	2013	2014
Prepaid On-Net - Peak	1.08	1.02	1.07
Prepaid Off-Net - Peak	1.32	1.26	1.32
Prepaid On-Net - Off-Peak	0.54	0.54	0.57
Prepaid Off-Net - Off-Peak	0.84	0.78	0.82
Postpaid On-Net - Peak	1.2	1.14	1.2
Postpaid Off-Net - Peak	1.2	1.14	1.2
Postpaid On-Net - Off-Peak	0.9	0.84	0.882
Postpaid Off-Net - Off-Peak	0.9	0.84	0.882
SMS On-Net	0.22	0.21	0.22
SMS Off-Net	0.3	0.29	0.3
SMS International	0.47	0.47	0.47
Zamtel	**Per Minute Rate**		
	2012	**2013**	**2014**
Prepaid On-Net - Peak	1.2	1.25	1.25
Prepaid On-Net - Off-Peak	0.72	0.75	0.75
Postpaid On-Net - Peak & Off-Peak	0.69	0.69	0.69
Prepaid On-Net - Peak	1.32	1.38	1.38
Prepaid On-Net - Off-Peak	1.2	1.25	1.25
Postpaid On-Net - Peak	1.02	1.07	1.07
Postpaid On-Net - Off-Peak	0.84	0.88	0.88
Prepaid SMS On-Net	0.23	0.24	0.24
Prepaid SMS Off-Net	0.35	0.37	0.37
Postpaid SMS On-Net	0.1	0.1045	0.1045
Postpaid SMS Off-Net	0.25	0.2614	0.2614
Prepaid International SMS	0.6	0.6273	0.6273
Postpaid International SMS	0.585	0.6116	0.6116

6.0 SPECTRUM MONITORING AND COMPLIANCE

In order to ensure that no illegal users of spectrum and that licensed equipment operate within regulatory bounds of licences to avoid interference, Technology and Engineering Department through Spectrum Monitoring & Compliance section undertakes activities including physical inspections, Enforcements, Spectrum Monitoring and other related actions to mitigate the adversities in the use of spectrum. It accomplishes this mandate by applying standard principles of Spectrum Management which is a combination of administrative, scientific and technical procedures necessary to ensure efficient and effective operation of radiocommunication equipment and services without undue interference. Unauthorised use of spectrum and licensed equipment operating outside specified technical parameters by ZICTA is a recipe for radio interference which affects the quality of ICT services and later on reduces availability of spectrum to other users.

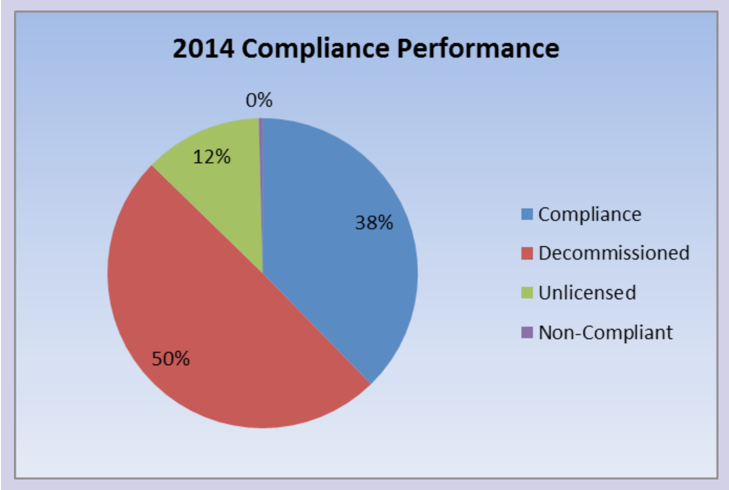
The is in accordance with the mandated to supervise and administer provision of radio-communication services and products in Zambia as provided for in the ICT Act No. 15 of 2009.

6.1 Achievements in Spectrum Management in 2014

6.1.1 Countrywide Spectrum Station Inspections and Enforcement

Inspection Results and Performance

Province	Compliance	Decommissioned	Unlicensed	Non-Compliant
Eastern	0	24	19	14
Luapula	2	5	10	6
Copperbelt	41	30	1	4
Lusaka	0	224	0	10
N/Western	0	0	10	0
Western	0	2	9	10
Southern	24	18	7	6
Central	45	71	10	9
Northern/ Muchinga	0	0	8	22
Overall Performance	**112**	**374**	**74**	**81**



6.1.2 Overall Performance Trends 2012-2014

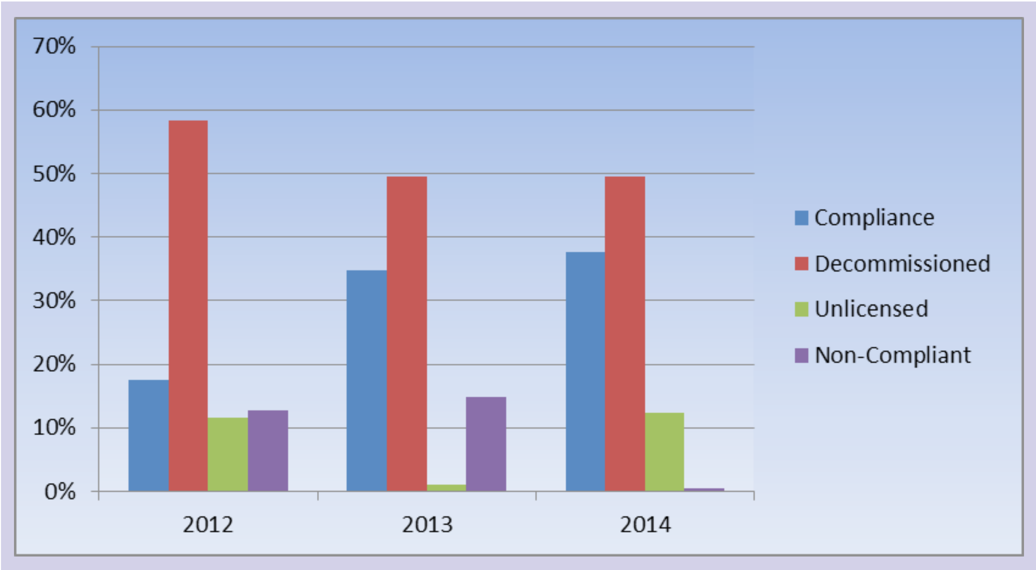
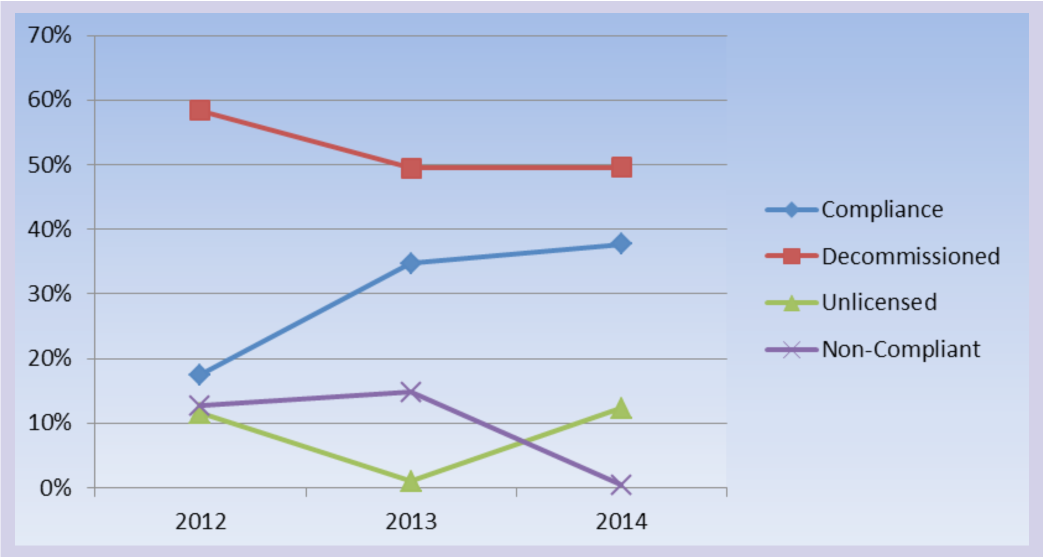


Figure 1: Spectrum Compliance 2012-2014



6.1.3 Performance Trends 2012 to 2014

The tables and figures in the earlier sections clearly show that compliance levels have increased from below 20% in 2012 to 38% in 2014. There was a consequent decrease in the number of unlicensed users from 2012 to 2013. However, the number of unlicensed users increased in 2014 as a result of special focus on satellite VSAT users in that year.

The number of non-operational stations has steadily dropped from almost 60% in 2012 to 50% in 2014. In 2014, 79% of all decommissioned stations were satellite VSAT stations as more and more clients adopt mobile internet service. Of all decommissioned stations were VHF and HF radios under the Radio Communication License (RCL) category.

6.1.4 Inspection and Enforcement Results

The identification of decommissioned stations implies that the section contributed a lot to Authority's retaining of scarce spectrum that was lying idle and thereby ensuring efficient and effective spectrum management. Information on the actual status of spectrum use from all assignments provided a vital input for Spectrum Planning and Licensing's achievement to having a clean and reliable Licence Database.

Due to effective physical inspections and corresponding enforcements, the revenue from spectrum licence fees and penalty related fees increased. In the period under review, the Authority conducted spectrum occupancy tests as per requests for Spectrum Planning and Licensing

6.1.5 GSM R & Broadcasting Bands Occupancy Measurements

In order to pave way for assignment of a portion of the GSM-R frequency band to Zambia Railways Limited Communication Network, the Authority carried out a country-wide occupancy measurements and Localisation tests.

The broadcasting occupancy tests carried out in July and November for Copperbelt and Central Provinces for the TV and Sound broadcasting bands gathered useful spectrum occupancy data for key frequency bands. This data will be used for digital TV migration, identifying spectrum usage trends and spectrum re-farming activities.

6.2 Interference Investigations

6.2.1 Christian Voice

Radio Christian Voice, a private Radio broadcaster, reported interference on their 106.1MHz transmission in Lusaka on January 23, 2014. The case was reportedly causing signal distortion and poor reception in the following area; Lusaka town centre, National Institute for Public Administration (NIPA), Kamwala, Levy Park and Rhodes Park.

The source of the interference was determined by January 30, 2014 and measures were consequently taken to remove the interference and clear the channel for Radio Christian Voice.

