



2018 ANNUAL REPORT



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ZAMBIA INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

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ACRONYMS

2G	Second Generation Mobile Network
3G	Third Generation Mobile Network
4G	Fourth Generation Mobile Network
CEC	Copperbelt Energy Corporation
DCA	Department of Civil Aviation
GPRS	General Packet Radio Services
GRZ	Government of the Republic of Zambia
GSM	Global System for Mobile Communication
ICT	Information and Communication Technology
ISP	Internet Service Provider
MNO	Mobile Network Operator
MoU	Memorandum of Understanding
MTN	MTN Zambia Limited
PSTN	Public Switched Telephone Network
SAT3/WASC	South Atlantic 3/West Africa Submarine Cable
SMS	Short Message Service
UASF	Universal Access and Service Fund
WACS	Submarine Communication 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

VISION

“A regulator advancing the nation to a digital society”



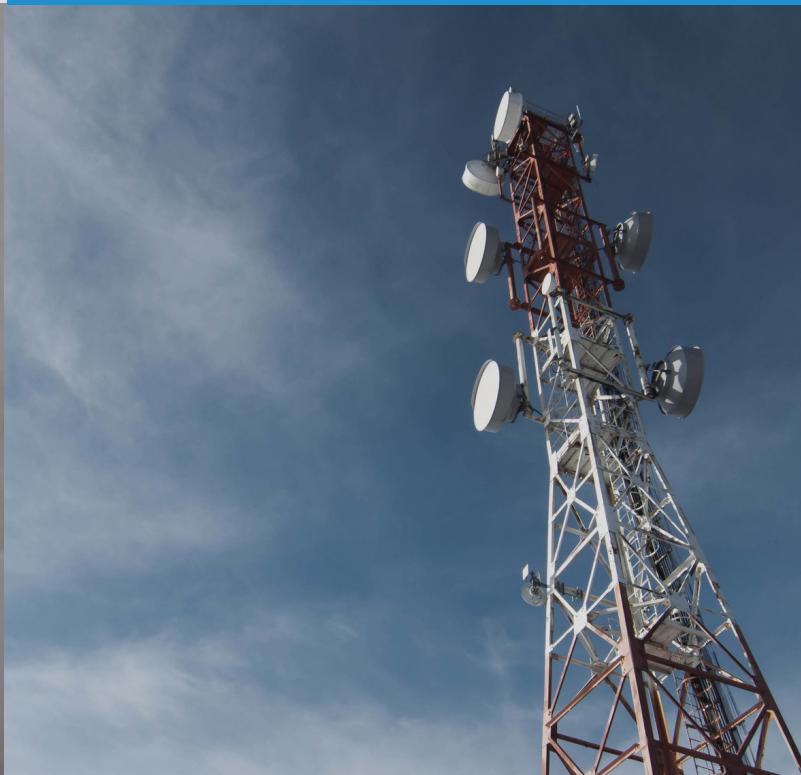
STRATEGIC GOALS

“To bridge the digital divide and increase access for all to ICTs by 2021”



MISSION

“To ensure quality, secure, accessible and affordable ICT services and products for all through effective regulation”



BOARD OF THE AUTHORITY



MR. EMMANUEL M. MUSONDA
BOARD CHAIRPERSON



ENG. MISHECK LUNGU
MEMBER



DR. CHILESHE MULENGA
MEMBER



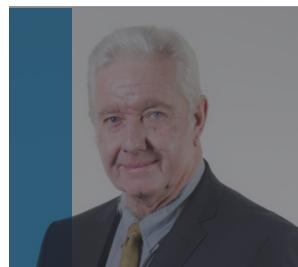
MR. ANDREW NKUNIKA
MEMBER



MR. VESTUS CHUNGU
MEMBER



MR. FRANCIS MWALE
MEMBER



MR. KEITH ASHERWOOD
MEMBER



ENG. PATRICK M. MUTIMUSHI
MEMBER



MR. BENIAH M. MUPENDA
AUTHORITY SECRETARY

STATEMENT BY THE BOARD CHAIRPERSON



I am pleased to share with you the Authority's Annual Report for the year ended December 31, 2018 as required by the Information and Communication Technologies Act No. 15 of 2009.

The year 2018 marked the second year of the implementation of the 2017 - 2021 strategic plan which aspired to transform the country into a digital society by the year 2021. Our vision was anchored on the national development agenda as espoused in the Vision 2030, the Seventh National Development Plan as well as the Smart Zambia Initiative. This was a deliberate effort to ensure that our efforts were aligned to the broader national development goals as set out by the Government.

As a Board, we continued to provide strategic oversight on the implementation of the Authority's strategic plan. The results of the continued effort to deliver on our mandate as an organisation were very evident on the market. For instance, the country attained a mobile penetration rate of over 90 percent in 2018. Further, a fourth mobile phone operator was also licensed in 2018 and was expected to commence operations in the country before the end of 2019. The Authority also issued a private signal distributor licence to GoTV Zambia that would facilitate digital terrestrial transmission of broadcasting signals across the country.