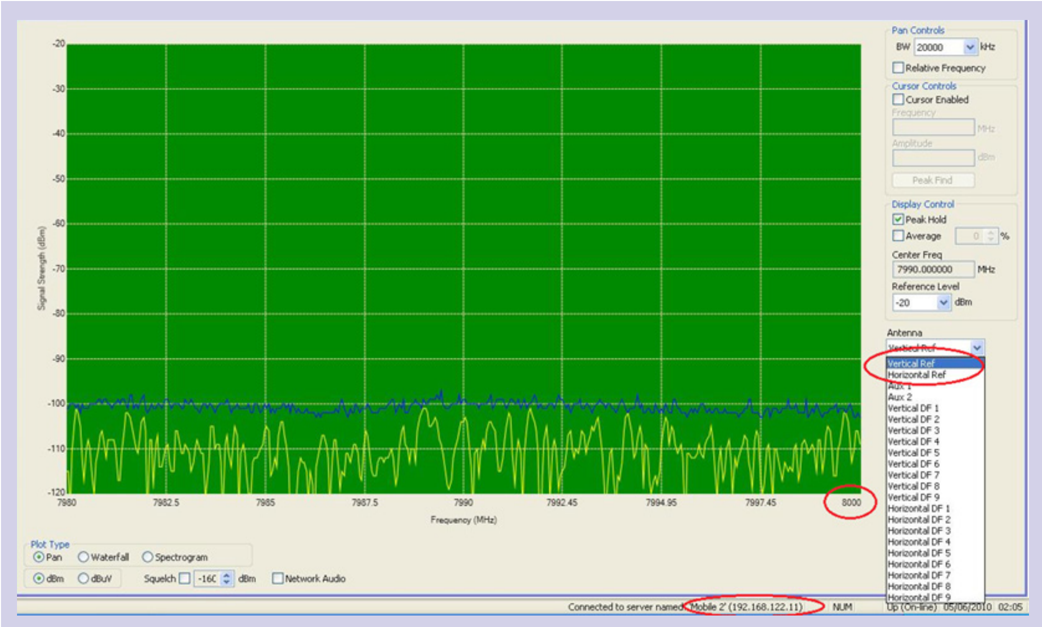
6.2.2 Radio Icengelo

One of the interference cases that was received and resolved was from Radio Icengelo, 102.9 MHz,on the Copperbelt Province. The complaint was filed on November 18th, 2014. After spectrum analysis using the remote monitoring site, the source of the interference was successfully identified within 24 hours of the complaint and measures were taken to successfully resolve it.

6.3 Spectrum Monitoring System Upgrade

ZICTA engaged TCI International for the mobile system upgrade. The contract between ZICTA and TCI International of USA to upgrade the spectrum monitoring system was finalised and signed on June 13th, 2014 and the equipment for the upgrade was received in Zambia on July 15th, 2014.

The physical and software installations were done by November 10, 2014 and tests confirmed the frequency range expansion to 8 GHz and the dual polarisation operation of the monitoring system.



The Authority will now be able to effectively monitor, enforce compliance and resolve interference cases for broadband frequencies that are currently in high demand.

6.4 Plans for 2015

The Authority has the following planned for the year 2015 under the Spectrum and Compliance Monitoring sector:

- Conduct routine station physical inspections in all the 10 provinces of Zambia and conduct enforcement activities in line with the compliance status of the spectrum users.
- Eliminate or at least minimize the spillage of mobile network signals from across Zambia's borders to resolve inadvertent roaming
- Provide 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
- Upgrade the second mobile monitoring system to expand operating frequency and enable the Authority to effectively monitor, enforce compliance and resolve interference cases for broadband frequencies above 3 GHz that are currently in high demand.

7.0 NUMBERING AND NAMING

7.1 Role of Numbering and Naming

The section performs its role pursuant to provisions in the organization's action plan which is also drawn from the ICT Act, ECT Act, as well as the Postal and Courier Services Act. The section basically look at three aspects as shown below:

i. Numbering and Naming

Objective 4 of the Strategic plan: Manage scarce resources in order to enhance equitable access and effective utilization.

In the case of Numbering, the resources herewith referred are Numbers and Domain Names.

ii. Quality of Service Monitoring

Objective 1 of the Strategic plan reads, "Effectively enforce ICT regulations and guidelines in order to ensure compliance".

The Section speaks into this Objective by monitoring Quality of Service throughout the Country, and providing reports for subsequent enforcement.

iii. Cyber-Security

Objective 5 of the Strategic Plan: To promote the establishment of secure ICT infrastructure in order to enhance user confidence.

The Section is proactively building capacity in identified stakeholder institutions, and conducting awareness programs to the general public, in the view of increasing the security posture of the country. The section also attends to requests for assistance from Law Enforcement Agencies.

7.2. Achievements

The Section's achievements in 2014 were as follows:

a. Successful re-delegation of the .zm ccTLD from ZAMNET to ZICTA. As of December 2014, we had 3,216 registered domains and 13 accredited registrars.

b. Successful commencement of DNSSEC deployment.

c. Commencement of the publication of number resource utilization annual report.

d. Graduated the CIRT to offer more proactive services

e. Successfully organised and hosted the first ever Cyber Drill for Africa in collaboration with the ITU-IMPACT

f. As of December 2014, the number resource allocation was as follows;

i. 378 active and paid for short codes

ii. Number blocks for mobile network op erators;

<u>Airtel</u>

Network Color Node -1

Number Block-0971000000 - 0979999999

MTN

Network Color Node- 2

Number Block-0960000000 – 0969999999

ZAMTEL

Network Color Node- 3

Number Block-0950000000 - 0950999999

0953000000 - 0953999999

0954000000 - 0954999999

0955000000 - 0955999999

7.3. QoS Monitoring Results

During this exercise, a total of four (4) key performance indicators (KPIs) namely Call set-up time, Call drop rate, call set-up success rate and SMS sending time were considered. The results were follows;

7.3.1 Call Set Up Time

Call Set Up time is supposed to be less than 10 seconds. As may be observed from the graph below, all three network operators performed to standard through-out the year 2014.

7.3.2 Call Drop Rate

The call drop rate is expected to be below 2%. All three operators failed to meet the standard, except in Quarter 1.

7.3.3 Call Set Up Success Rate

This is expected to be above 95%. As may be observed, all three operators performed well during the last two quarters of 2014, during the first two; they performed poorly.

7.3.4 SMS sending time

The SMS sending time is expected to be lower than 5 seconds. All the three operators performed poorly.

7.4 Plans for 2015

The Section's plans for 2015 include the following:

a. Upgrade the national Internet Exchange Point
b. Complete DNSSEC implementation for the .zm Registry,
c. Undertake rigorous Quality of Service monitoring in all 10 provinces of Zambia,
d. Establishment of a national cyber security policy framework
e. Conduct capacity building and skills transfer workshops in government institutions

f. Affiliation of ZmCIRT to the Forum of Incident Response and Security Teams

g. Undertake skills development for the section's staff in order to better serve the

Role of SPL section to the ICT sector

1. ***SPL Goals for 2014***

The main goal for the Spectrum Planning and Licensing (SPL) section for 2014 were:

1. To review the National spectrum policy
2. To conduct RAG meeting on Zambian position on WRC-15 agenda items
3. To carry out Television White Space (TVWS) research technology
4. To migrate ZRL from the 2.3GHz spectrum
5. To develop Short Range Devices (SRD) guidelines
6. To install and launch online spectrum application system
7. To submit ITU notices for Broadcasting FM radio station

2. ***Spectrum licensing***

Spectrum Planning and licensing is responsible license of the radio spectrum for radio communication. Radio communication services include mobile cellular system, wireless broadband system, microwave links, TV and Radio Broadcasting, Satellites, Land mobile, Aeronautical and paging. In 2014, 790 radio spectrum licenses were issued and 15 radio licenses were cancelled as shown in the table below.

Type of Radio License	License Issued	License Cancelled
Mobile Cellular	30	
Wireless Broadband	91	
Microwaves Links	70	
Broadcasting-TV	50	
Broadcasting-Radio	50	0
Land Mobile	512	6
Satellite (VSATs and Earth Stations)	136	6
Paging/Alarm	60	
Aeronautical	50	1
Amateur	12	0
Total licenses	790	15

3. ***SPL Achievements in 2014***

Review of National Spectrum Policy

The demand for radio spectrum to support the ICT sector is growing. Since radio spectrum is the life and blood of radio communication, an effective spectrum policy can contribute to the development of ICT in the nation. It was for this reason that ZICTA, in 2014 reviewed the national spectrum policy to ensure that the policy contributes to the development of the ICT sector. The rationale for the spectrum policy borders around the following objectives in the management of the radio spectrum:

i. Transparency in the allocation of spectrum
ii. Responsiveness to technological advancements especially in the light of convergence
iii. Promotion of the use of radio based systems especially in achieving universal access
iv. Favor developmental projects in health, education especially in rural communities
v. Embrace international best or good practices in spectrum management that suit the Zambian environment
vi. Optimization of the use of the radio spectrum to maximize the benefits to users.
vii. Meeting user requirements while avoiding harmful interference.
viii. Facilitating competition, entry and participation of local entrepreneurs in delivering communication services to all Zambian communities.

Radio Advisory Group Meeting

The Radio Advisory Group (RAG) was reconstituted in 2013 to ensure stakeholder engagement in decisions patterning to spectrum management with specific reference to national spectrum planning. The second RAG meeting was held on 9 May, 2014 and the third meeting was held on 23rd September, 2014.The main focused was on the Zambian position concerning the agenda items that are being considered for the World Radio communications conference 2015 (WRC 15). The World Radio communications Conference shapes how a country and the world at large use the radio spectrum.

Installation of the Online Spectrum Licensing System

The Authority finalised the acquisition and installation of the radio spectrum online application software known as Webcp. This will enable online application of all radio communication spectrum from all over the country or world without having to physically fill a form. Online licensing of radio spectrum will enhance our capacity to deliver and shorten the processing time between an application and actual issuance of a radio license. Currently a radio application takes an average of 10 working days but with the introduction of online system, the processing time will be reduced. This system was launched in December, 2014 and operational since then.

Research on Television White Space Technology

The Authority carried out a research on television white space technology on the on-going studies being done by International Telecommunication Union, Radio communication Bureau (ITU-R) and produced a paper. Television White space (TVWS) is a technology which uses the unused frequencies allocated to digital television broadcasting services ranging from 470-694 MHz that are left unused in particular areas of the country. White space technology is being developed to meet the challenges of spectrum scarcity. This technology could be used to provide wireless broadband internet access, similar to Wi-Fi but over much longer distances, to mobile devices like tablets and smartphones especially in rural areas.

Re-farming of 2.3GHz spectrum

The growing demand for mobile broadband spectrum necessitated the re-farming of the 2.3GHz Band. The 2.3GHz was being used by Zambia Railways for microwave links. In 2014, ZICTA engaged Zambia Railways Limited to migrate from this band so that the band can be licensed for mobile broadband.

Short Range Devices (SRD) guidelines

Short-range radio devices (SRDs) are low powered transmitters which provide either unidirectional or bidirectional communication and have low capability of causing interference to other radio equipment. SRDs are widely used in for data collection with auto identification systems or item management in supermarkets, baby monitors, garage door openers, wireless home data telemetry and/or security systems, keyless automobile entry systems etc. etc. SRDs share the spectrum with primary radio systems. Its is imperative therefore, that SDRs do not cause interference. In this regard ZICTA developed the SRDs guidelines to ensure that SRDs do not cause interference to primary spectrum users.

Notification of Broadcasting FM radio station to ITU

As per ITU requirement, all broadcasting FM radio station must be notified to the ITU and those radio transmitters at the national border must be coordinated to avoid interference. In 2014, ZICTA carried out notification of all broadcasting FM radio transmitter to the ITU.

4. ***Plans for 2015***

In 2015, the section has planned to carry out the following activities:

1. Prepare spectrum for Fourth Mobile Operator
2. Carry out research on broadband spectrum requirements for the ICT sector
3. Develop 450MHz and DTT 1 & 2 spectrum
4. Review of spectrum pricing
5. Carry out research and benchmarking on Digital Audio broadcasting
6. Carry out microwave links spectrum audit and possible re-planning
7. Carry out VHF frequency Audit
8. Carry out training on online spectrum application system (web CP)
9. Complete integration of ASMS-ACCPAC
10. Resolving of automatic border roaming problems
11. Notification of fixed sites to ITU
12. Attend RAG meeting on Zambian position on WRC-2015
13. Attend WRC-2015 meetings
14. Conduct awareness on Digital migration
15. License spectrum to Digital Signal Distributors Organisation and Country at large.

8.0 CONSUMER PROTECTION ACTIVITIES FOR THE YEAR 2014

8.1 National Strategy on Child Online Protection (COP)

The Child Online Protection Workshop was held in Zambia from March 26, 2014 to March 28, 2014 with the assistance of the COP Experts with the objective of developing a National Child Online Protection Strategy Framework.

The Authority had requested for assistance from Telecommunications Development Bureau, to support the strategy development activity to be conducted by ITU-IMPACT.

The objectives of the workshop were as follows;

i. To understand and discuss the landscape of activities on protection of children online within Zambia owing to the fact that currently and according to the survey that was conducted by the Authority internet cannot only be accessed on computers but on phones as well which are owned even the children

ii. To develop a practical and effective framework for the protection of children online that can be implemented in Zambia, using the five pillars of COP as a yardstick.

iii. Aggregate the support and collective effort of different stakeholders with various expertise within Zambia

iv. Establish and open partnership platform for cooperation and information exchange amongst government agencies, industry leaders, academia, law enforcement agencies, Civil Society, Parents and Youths

v. Facilitate the establishment of the COP Framework, Strategies and Initiatives for Zambia

A total of 60 local stakeholders were invited and present in the COP Workshop. The notable local stakeholders who were present and made presentation in regards with their respective roles in child online protection activities were;

1. Ministry of Transport, Works supply and Communication
2. Ministry of Justice
3. Zambia Police Service
4. Ministry of Education
5. Competition & Consumer Protection Commission (CCPC)
6. UNICEF
7. Internet Service Provider Association of Zambia (ISPAZ)
8. Ministry of Community Development Mother & Child Health

9. Ministry of Youth and Child Development
10. Samsung
11. University of Zambia
12. Child Line Zambia
13. Mobile Service Providers
14. Representatives of ICT Clubs in Schools

8.1.1 Action Plan for the Cop Framework

Draft COP framework was to be given to ZICTA after all the COP experts had looked at it within two weeks following end of the workshop.

i. Upon receipt of the draft framework ZICTA was to organize a stakeholders meeting to discuss the draft
ii. The experts would also sent the frameworks from Nigeria, Costa Rica and Brunei for comparisons purposes
iii. Owner of Framework need to be determined. ZICTA or any organization – must have capacity to move this motion
iv. To formulate a National High Level Stakeholder committee(composed of senior govt. officials) to be the focal point on COP issues – formal invitation to be made to all stakeholders by ZICTA
v. Each stakeholder to have an action plan based on what they could do within their budgets and resources
vi. Need for the Child Online Protection framework Review after one year – with all stakeholders and partners (IMPACT/ITU).
vii. Need to have Clearly identify activities and actions by all the stakeholders
viii. Need to Identify all the stakeholders

8.2 Sim Card Registration

The Authority undertook Consumer SIM Card Registration Awareness Campaigns in the all the Provinces of Zambia which was a follow up to the earlier program in which all the Districts of Zambia were visited using artists who conducted road shows. The program was more targeted at rural areas and Districts in the remotest parts of Zambia who were left out in the earlier program. The Authority was also responding to various concerns raised by people in rural areas who have had not yet registered their SIM cards. The Awareness Campaigns were done through Radio adverts, Print Media adverts and door to door strategy in various selected remote locations of all the provinces. This was done during the period December 22 up to December 31, 2013 with the objective of sensitising the general public on the deadline of SIM Card Registration Exercise carried out by ZICTA in conjunction with the three mobile operators.

The deadline for SIM registration was January 31, 2014. However, the operators were given 90 days in which to register and reactivate the SIM cards of the customers that had their SIM Cards deactivated as at deadline date. The SIM card registration statistics as at March 31, 2014 were as highlighted in the table below;

OPERATOR	REGISTERED SIM CARDS	MARKET SHARE
AIRTEL Zambia	3,535,894	42.2%
MTN Zambia	3,711,404	44.3%
Zamtel Mobile	1,125,427	13.4%
TOTAL	8,372,725	100.0%

As pre-post implementation review of the SIM card registration process, a random inspection of the service providers SIM Card dealers and agents was conducted during the month of May 2014 to ascertain if the operators were compliant with the SIM card Registration business rules and the S I No. 65 of 2011

8.3 Public Access Centres

The Authority is in the process of establishing Public Access centres in identified post offices with the view of facilitating access to ICTs and an online complaint lodging facility for consumers of both ICTs and Postal services. The first Public Access centre was established at the newly commissioned Shangombo post office in May 2014.

8.4. Inspections & Audit of Operators Service Centres

The Zambia Information and Communications Technology Authority (ZICTA) is mandated to monitor the performance of the sector as stipulated under section 6 of the Information and Communications Technology (ICT) ACT. In accordance with the aforementioned section, the Consumer Protection Unit conducted inspections of customer service centres for Mobile and Internet Service Providers in North-Western and Copperbelt Provinces from May 5, to May 17, 2014. The purpose of the inspections was to ensure that Service Providers were compliant with the consumer protection guidelines and the code of conduct for ICT service providers that were published in June 2013 and also conduct inspections of the SIM registration dealers to ascertain if the activation periods for the SIM cards were within accepted timeframe as stipulated in the quality of service guidelines. Furthermore, the Authority wanted to assess whether customer service centres were both physically and electronically accessible by Persons with Disabilities (PwDs).

8.5 Consumer Outreach

The Authority undertook a consumer outreach program and random inspections of operators' service centres and dealers from August 9 to August 23, 2014 in Muchinga and Northern Provinces as provided for in 2014. The Consumer outreach program was very successful. The Authority received very good media coverage for the entire period. The major issues which were raised by consumers and members were spectrum interference, selling active SIM cards, Zamtel selling substandard phones and lack of rump facilities in service centres.

9.0 ACCESSIBILITY WORKSHOPS IN LUSAKA & NDOLA

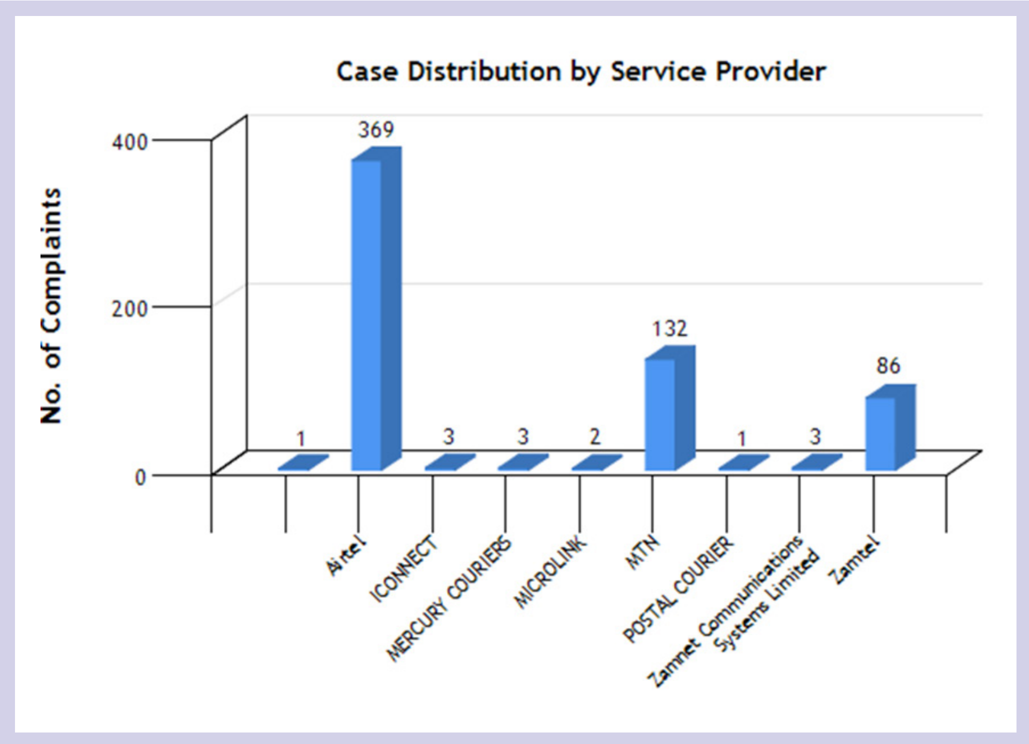
The Authority undertook the E-Accessibility Workshop for Persons with Disabilities (PwDs) on November 21 and 28, 2014 in Lusaka and Ndola respectively. The aim was to discuss accessibility challenges faced by PwDs when accessing ICTs with the view to taking measures to address them. The main objectives of the workshop were as follows;

- To create a platform where issues and challenges around provision of communication services to persons with disabilities will be raised and efforts to resolve them initiated
- To encourage the design of accessible information, ICT products and services to mitigate limitations to access to information, employment, social inclusion and training of PwDs
- To have an appreciation of assistive technologies, other methodologies and best practices that mitigate against financial, physical and functional barriers
- To encourage local/international partnership approach between various constituents (Government, organizations addressing issues of persons with disabilities, private sector and other partners) to support and promote policies and programs on universal designs for an inclusive society
- To create awareness among all stakeholders on accessibility barriers experienced by persons with disabilities
- To facilitate the effective use of ICTs by PwDs, the Government must put in place measures to make ICT training readily available to them
- To Develop an action plan/Roadmap based on workshop outcomes

10.0 COMPLAINTS MANAGEMENT

10.1. Case Distribution By Service Providers

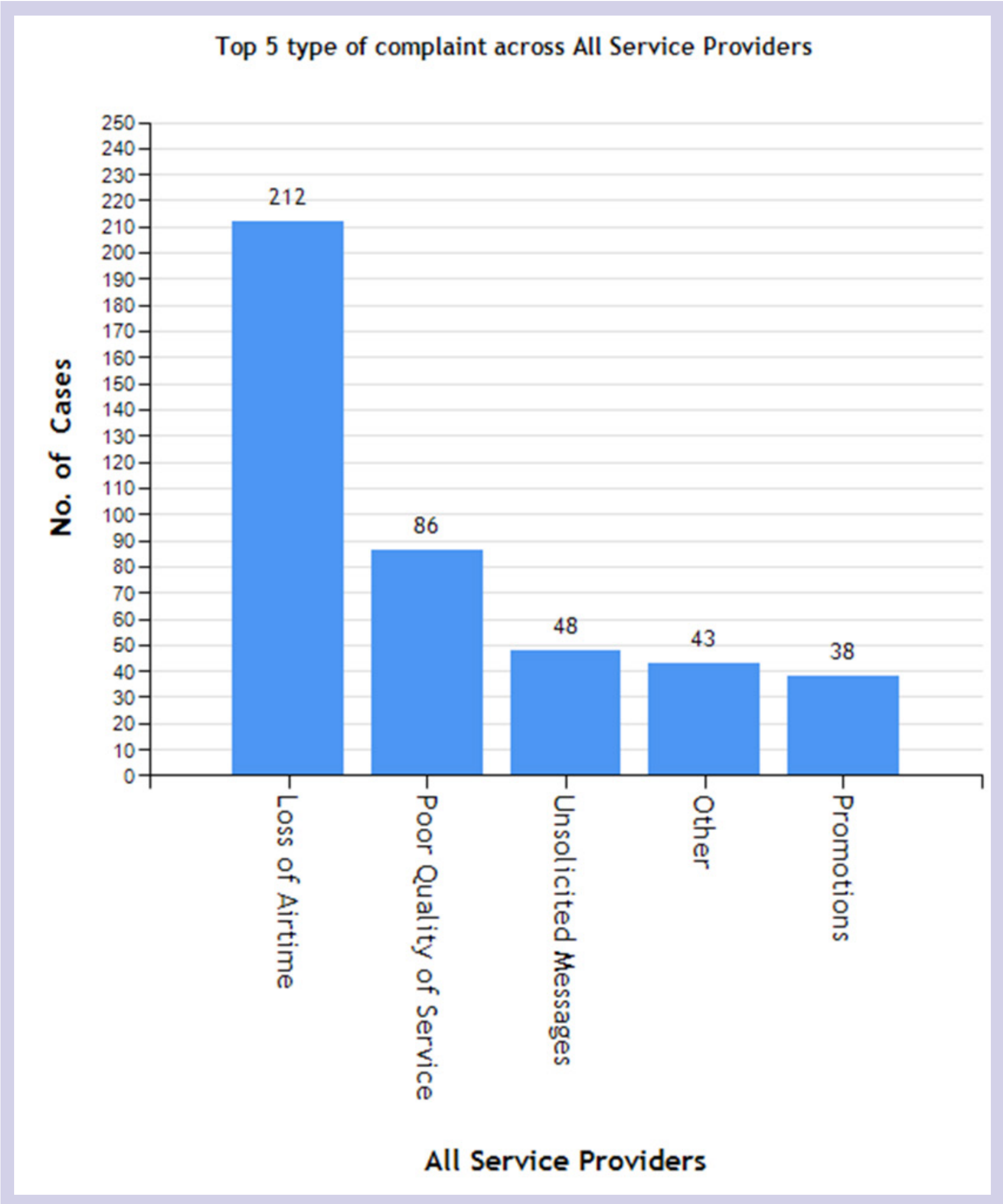
The Authority received a total number of 600 complaints during the period the year 2014. The distribution of the complaints by service provider is as indicated in the bar chart and the table below.



Summary - Case Distribution by Service Provider	
	1
Airtel	369
ICONNECT	3
MERCURY COURIERS	3
MICROLINK	2
MTN	132
POSTAL COURIER	1
Zamnet Communications Systems Limited	3
Zamtel	86
	600

10.2 Top 5 Complaints

The bar chart below depicts the details of the leading top 5 complaints that were received across all the service providers during the year 2014. The highest numbers of complaints were under the category of Loss of Airtime followed by Poor Quality of Service.



11.0 PUBLIC AND INTERNATIONAL RELATIONS

11.1 International Collaboration

In meeting its regulatory obligations in both the ICT and Postal sectors, ZICTA has to collaborate with regional and international organisations for purposes of sharing best practice and agreeing on strategic resolutions for the development of the Postal and ICT sectors.

The Authority subscribes to a number of organisations, in most cases on behalf of the Zambian government which is a member state and in some circumstances in its capacity as a regulatory body.

Collaboration with and active participation in the activities of the international bodies which are ZICTA's key stakeholders gives the Authority the opportunity to share relevant information regarding ZICTA's operations and government policy on issues with regard to the ICT and Postal industries respectively.

The Authority takes advantage of its membership to the key regional and international bodies by not only benefiting from peering arrangements but also technical and financial support in the various projects that it has embarked on behalf of the government of the republic of Zambia in both the ICT and Postal sectors.

Listed below are the key organisations that ZICTA is a member of by virtual of being a government agency;

i. Communication Regulators Association of Southern Africa (CRASA) responsible for the both the ICT and Postal sectors

ii. Association of Regulators for Information and Communications for Eastern and Southern Africa (ARICEA) is an association of regulators in the ICT sector in the COMESA region

iii. African Telecommunications Union (ATU)

iv. International Telecommunications Union (ITU)

v. Pan African Postal Union (PAPU)

vi. Universal Postal Union (UPU)

vii. Commonwealth Telecommunications Organization (CTO)

In the period under review, ZICTA participated in several strategic meetings, conferences and workshops organised by the above mentioned organisations.

This not only helped ZICTA be up to date with the going trends in the respective sectors, but also gave it the opportunity to request for technical and monetary support from some of these organisations, for some of the local projects in the Postal and ICT sectors respectively.

11.1.1 International Telecommunications Union (ITU) World Summit on the Information Society WSIS Forum 2013

The World Summit on the Information Society (WSIS) is a unique two-phase United Nations (UN) summit that was initiated in order to create an evolving multi- stakeholder platform aimed at addressing the issues raised by information and communication technologies (ICTs) through a structured and inclusive approach at the national, regional and international levels.

Zambia being a member state of ITU was required to have representation both at government and regulatory body level in order to have an input in the deliberations which will give policy direction for the ICT industry globally.

WSIS Forum 2013 also provided structured opportunities to network, learn and to participate in multi-stakeholder discussions and consultations on WSIS implementation.

11.1.2 African Telecommunications Union (ATU) Administration Council Meeting – Dar es Salaam, Tanzania

The main objective of African Telecommunications Union (ATU) is to foster and maintain co-operation among member states for the improvement, development, expansion and rational use of telecommunications networks and services. The Union also amongst other initiatives, promotes the standardisation of telecommunications networks and co-coordination of telecommunications services among members states.

Zambia as a member of the Administration Council of the organisation, participated in the Administration Council Meeting which succeeded in getting the African states together in making joint decisions on ICT issues affecting the region in relation to the ITU.

The Administration Council of which Zambia is a member, is a highest level meeting for member states which considers amongst other issues, the Union's activity plan for the year, budget and draft work schedule and policy direction affecting the ICT industry on the continent. Decisions made at this level are up scaled to the ITU body as a united voice for the region.

11.1.3 Universal Postal Union (UPU) Council Administration Meetings – Berne, Switzerland

The UPU Council of Administration Meetings are held annually to look at the running of the organisation as well as make proposals relating to standards and regulations (for consideration during the Congress) which facilitate and increase the security of international exchanges of mail and parcels, as well as the delivery of a broad range of secure and affordable electronic and financial services.

As a subscribing member state and with the recent introduction of legislation (Postal Services Act) which gives ZICTA the mandate to regulate the Postal sector for the first time, it was important that the policy makers in government and the regulator attend this meeting. The Congress provided a platform for discussion of policy direction regarding the regulation of postal and courier services globally and provides a platform of sharing best practices.

11.1.4 CTO Annual Forum & Council Meeting

The Commonwealth Telecommunications Organization (CTO) is an international development partnership between the Commonwealth and non-Commonwealth governments, business and civil society organizations. It provides the international community with effective means to help bridge the digital divide and achieve social and economic development by delivering to developing countries unique knowledge-sharing programmes in the use of Information and Communication Technologies (ICT) in the specific areas of Telecommunications, IT, Broadcasting and the Internet.

11.1.5 CRASA Annual General Meeting

The Authority had representation at the Communication Regulators Association of Southern Africa (CRASA) Annual General Meeting. This was the first AGM for CRASA as a merged regional body for both ICT and Postal sectors.

11.2.6 ITU

The ITU Telecom World Forum was held under the theme "Embracing Change in a Digital World". It offered participants an opportunity to connect, network and enter into partnerships. Unfortunately, during the period under review, Zambia was unable to participate in the Exhibition due to financial constraints.

11.2. Global Symposium for Regulators

The GSR 2014's theme was "Capitalizing on the potential of the digital world" took place in Manama, Bahrain from June 3rd to 5th, 2014. The GSR allowed participants to examine the transformational nature of communications and the evolution to 4th generation ICT regulation in a connected society led by the changing nature of the communications ecosystem, changing market dynamics and traffic patterns, as well as changing regulatory practices and roles.

The other Meetings attended include the following;

i. Association of Regulators of Iformation and Communication for Eastern and Southern Africa Meeting
ii. Southern Africa Development Community Ministers' meeting
iii. World Telecommunication Standardization Assembly
iv. International Telecommunication Union Annual Regional Development Forum
v. International Telecommunication Satellite Organisation Meetings

11.3 Publicity

During the year under review, the institution through the Public Relations Unit ran a series of radio programmes, adverts and received both electronic and print news coverage. There was also a significant growth in the use of social media in reaching our target audiences.

11.3.1 Zambia International Trade Fair (ZITF) and Agricultural and Commercial Show

ZICTA participated in both the ZITF and ACSZ in 2014. Both events created a great platform for information dissemination with regards what the authority does in line with its mandate.

12. HUMAN CAPITAL DEVELOPMENT AND ADMINISTRATION (HCDA) DEPARTMENT

12.1 Labour compliment

The total labour strength as at December 31, 2014 was at one hundred and twenty (120) comprising twenty-four (24) in Management while ninety six (96) were non-Management staff. In gender terms and numbers, female staff were forty-one (41) and male staff were seventy nine (79). Retention on staff was recorded at 97%.

The labour compliment is detailed as follows:-

DETAILS	MALE	FEMALE	TOTAL
Labour Strength as at 01.01.2014	74	32	106
Recruitments	6	11	17
Resignations	0	1	1
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	1	2
Death	0	0	0
Labour Strength as at 31.12.2014	**81**	**45**	**126**

13.0 LEGAL & REGULATORY

13.1 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:

a) one representative each from the Ministries responsible for information and communications technology and home affairs;
b) one member from an agency responsible for national security;
c) a representative of the Attorney General;
d) one person nominated by the National Farmers Union;
e) one person nominated by the Zambia Consumers Protection Association;
f) one person nominated by the Law Association of Zambia;
g) one person nominated by the Engineering Institution of Zambia;
h) one person nominated by a trade union representing staff employed by the Authority; and
i) one other person appointed by the Minister.

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

During the year under review, the Board consisted of the following:

- Mr. Emmanuel M. Musonda - Chairperson
- Mr. Charles K. Sipanje
- Mrs. Patricia Jere
- Mr. Keith Asherwood
- Mr. Vestus Chungu
- Mr. Patrick Chisanga
- Mr. Liwanga Yuthulu
- Mrs. Margaret K. Chalwe - Mudenda

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.

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.

14.0 MAJOR LEGAL DEVELOPMENTS

The Fees and Fines (Fee and Penalty Unit Value) Regulations, 2014

On 16 January 2014, the Minister of Finance issued Statutory Instrument No. 8 of 2014 to revise the values of a fee unit and penalty unit from 18 to 20 ngwee.

The effect of this change was that any fee or penalty collected by ZICTA was to be multiplied by twenty rather than eighteen ngwee.

ZICTA

ZAMBIA INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

Financial Statements for the year ended 31st December 2014

Zambia Information and Communications Technology Authority

Financial Statements for the year ended
31 December 2014

MPH Chartered Accountants

Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2014

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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, 2014.

1. The Authority

Section 3 of the now repealed Telecommunications Act Cap 469 of 1996 of the Laws of Zambia created the Communications Authority of Zambia with an overall mandate to supervise and promote the provision of all telecommunications services in Zambia. The mandate was also extended to management of the radio frequency spectrum. The Authority was renamed and continued as Zambia Information and Communications Technology Authority pursuant to Section 4 of the Information and Communication Technologies Act No. 15 of 2009.

From 1 January 2013, Statutory Instrument 15 of 2013 made the Authority become a grant aided institution. From this point, the Authority changed from its role as Custodian to Agent. All license fees collected from 1 January 2013 are required to be remitted to the Government of the Republic of Zambia through the central treasury.

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 **K105,803,253** for the year ended 31 December 2014 (2013: K 104,963,544). The excess of expenditure over income for the year ended 31 December 2014 amounted to **K43,387,619** (2013: surplus of income over expenditure: K7,395,000).

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 fact, circumstances or event 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

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. Charles K. Sipanje	-	Member
Mr. Patrick Chisanga	-	Member
Mrs. Patricia Jere	-	Member
Mr. Vestus Chungu	-	Member
Mr. Keith Asherwood	-	Member
Brig. Gen Emelda Chola	-	Member
Mrs. Margaret K. Chalwe-Mudenda	-	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 **119** (2013: 104). The total remuneration paid to employees by the Authority was **K57,381,419** (2013: K40,988,669).

7. Donations

The Authority made donations during the year amounting to **K358,000** (2013: K389,854).

8. Capital expenditure

The capital expenditure during the year amounted to **K10,306,724** (2013: K13,864,537). 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: 8/4/2016

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 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 5 and 6.

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 2014 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 5 to 40 were approved by the Board on ....03/04/16.......... and were signed on its behalf by:

....

Board Chairman **Member of the Board**

Independent Auditor's Report

To the members of Zambia Information and Communications Technology Authority

Report on the financial statements

We have audited the financial statements of the Zambia Information and Communications Technology Authority ("the Authority"), which comprise the Statement of Financial Position as at 31 December 2014, 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, which include a summary of Accounting Policies and other explanatory notes, as set out on pages 11 to 40. The corresponding figures presented are based on financial statements of the Authority as at, and for the year ended 31 December 2013, which were audited by another auditor, whose report dated 15 August 2014 expressed an unqualified opinion on those statements.

Members' responsibility for the financial statements

The Members of the Board are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Information and Communication Technologies Act No. 15 of 2009 and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Authority as of 31 December 2014 and of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Information and Communication Technologies Act No. 15 of 2009.

Independent Auditor's Report (continued)

Other matter

The supplementary information set out on pages to 42 to 43 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, except that the Universal Access Fund Account as envisaged by Section 70 and 71 of the Information and Communications Technologies Act No 15 of 2009 and the Information and Communications Technologies (Universal Access) Regulations, 2012 has not set up in line with the provisions of the Act and the Statutory Instrument. The Authority has not appointed a Fund Manager to administer the Fund and audited annual statements of the income and expenditure of the Fund are yet to be laid before the National Assembly.

mpH

8/4/16

MPH Chartered Accountants

Lusaka, Zambia

Hampande Hachongo (AUD/F000186)
Partner

Statement of Comprehensive Income

	Note	2014 K	2013 K
			Restated
Revenue			
Grant income	4	**105,803,253**	104,963,544
Other income			
Interest income on bank term deposits		**5,894,121**	14,091,843
Sundry income		**986,180**	1,098,015
		6,880,301	15,189,858
		112,683,554	120,153,402
Expenditure			
Salaries, gratuity and other retirement benefits		**(87,005,612)**	(57,560,466)
Administration		**(43,051,810)**	(28,531,759)
Operating expenses		**(14,207,433)**	(15,988,859)
Depreciation expense	7	**(11,806,318)**	(10,677,316)
		(156,071,173)	(112,758,400)
(Excess of expenditure over income)/Surplus of income over expenditure for the year	5	**(43,387,619)**	7,395,000
Other comprehensive income			
Items that will not be reclassified to income and expenditure			
Surplus on defined benefit plan	18	**2,335,202**	118,116
		2,335,202	118,116
Total comprehensive income for the year		**(41,052,417)**	7,513,116

Statement of Financial Position

	Note	2014 K	2013 K	2012 K
Assets			Restated	Restated
Non-Current Assets				
Property and equipment	7	**66,797,964**	68,695,679	65,508,458
Retirement benefit asset	18	**4,011,092**	1,675,890	1,557,774
		70,809,056	70,371,569	67,066232
Current Assets				
Inventory	8	**512,631**	502,121	5,964,759
License fee receivables	9	**30,633**	3,051,301	20,890,426
Other receivables and prepaid expenses	10	**30,526,032**	22,642,518	28,225,253
Amounts due from related parties	17	**-**	15,626,589	-
Held to maturity investments	11	**-**	101,162,788	136,205,675
Cash and bank balances	12	**73,930,326**	4,034,080	142,032,265
		104,999,622	147,019,397	333,318,378
Total Assets		**175,808,678**	217,390,966	400,384,610
Accumulated Funds and Liabilities				
Accumulated Funds		**128,665,442**	172,235,505	350,560,638
Non-Current Liabilities and Other Funds				
Deferred income		**-**	-	8,488,458
Employee terminal benefits	15	**12,573,325**	28,813,172	22,415,775
		12,573,325	28,813,172	30,904,233
Current Liabilities				
Amounts due to related parties	17(iii)	**-**	314,995	-
Sundry payables and accrued expenses	14	**34,569,911**	16,027,294	18,919,739
Total Current Liabilities		**34,399,911**	16,342,288	18,919,739
Total Accumulated Funds and Liabilities		**175,808,678**	217,390,966	400,384,610

The financial statements set out on pages 2 to 40, which have been prepared on a going concern basis, were approved by the Board on ....08/04/16........ and were signed on its behalf by:

....

Board Chairman **Member of the Board**

Statement of Changes in Accumulated Fund

	Note	Accumulated fund
		K
Balance at 1 April 2012 as previously reported		**367,375,389**
Excess of expenditure over income for the period		(18,372,525)
Surplus on defined benefit plan		1,557,774
Balance at 31 December 2012 as previously reported		**350,560,638**
Surplus of income over expenditure for the year		27,417,786
Surplus on defined benefit plan		118,116
Adjustment for deferred income		8,488,458
Adjustment for license fees payable to Government		(3,051,301)
Payments to Government of the Republic of Zambia		(169,661,656)
At 31 December 2013 as previous reported		**213,872,042**
Prior year adjustment at 1 January 2013	23	(41,636,534)
At 31 December 2013 restated		**172,235,508**
Total comprehensive income for the year		
Excess of expenditure over income for the year		(43,387,619)
Adjustment for prior government remittances		(2,517,649)
Surplus on defined benefit plan		2,335,202
At 31 December 2014		**128,665,442**

The Accumulated Fund represents the excess of income over expenditure accumulated from prior years and arising from the current year.

Statement of Cash flows

	Note	2014 K	2013 K
			Restated
Cash flows from operating activities			
(Excess of expenditure over income)/Surplus of income over expenditure for the year		**(43,387,619)**	7,395,000
Adjustments			
Depreciation expense	7	**11,806,318**	10,677,316
Loss on disposal of fixed assets		**190,856**	-
Interest income on bank term deposits		**(5,894,121)**	(14,091,843)
Interest income on staff loans		**(583,160)**	(294,013)
Interest income on other bank accounts		**(43,137)**	(123,635)
Adjustments for deferred income	13	**-**	8,488,458
Reversal of license fees payable to Government		**-**	(3,051,301)
Net income and expense transferred to UAF		**-**	20,022,787
Operating cash flows before movements in working capital		**(37,910,863)**	29,022,769
Movements in working capital			
Decrease/(Increase) in inventory	8	**(10,510)**	5,462,638
Decrease/(Increase) in license fee receivables	9	**3,020,668**	17,839,125
Decrease/(Increase) in other receivables	10	**(7,883,514)**	5,582,735
Decrease/(Increase) in amounts due from related parties	17(ii)	**15,626,591**	(15,626,591)
Decrease/(Increase) in held to maturity investments	11	**21,246,299**	35,042,887
Increase/(Decrease) in sundry payables	14	**18,542,618**	(2,892,446)
Increase/(Decrease) in retirement benefits	15	**(16,239,847)**	6,397,397
Increase/(Decrease) in deferred income	13	**-**	(8,488,458)
Increase/(Decrease) in amounts due to related parties	17(iii)	**(314,995)**	314,995
Decrease in assets transferred to UAF	23	**-**	(41,636,534)
Net cash inflow from operating activities		**(3,923,553)**	31,018,517
Cash flow from investing activities			
Proceeds from disposal of property and equipment		**207,265**	-
Expenditure on property and equipment	7	**(10,306,724)**	(13,864,537)
Net cash out flow from investing activities		**(10,099,459)**	(13,864,537)
Cash flows from financing activities and funds			
Interest received		**6,520,418**	14,509,491
Transfer to Government Treasury		**(2,517,649)**	(169,661,656)
Net cash from financing activities		**4,002,769**	(155,152,165)
Increase/(Decrease) in cash and cash equivalents		**(10,020,243)**	(137,998,185)
Cash at the beginning of the year		**83,950,569**	142,032,265
Cash and cash equivalents at end of the year	12	**73,930,326**	4,034,080

Accounting Policies

1. The Zambia Information and Communications Technology Authority

Section 3 of the now repealed Telecommunications Act Cap 469 of 1996 of the Laws of Zambia created the Communications Authority of Zambia with an overall mandate to supervise and promote the provision of all telecommunications services in Zambia. The mandate was also extended to management of the radio frequency spectrum. The Authority was renamed and continued as Zambia Information and Communications Technology Authority pursuant to Section 4 of the Information and Communication Technologies Act No. 15 of 2009.

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.

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 in the year in which it is received.

Accounting Policies (continued)

2.1 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 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.

Interest income arising from investments made from the Universal Access Fund is credited to the Fund.

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%

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 or expenditure.

Accounting Policies (continued)

2.3 Impairment of tangible and other assets

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 or 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.

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 or 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.

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.

Accounting Policies (continued)

2.4 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 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

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 at the end of each annual reporting period. 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 or expenditure. Past service cost is recognised in income or 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 or 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.

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 or expenditure as it arises.

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

2.8 Critical accounting estimates and judgments

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.

Critical judgments in applying accounting policies

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.

Accounting Policies (continued)

2.8 Critical accounting estimates and judgments (continued)

Critical judgments in applying accounting policies (continued)

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.

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 reviewed 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.

Accounting Policies (continued)

2.9 Application of new and revised International Financial Reporting Standards (IFRSs)

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

In the current year, the Authority has applied a number of amendments to IFRSs and new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

The Authority has applied the amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Authority does not have any financial assets and financial liabilities that qualify for off-set, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Authority's financial statements. The Authority has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Authority's financial statements.

IFRIC 21 *Levies*

IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC 21 is applicable retrospectively. The application of this Interpretation has had no impact on the disclosures or on the amounts recognised in the Authority's financial statements as the Authority has not paid any levies.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependant on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

Accounting Policies (continued)

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

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 labilities 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 though 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.

- 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.

Accounting Policies (continued)

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

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

IFRS 9 *Financial Instruments (continued)*

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.

The directors of the Authority anticipate that the application of IFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the Authority's financial statements.

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 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.

Accounting Policies (continued)

The amendments of IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Authority do not anticipate that the application of these amendments to IFRS 11 will have an impact on the Authority's financial statements.

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

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

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:

a) When the intangible asset is expressed as a measure or revenue; or
b) 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. Currently, the Authority uses the straight-line method for depreciation and amortisation for 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, the directors do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have an impact on the Authority's financial statements.

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

The amendments to IAS 16 and IAS 41 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.

The directors do not anticipate that the application of these amendments to IAS 16 and IAS 41 will have any impact on the Authority's financial statements as the Authority is not engaged in agricultural activities.

Notes to the Financial Statements

	2014	2013
	K	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.

4. Grant income

Grant income represents funds receivable from Government during the year.

5. Surplus of income over expenditure for the year

Excess of expenditure over income for the year is stated after crediting:

	2014 K	2013 K
Interest on bank term deposits	5,894,121	14,091,843
Interest on staff loans	583,161	294,013
Other bank deposit interest	43,137	176,523
Exchange gains	281,617	123,243
and after charging:		
Depreciation (note 7)	11,806,318	10,677,316
Increase/(Decrease) in terminal benefits (note 15)	(16,239,849)	6,397,397
Gratuity benefits (notes 14)	18,732,921	5,215,878
Board expenses	3,735,539	783,940
Pension costs- defined contribution	757,208	752,200
Corporate social responsibility	358,000	389,854
Exchange losses	210,215	71,655

6. Taxation

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

Notes to the Financial Statements (continued)

	2014	2013
	K	K

7. Property and equipment

Cost	Leasehold land and building K	Machinery and equipment K	Telecommunication and radio equipment K	Motor vehicles K	Furniture and fittings K	Capital work in progress K	Total K
At 1 January 2013	27,957,057	11,470,510	39,110,408	12,250,029	2,092,835	869,591	93,750,430
Additions	-	2,895,366	2,182,483	5,352,091	486,376	2,948,221	13,864,537
Transfers	33,125	590,543	-	-	-	(623,668)	-
At 31 December 2013	27,990,183	14,956,419	41,292,891	17,602,120	2,579,211	3,194,144	107,614,967
Additions	318,198	1,842,626	1,000,400	6,166,711	301,432	677,357	10,306,724
Disposals	-	-	-	(2,775,251)	-	-	(2,775,251)
Transfers	3,770,250	-	-	-	-	(3,770,250)	-
At 31 December 2014	**32,078,631**	**16,799,045**	**42,293,291**	**20,993,581**	**2,880,643**	**101,251**	**115,146,441**
Depreciation							
At 1 January 2013	659,172	8,402,876	11,889,046	5,713,580	1,577,298	-	28,241,972
Charge for the year	559,307	2,360,941	3,821,827	3,722,540	212,588	-	10,677,316
At 31 December 2013	1,218,479	10,763,817	15,710,873	9,436,120	1,789,886	-	38,919,401
Charge for the year	592,963	2,955,028	4,038,932	3,951,537	267,859	-	11,806,318
Disposals	-	-	-	(2,377,016)	-	-	(2,377,016)
At 31 December 2014	**1,811,442**	**13,718,845**	**19,749,805**	**11,010,641**	**2,057,745**	**-**	**48,348,590**
Carry amount							
At 31 December 2014	**30,267,189**	**3,080,201**	**22,543,485**	**9,982,939**	**822,899**	**101,251**	**66,797,964**
At 31 December 2013	26,908,237	3,908,000	25,730,086	8,166,090	789,122	3,194,144	68,695,679

The cost of fully depreciated assets at 31 December 2014 was K14,083,744.

Notes to the Financial Statements (continued)

	Note	2014 K	2013 K
8. Inventory			
Mobile payphones	23	-	5,493,532
Transferred to Universal Access Fund		-	(5,493,532)
		-	-
Office stationary		**512,631**	502,121
		512,631	502,121

9. License fee Receivables

	2014 K	2013 K
License fee receivables	**3,539,338**	6,569,068
Impairment provision	**(3,508,705)**	(3,517,767)
	30,633	3,051,301

There is no credit period as licenses are by definition supposed to be prepaid prior to the service being utilised. The Authority does however at its discretion allow credit. The Authority has provided fully for all receivables over 120 days because historical experience is such that receivables that are past due beyond 120 days are generally not recoverable. Receivables between 60 days and 120 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

The impairment recognised represents the full undiscounted recorded balances. The Authority does not hold any collateral over these balances.

Movement in allowance for doubtful debts

	2014 K	2013 K
Balance at the beginning of the year	**3,517,767**	3,670,530
Impairment losses recognised on license fee receivables	-	29,944
Decrease in the provision for bad debts	**(9,062)**	(182,707)
Balance at end of the year	**3,508,705**	3,517,767

Ageing of impaired license fee receivables

	2014 K	2013 K
120 + days	**3,508,705**	3,517,767

Receipts of the above disclosed license fee receivables shall be remitted to Government after their receipt.

Notes to the Financial Statements (continued)

	2014 K	2013 K
10. Other receivables and prepaid expenses		
Receivables from employees	**25,848,716**	20,634,946
Prepayments	**471,540**	775,144
VAT recoverable	**3,232,469**	949,305
Sundry receivables	**975,307**	285,123
Impairment provision	**(2,000)**	(2,000)
	30,526,032	22,642,518
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 8% to 10%. 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:

Fair value at market rate	13,354,448
Unexpired benefits to employees	7,280,498
	20,634,946

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

Interest income at market rate	1,955,882
Expired benefits provided by the employer	(1,661,869)
Interest on employee receivables in income and expenditure	294,013

	2014 K	2013 K
11. Held to Maturity Investments		
180 days fixed term deposits	**-**	6,043,642
91 days fixed term deposits	**-**	15,202,657
60 days fixed term deposits	**3,671,480**	12,305,656
40 days fixed term deposits	**-**	18,807,255
	3,671,480	52,359,210
The fixed term deposits are held with the following financial institutions:		
Zambia National Commercial Bank Plc.	**-**	12,858,652
Barclays Bank Zambia Plc.	**3,671,480**	35,944,926
Finance Bank Zambia Limited	**-**	52,359,210
	3,671,480	101,162,788
Less: disclosed in the Statement of Finance Position as cash and bank balances (note 12)	**3,671,480**	-
Disclosed as held to maturity investments	**-**	101,162,788

12. Bank and cash 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	70,258,846	4,034,080
Fixed term investments classified under cash equivalents (note 11)	3,671,480	-
	73,930,326	**4,034,080**

Notes to the Financial Statements (continued)

	2014 K	2013 K
13. Deferred income		
At beginning of year	-	8,488,458
Received during year	-	-
Adjustment to Accumulated Fund due to loss of rights	-	(8,488,458)
At end of year	-	-

In the period ended 31 December 2013, upfront fees are license fees receivable over the period of the license and were initially shown as deferred income and transferred to income or expenditure over the period of the license.

Due to the change in the manner the Authority is funded as disclosed in Note 1, license fee proceeds from prior years were transferred to accumulated funds.

14. Sundry payables and accrued expenses

	2014 K	2013 K
Employee end of contract gratuity	15,707,804	7,278,331
Sundry payables	14,651,276	7,101,764
Leave pay	1,555,714	1,302,072
Prepaid fees	1,674,234	135,000
Other payroll accruals	980,883	210,127
	34,569,911	**16,027,294**
Employee end of contract gratuity		
At beginning of year	7,278,331	5,404,970
Charge for the year	18,732,921	5,215,878
Payments during the year	(10,303,448)	(3,342,517)
At end of year	**15,707,804**	**7,278,331**

15. Employee terminal benefits

	2014 K	2013 K
At beginning of year	28,813,174	22,415,775
Net (paid)/charge for the year	(16,239,849)	6,397,397
At end of year	**12,573,325**	**28,813,172**

This 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.

Notes to the Financial Statements (continued)

		2014 K	2013 K

16. 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 (2013: 0%).

Categories of financial instruments

	Note	2014 K	2013 K
Financial assets			
Held to maturity investments	11	**-**	101,162,788
Cash and bank balances	12	**73,930,326**	4,034,080
Other receivables		**26,822,023**	20,918,069
License fee receivables	9	**30,633**	3,051,301
Amounts due from related parties	17(ii)	**-**	15,626,591
		100,782,982	144,792,829
Finance liabilities held at amortised cost			
Sundry payables and accrued expenses		**15,632,160**	7,311,880
Amounts due to related parties	17(iii)	**-**	314,995
		15,632,160	7,626,875

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.

	2014	2013
	K	K

16. 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**	2014	2013
US Dollars	Trade creditors	71,400	139,325
US Dollars	Bank balances	111,619	419,473
British Pound	Trade creditors	-	430,638

The Authority is exposed to foreign exchange risk arising primarily with respect to the importation of raw materials and finished goods for projects. Kwacha accounts and local expenses are denominated in Kwacha.

	Mid-market exchange rates as at 1 January 2014	**Mid-market exchange rates as at 31 December 2014**	**Average depreciation during the year**
US Dollars	5.5083	6.4025	16%
British Pound	9.1448	9.9636	9%

At 31 December 2014, 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 deficit for the year would have been K117,178 (31 December 2013: K28,015).

At 31 December 2013, if the British Pound had appreciated or depreciated by 10% against the Kwacha, with all other variables held constant, the increase or decrease in the deficit for the year would have been nil (31 December 2013: K 43,065).

		2014	2013
		K	K

16. 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 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	2014 K	2013 K
Held to maturity investments	11	-	101,162,788
Other receivables		**26,822,023**	20,918,069
Amounts due from related parties		-	15,626,591
License fee receivables	9	**30,633**	3,051,301
Cash and bank balances	12	**73,930,326**	4,034,080
		126,443,534	175,905,740

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

Notes to the Financial Statements (continued)

	2014	2013
	K	K

16. 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 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.

	1 to 3 months	3 months to 1 year	More than 1 year	Total
31December 2014	**K**	**K**	**K**	**K**
Liabilities				
Sundry payables and accrued expenses	-	34,569,911	-	34,569,911
Employee terminal benefits	-	-	12,573,325	12,573,325
	-	**34,569,911**	**12,573,325**	**47,143,236**
31 December 2014				
Assets				
Bank and cash balances	73,930,326	-	-	73,930,326
License fees	30,633	-	-	30,633
Other receivables	26,822,023	-	-	26,822,023
	100,782,982	**-**	**-**	**100,782,982**
31 December 2013				
Liabilities				
Sundry payables and accrued expenses	-	16,027,294	-	16,027,294
Employee terminal benefits	-	-	28,813,172	28,813,172
Amounts due to related parties	-	3,366,296	-	3,366,296
	-	**19,393,590**	**28,813,172**	**48,206,762**

Notes to the Financial Statements (continued)

	2014	2013
	K	K

16. Financial instruments (continued)

Liquidity risk management (continued)

	1 to 3 months	3 months to 1 year	More than 1 year	Total
31 December 2013	**K**	**K**	**K**	**K**
Assets				
Bank and cash balances	4,034,080	-	-	4,034,080
Held to maturity investments	-	101,162,788	-	101,162,788
License fee receivables	3,051,301	-	-	3,051,301
Other receivables	20,918,069	-	-	20,918,069
Amounts due from related parties	15,626,591	-	-	15,626,591
	43,630,041	**101,162,788**	**-**	**144,792,829**

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.

Notes to the Financial Statements (continued)

	2014	2013
	K	K

16. Financial instruments (continued)

Fair value measurements (continued)

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.
Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	K	K	K	K
Held to maturity investments	-	-	101,162,788	101,162,788
Other receivables	26,822,023	26,822,023	20,918,069	20,918,069
License fee receivables	30,633	30,633	6,569,068	6,569,068
Financial liabilities				
Sundry payables and accrued expenses	34,569,911	34,569,911	16,027,294	16,027,294
Amounts due to related parties	-	-	314,995	314,995

Fair value hierarchy as at 31 December 2014

	level 1	level 2	level 3	Total
Financial assets	K	K	K	K
Other receivables	-	26,882,023	-	26,882,023
License fee receivables	-	30,633	-	30,633
Financial liabilities				
Sundry payables and accrued expenses	-	34,569,911	-	34,569,911

Notes to the Financial Statements (continued)

	2014 K	2013 K

17. Related party transactions

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

- Government ministries and parastatals; and
- Members of the Governing Board 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

	2014 K	2013 K
Payments to Government	103,414,869	181,909,785

This represents payments made in compliance with Statutory Instrument No.15 of 2013 and other directives from the Ministry of Finance. Under other directives, the Government gave instructions for funds to be paid from the cash reserves held in investments. Included in the payments to Governments, are all cash receipts during the year in respect of licence fees receivable as at 1 January 2013 that have been remitted to Government and collections made on behalf of Government in 2014.

	2014 K	2013 K
Grant receivable for the year from the Government	105,803,253	104,963,544

ii) Amounts due from related parties

	2014 K	2013 K
Amounts due from the Government	-	15,626,589

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

iii) Amounts due to related parties

	2014 K	2013 K
Amounts due to the Government - collected licence fees (i)	**-**	**314,995**

i) This represents funds for remittance to Government that has not yet been transferred from the sweeping account to Central Treasury.

(ii) This represents the amounts due to Government for licence receivables not collected but invoiced. Once these amounts are collected they shall be remitted to the Central Treasury.

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

Notes to the Financial Statements (continued)

17. Related party transactions (continued)

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:

	2014 K	2013 K
(i) Key management personnel compensation		
Salaries and other short term benefits	8,993,587	6,437,975
(ii) Loans due from key management personnel	1,178,953	-

18. 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 employers 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).

Notes to the Financial Statements (continued)

	2014	2013
	K	K

18. Retirement benefits (continued)

Investment risk	The present value of the defined benefit plan liability is calculated 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 estates. 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 plans' 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 plans liability.

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

	2014	2013
Discount rate	19% p.a	16% p.a
General inflation	8.5% p.a	7.8% p.a
Salary inflation	11.5% p.a	10.8% p.a
Pension increase provision	8.5% p.a	7.8% p.a
Post retirement interest rate	9.7% p.a	7.6% p.a
Present value of obligations	2,057,276	7,436,201
Fair value of plan assets	(6,068,368)	(9,112,091)
Surplus on actuarial valuation	**(4,011,092)**	**(1,675,890)**

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows.

	2014	2013
Service cost:		
Current service cost	903,888	822,883
Employee contributions	(361,387)	(548,367)
Net interest expense	(268,142)	(233,666)
Components of defined benefit costs recognised in profit or loss	274,359	40,850
Increase in surplus on defined benefit plan	**2,335,202**	**118,116**

Notes to the Financial Statements (continued)

	2014 K	2013 K

18. Retirement benefits (continued)

The movements in the present value of the defined benefit obligation in the current year were as follows:

	2014 K	2013 K
Obligations		
Obligation at beginning of year	**7,436,201**	5,688,431
Interest cost	**838,120**	853,265
Service cost	**903,888**	822,883
Benefit payments	**(5,469,099)**	-
Actuarial loss/(gain)	**(1,651,834)**	71,622
Obligation at end of year	**2,057,276**	7,436,201

Movements in the fair value of the plan assets in the current year were as follows:

	2014 K	2013 K
Assets		
Asset value at beginning of year	**9,112,091**	7,246,204
Expected return on assets	**1,124,772**	1,206,004
Employer contributions	**1,144,162**	1,645,101
Benefits payments	**(5,469,099)**	-
Actuarial gain/(loss)	**156,442**	(985,218)
Asset value at end of year	**6,068,368**	9,112,091
Surplus on actuarial valuation	**4,011,092**	1,675,890

The fair value of the plan assets at the end of the reporting year for each category are as follows:

	2014 K	2013 K
Properties	**2,609,000**	3,856,089
Equity shares	**1,821,000**	2,690,292
Private debt	**910,000**	-
Government securities	**485,000**	2,331,587
Corporate bonds	**182,000**	144,447
Bank deposits	**61,000**	89,676
	6,068,000	9,112,091

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.

Notes to the Financial Statements (continued)

	2014 K	2013 K

18. Retirement benefits (continued)

Significant actuarial assumptions for the determination of the defined obligation 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 obligation 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.

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.

19. Contingent liabilities

There were no known significant contingent liabilities as at 31 December 2014.

20. Capital commitments

	2014 K	2013 K
Authorised by the board and contracted for	-	-

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.

22. Comparatives

Comparative figures have been restated (note 23) or reclassified to afford meaningful comparison with the current year

Notes to the Financial Statements (continued)

23. Prior year adjustment

	Note	Related parties	Cash and bank	Inventory	Other receivables	Accumulated Fund
Balance as at 1/1/2014 as previously reported		-	-	-	-	(213,872,042)
Amounts due to related parties written back (i)	24	3,051,301	-	-	-	(3,051,301)
Less transfers to the UAF						
Other receivables transferred (ii)					(18,058,634)	18,058,634
Cash and bank transferred			(26,629,201)	-		26,629,201
Inventory provision written back (ii)				5,493,532		(5,493,532)
Inventory transferred to UAF(ii)				(5,493,532)	-	5,493,532
		3,051,301	(26,629,201)	-	(18,058,634)	41,636,534
Restated balance as at 31 December 2013		**3,051,301**	**(26,629,201)**	**-**	**(18,058,634)**	**172,235,508**

Notes

(i) The Authority does not have the obligation to remit receipts from debtors balances prior to 1st January 2013 and hence, the reversal of the amounts due to related parties arising from debtors balances.

(ii) Previously the Universal Access Fund was accounted for on the Authority's Statement of Financial Position and contributions were accounted for as Income of the Authority. Separate financial statements have been prepared for the Fund and balances and contributions previously included in the financial statements of the Authority have been transferred to the Fund.

Appendix 1: Detailed Statement of Income and Expenditure

	2014 K	2013 K
Income		
Grant income	**105,803,253**	104,963,544
		123,243
Other income		
Interest on bank term deposits	**5,894,121**	14,091,843
Sundry income	**78,265**	504,235
Staff loans interest	**583,161**	294,013
Exchange gain	**281,617**	176,523
Bank interest	**43,137**	123,243
	688,031	15,189,857
Total income	**112,683,554**	120,153,400
Expenditure (Refer to pages 44 for details)	**(156,071,173)**	(112,758,400)
(Excess of expenditure over income)/Surplus of income over expenditure for the year	**(43,387,619)**	7,395,000

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

	2014 K	2013 K
Expenditure		
Salaries and wages	**57,381,419**	40,988,669
Gratuity and retirement benefits	**24,432,515**	11,613,274
Depreciation	**11,806,318**	10,677,316
Meetings and conferences - abroad	**9,462,673**	2,459,455
Special projects - Zamtel College operating expenses	**7,189,536**	4,786,071
Insurance	**2,847,869**	1,948,200
Advertising expenses	**2,918,163**	3,997,835
Postal National Addressing System	**2,746,698**	3,690,272
Workshop, seminars and training abroad	**2,224,239**	1,825,424
Service maintenance agreement	**2,195,201**	1,186,529
Hosting of workshops	**1,937,829**	2,057,561
Trade shows and exhibitions	**1,749,496**	1,448,730
Repairs and maintenance	**1,698,865**	1,493,848
Communications expenses	**1,315,986**	1,086,410
Subscriptions	**1,290,371**	934,189
Publicity and promotional expenses	**814,103**	927,395
Consumer awareness expenses	**552,918**	2,372,229
Projects - Zambia domain	**299,574**	1,101,989
Research and development	**184,564**	2,125,788
Balance carried forward	**133,048,336**	96,721,186

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

	2014 K	2013 K
Expenditure (continued)		
Balance brought forward	**133,048,336**	96,721,186
Board expenses	**3,735,539**	783,940
Project - Cyber Security	**1,949,349**	530,663
System operating expenses	**1,247,419**	834,907
Staff welfare	**997,496**	659,456
Tariff review expenses	**913,460**	344,281
Standards, engineering and technologies expenses	**862,979**	139,469
Outside services - security	**765,385**	626,540
Tender and evaluations expenses	**686,624**	565,858
Fuel, oil and lubricants	**647,018**	681,494
Printing and stationery expenses	**625,776**	519,667
Monitoring, compliance and inspection expenses	**612,708**	704,331
Meetings and conferences - local	**514,576**	554,244
Education and training	**505,040**	532,878
Quality of service monitoring expenses	**480,033**	323,129
Postal operating expenses	**465,169**	719,665
Outside services - other	**406,747**	414,587
Travelling expenses	**377,070**	352,195
Corporate social responsibility	**358,000**	389,854
Audit fees	**350,000**	290,000
Bank charges	**296,013**	250,875
Office consumables	**267,561**	219,937
Consultancy services	**165,326**	384,259
Uniform and protective clothing	**245,544**	148,719
Enforcement expenses	**235,721**	123,617
Library expenses	**195,023**	176,226
Recruitment expense	**193,285**	172,452
Electricity and water	**190,805**	160,926
Seminars and workshops - local	**133,059**	237,361
Subsistence and travel expenses	**123,861**	258,565
World Consumer rights day expenses	**80,704**	136,996
Projects - National computer incident response team	**69,339**	480,795
Rent and rates	**41,784**	189,413
Legal and professional charges	**170,000**	830,000
National Statistics update expenses	**-**	752,910
Balance carried forward	**151,956,749**	111,211,396

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

	2014 K	2013 K
Expenditure (continued)		
Balance brought forward	**151,956,749**	111,211,396
Collaborative activities	**806,908**	94,370
Public access centre expenses	**730,576**	27,327
Fixed site monitoring	**538,297**	489,453
Business continuity program	**387,758**	-
Loss on disposal	**190,857**	-
Type approval lab	**360,070**	-
Drafting of regulations and guideline-LRA	**326,871**	88,452
Exchange loss	**210,215**	71,655
Call centre expenses	**147,822**	25,508
Computer software and network expenses	**121,527**	62,002
Stamps and postages expenses	**99,886**	73,209
Business lunches and entertainment	**88,193**	132,736
Study tours - abroad	**37,093**	45,895
Project monitoring and evaluation expenses	**-**	22,795
Funeral expenses	**26,440**	21,512
World Telecoms Day expenses	**21,608**	126,544
Medical expenses	**19,921**	8,698
HIV/AIDS at work place	**-**	121,162
Project - Online licensing system	**-**	116,980
African Telecommunications Union Day	**-**	12,900
World Postal Day expenses	**-**	5,806
General legal expenses	**381**	-
Total expenditure	**156,071,173**	112,758,400
Surplus of income over expenditure for the year	**(43,387,619)**	7,395,000

Appendix 2 – Funds collected on behalf of Government

	2014 K	2013 K
Nature of funds collected on behalf of Government		
Annual operating fees	**45,375,979**	34,239,236
Radio license fees	**39,974,736**	25,491,378
Numbering fees	**9,570,191**	9,434,449
Private network fees	**3,755,559**	3,700,003
Sundry income	**1,328,213**	1,455,454
Type approval fees	**530,612**	197,609
Deferred income	**278,070**	2,690,000
Value added services	**84,153**	40,000
Total funds collected	**100,897,513**	77,248,129
Remittance to GRZ	**103,414,869**	181,909,785
Funds remitted to GRZ not relating to the year	**2,517,356**	104,661,656


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Zambia Information and Communications Technology Authority

Universal Access Fund

Financial Statements for the year ended
31 December 2014

Zambia Information and Communications Technology Authority
Universal Access Fund
Financial Statements for the year ended 31 December 2014

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Zambia Information and Communications Technology Authority
Universal Access Fund

Financial Statements for the year ended 31 December 2014

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 3 and 4.

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 2014 and its financial position as at that date, and have been prepared in accordance with the accounting policies set out at notes 2.1 to 2.9 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 5 to 24 were approved by the Board on ......08/04/16............ and were signed on its behalf by:

....

Board Chairman **Member of the Board**

Independent Auditor's Report

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

Report on the financial statements

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 2014, 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, which include a summary of Accounting Policies and other explanatory notes, as set out on pages 7 to 24.

Directors' responsibility for the financial statements

The Directors of the Zambia Information and Communication Technology Authority are responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies set out at notes 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 the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Universal Access Fund as of 31 December 2014 and of its operations and cash flows for the year then ended on the basis of the accounting policies described in note 2.1 and in the manner required manner required by the Information and Communication Technologies Act No. 15 of 2009 and the Information and Communications Technologies (Universal Access) Regulations, 2012.

Independent Auditor's Report (continued)

Other matter

The supplementary information set out on page 24 does not form part of the financial statements and is presented as additional information. We have not audited this information and accordingly we do not express an opinion on it.

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, except that the Universal Access Fund Account as envisaged by Section 70 and 71 of the Information and Communications Technologies Act No 15 of 2009 and the Information and Communications Technologies (Universal Access) Regulations, 2012 has not been set up in line with the provisions of the Act and the Statutory Instrument. The Authority has not appointed a Fund Manager to administer the Fund.

MPH

MPH Chartered Accountants

8/4/16

Lusaka, Zambia

Hampande Hachongo (AUD/000186)
Partner

Zambia Information and Communications Technology Authority
Universal Access Fund
Financial Statements for the year ended 31 December 2014

Statement of Comprehensive Income

	Note	2014 K	2013 K
Income			
Universal Access Contributions	2.2	**45,375,979**	33,660,830
		45,375,979	33,660,830
Other income			
Write back if inventory impairment provision		**1,955,601**	-
Interest income on bank term deposits		**10,851,898**	5,627,684
		12,807,499	5,627,684
		58,183,478	39,288,514
Expenditure			
Operating expenses	App 1	**(13,619,074)**	(19,265,730)
		(13,619,074)	(19,265,730)
Surplus of income over expenditure for the year		**44,564,404**	20,022,784
Other comprehensive income		-	-
Total comprehensive income for the year		**44,564,404**	20,022,784

Zambia Information and Communications Technology Authority
Universal Access Fund
Financial Statements for the year ended 31 December 2014

Statement of Financial Position

	Note	2014 K	2013 K
Assets			
Non-Current Assets			
Property and equipment	3	**72,976,861**	-
		72,976,861	-
Current Assets			
Other receivables	5	**-**	18,058,634
Held to maturity investments	6	**14,842,607**	24,402,915
Cash and bank balances	7	**1,432,771**	2,226,286
		16,275,378	44,687,835
Total Assets		**89,252,239**	44,687,835
Accumulated Funds and Liabilities			
Accumulated Funds		**89,252,239**	44,687,835
Total Accumulated Funds and Liabilities		**89,252,239**	44,687,835

The financial statements set out on pages 5 to 24, were approved and authorised for issue by the Board on ....08/04/16.......... 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 2014

Statement of Changes in Accumulated Fund

	Accumulated fund
	K
Balance at 1 January 2013	-
Seed Fund	75,471,519
Inventory transferred to the Fund from ZICTA	5,493,532
Surplus of income over expenditure for the year	20,022,784
Transfers to Government of the Republic of Zambia	(65,000,000)
Additional Seed Fund	8,700,000
Balance at 31 December 2013	**44,687,835**
Surplus of income over expenditure for the year	44,564,404
Balance at 31 December 2014	**89,252,239**

The Accumulated Fund represents the excess of income over expenditure accumulated 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 2014

Statement of Cash flows

	Note	2014 K	2013 K
Cash flows from operating activities			
Surplus of income over expenditure for the year		**44,564,404**	20,022,784
Adjustments			
Interest income on bank term deposits		**(10,851,898)**	(5,627,684)
Operating cash flows before movements in working capital		**33,712,506**	14,395,100
Movements in working capital			
Decrease/(Increase) in other receivables	5	**18,058,634**	(18,058,634)
Decrease/(Increase) in held to maturity investments	6	**9,560,308**	(24,402,915)
Net cash inflow generated from/(used in) operating activities		**61,331,448**	(28,066,449)
Cash flow from investing activities			
Expenditure on property and equipment	3	**(72,976,861)**	-
Net cash out flow from investing activities		**(72,976,861)**	-
Cash flows from financing activities and funds			
Interest received		**10,851,898**	5,627,684
Opening seed fund transferred		**-**	75,471,519
Inventory transferred		**-**	5,493,532
Additional seed fund		**-**	8,700,000
Transfer to Government Treasury		**-**	(65,000,000)
Net cash from financing activities		**10,851,898**	(30,292,735)
Increase in cash and cash equivalents			2,226,286
Decrease in cash and cash equivalents		**(793,515)**	-
Cash at the beginning of the year		**2,226,286**	-
Cash and cash equivalents at end of the year	7	**1,432,771**	2,226,286

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 notes 2.1 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 Act the Information and Communication Technologies Act No. 15 of 2009, at the rate not exceeding 1.5 percent of the gross annual turnover collected by the ZICTA.

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 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 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%

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 or 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 or 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 or 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 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 difficulty 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 or expenditure in the period in which they arise.

2.8 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.

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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.8 Critical accounting estimates and judgments (continued)

Critical judgments in applying accounting policies

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.

2.9 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)

	2014 K	2013 K
3. Property and Equipment		
Capital Work in progress		
Cost		
At 1 January	-	-
Additions	72,976,861	-
At 31 December 2014	72,976,861	-
Depreciation		
At 1 January	-	-
Disposals	-	-
Charge for the period	-	-
At 31 December	**-**	**-**
Carrying amount 31 December	**72,976,861**	-

The assets represent 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.

4. Inventory		
Mobile payphones transferred in	5,493,532	5,493,532
Impairment provision	(5,493,532)	(5,493,532)
Net inventory	-	-
Inventory written back	1,983,672	-
Inventory disposed of	(1,983,672)	-
Inventory at 31 December	-	-

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

Notes to the Financial Statements (continued)

	2014 K	2013 K
5. Other Receivables		
Prepayments	-	18,058,634
	-	18,058,634
6. Held to Maturity Investments		
365 days fixed term deposits	-	24,402,915
180 days fixed term deposits	14,842,607	-
	14,842,607	24,402,915
The fixed term deposits are held with the following financial institutions:		
Barclays Bank Zambia Plc.	14,842,607	24,402,915
Zambia National Commercial Bank Plc.	-	-
	14,842,607	24,402,915
Less: disclosed in the Statement of Finance Position as cash and bank balances (note 7)	-	-
Disclosed as held to maturity investments	**14,842,607**	**24,402,915**

7. Bank and cash 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	1,432,771	2,226,286
Fixed term investments classified under cash equivalents (note 6)	-	-
	1,432,771	**2,226,286**

		2014	2013
		K	K

8. Financial instruments

Categories of financial instruments

Financial assets

	Note		
Held to maturity investments	5	14,842,607	24,402,915
Cash and bank balances	6	1,433,771	2,226,286
		16,276,378	**26,629,201**

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 risks or the manner in which it manages and measures the risk.

Notes to the Financial Statements (continued)

8. Financial instruments (continued)

Foreign currency risk management

The Fund undertakes certain transactions dominated in foreign currencies. Hence, exposure to exchange rate fluctuations arises. 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. Kwacha accounts and local expenses are denominated in Kwacha.

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 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:

	2014 K	2013 K
Held to maturity investments	14,842,607	24,402,915
Cash and bank balances	1,433,771	2,226,286
	16,276,378	**26,629,201**

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

8. 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 2014	**K**	**K**	**K**	**K**
Liabilities				
Liabilities	-	-	-	-
	-	**-**	**-**	**-**
31 December 2014				
Assets				
Bank and cash balances	1,433,771	-	-	1,433,771
Held to maturity investments	-	14,842,607	-	14,842,607
	1,433,771	**14,842,607**	**-**	**16,276,378**

	2014	2013
	K	K

8. 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.

Notes to the Financial Statements (continued)

	2014	2013
	K	K

8. Financial instruments (continued)

Fair value measurements (continued)

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	K	K	K	K
Held to maturity investments	14,842,607	14,842,607	24,402,915	24,402,915

Fair value hierarchy as at 31 December 2014

	level 1	level 2	level 3	Total
Financial assets	K	K	K	K
Held to maturity investments	-	14,842,607	-	14,842,607
Financial liabilities				
Sundry payables and accrued expenses	-	14,842,607	-	14,842,607

Notes to the Financial Statements (continued)

	2014 K	2013 K

9. 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.

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

There were no amounts due to or from related parties at the year end. No transactions arose with related parties during the year.

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

10. Contingent liabilities

There were no known significant contingent liabilities as at 31 December 2014.

11. Capital commitments

	2014 K	2013 K
Authorised by the board and contracted for	39,158,731	70,250,754

12. 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.

Zambia Information and Communications Technology Authority
Universal Access Fund
Financial Statements for the year ended 31 December 2014

Appendix 1: Detailed Statement of Income and Expenditure

	2014 K	2013 K
Income		
Universal Access Contribution	45,375,979	33,660,830
	45,375,979	33,660,830
Sundry income		
Inventory	1,955,601	-
Interest income on bank terms deposits	10,851,898	5,627,684
	58,183,479	**39,288,514**
EXPENDITURE		
Special Projects – Connecting and Learning	3,429,426	10,175,406
Special Projects – Tertiary Institutions	368,672	-
Special Projects – Operating Tower Installations	6,780,083	431,900
Special Projects – Tower Installation	1,004,990	1,566,743
Special Projects – Computer Assembly Plant	51,554	1,584,854
Special Projects – monitoring & Evaluation	28,748	13,295
Inventory expensed	1,955,601	-
Inventory write off	-	5,493,532
Total expenditure	**13,619,074**	**19,265,730**
Surplus of income over expenditure for the year	**44,564,404**	**20,022,784**

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