A Next Generation Networks Cost of Service study aimed at ascertaining the cost of delivering ICT services on next generation networks was commissioned in 2018. This was expected to have a significant impact on the regulation of tariffs applied on services offered in the country. The Authority also successfully undertook an ICT survey aimed at tracking progress in access and usage of ICTs across the country.

The Quality of Service Guidelines and the Consumer Protection Guidelines were also revised to ensure that consumers were guaranteed improved quality of ICT services. In order to enhance the capacity of the Authority to undertake its mandate, the Authority continued to attract new talent

and retain a significant proportion of its staff with a view to complement its organisational structure.

An important strategic objective adopted by the Authority in the strategic plan related to leveraging on partnerships for service delivery. In 2018, the Authority structured a number of partnerships aimed at enhancing its service delivery. Some of the entities that we continued to work with included, the Swedish International Development Cooperation Agency (SIDA) in the implementation of the ICT survey, the Zambia Environmental Management Agency (ZEMA) on matters related to environmental management; Barclays Bank Zambia Plc on the Innovation Programme and the Financial Sector Deepening Zambia (FSDZ) on digital financial services among others. We will continue to explore avenues of collaborating with other organisations with similar aspirations as the Authority.

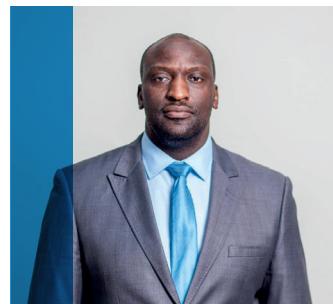
In 2019, the Authority intends to continue with its drive to achieve a digital society by 2021. We intend to support increased uptake of ICTs by implementing the findings of the Cost of Service Study. We will also continue to review the legal and regulatory framework to ensure that we provide a conducive environment for investment.

I would like to thank the Board, Management and Staff of the Authority for their continued commitment in the discharge of the mandate of Authority. We can all look forward to an even more successful year in 2019.



Mr. Emmanuel M. Musonda
Board Chairperson

MANAGEMENT TEAM



ENG. PATRICK M. MUTIMUSHI
DIRECTOR GENERAL



MR. THOMAS K. MALAMA
DIRECTOR LEGAL AND
REGULATORY AFFAIRS



MR. MULENGA M. CHISANGA
DIRECTOR ECONOMIC
REGULATION



MR. MOFYA CHISALA
DIRECTOR CONSUMER PROTECTION
AND INFORMATION
MANAGEMENT



ENG. MWENYA MUTALE
DIRECTOR TECHNOLOGY AND
ENGINEERING



MRS. PETHEL C. PHIRI
DIRECTOR FINANCE



MR. THOMAS MATANDALA
DIRECTOR HUMAN CAPITAL
DEVELOPMENT AND OPERATIONS

DIRECTOR GENERAL'S OVERVIEW



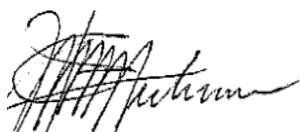
In the modern age of big data, fast and high connectivity, cloud computing and lightning-speed transactions, business is happening faster than ever across the global sphere. Government regulators and other players world over are putting in place strategies and regulatory mechanism to keep up with the increasing changes in business practices, technologies, and new growth areas within industries. However, more often than not, regulatory requirements change and compliance demands on organisations grow. As a regulator, we realise that the best way to contribute towards the attainment of a smart society is through transitioning

from a dependent, prescriptive, static uncontrolled regulatory regime to interdependent, collaborative and open market. We recognize that through collaborative regulation, the country will yield the full benefits of ICTs which cut across all economic sectors, thereby facilitating government's attainment of the Vision 2030 as well as the Smart Zambia Vision 2064, which will position Zambia as a regional and international flagship in the realisation of digital society. In order to achieve and safeguard these advancements, the Authority understands the need for a balanced regulation, that promotes self-regulation by industry players and allows for seamless communication which addresses cross-cutting issues such as data protection, financial inclusion, cyber security as well as cloud computing.

Further, in an environment where change is constant and rapid, the Authority remains abreast of advancements in technologies in the ICT sector. We remain committed to work hand-in-hand with all players and licensees and cross-sectoral stakeholders to ensure that the products and services offered by operators 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 interests were upheld without limiting innovation and growth among operators, the Authority signed a memorandum of understanding with relevant stakeholders such as the Bank of Zambia (BoZ) to facilitate collaboration on areas of common regulatory jurisdiction.

On behalf of Management and Staff, I would like to express my appreciation to the Ministry of Transport and Communications, the Board of the Authority as well as other strategic partners whose invaluable and immense contribution helped the Authority to achieve the set milestones in the year under review. We look forward to having a productive 2019.



ENG. PATRICK M. MUTIMUSHI
DIRECTOR GENERAL

STATEMENT ON CORPORATE GOVERNANCE



Mr. Benaiah M. Mupenda, Authority Secretary

ROLE OF THE BOARD

The Authority is governed by the ZICTA Board which is appointed by the Minister of Transport and Communications in terms of Part I of the First Schedule to the Information and Communication Technologies Act No. 15 of 2009 (ICT Act).

The primary responsibility of the Board is to provide governance and oversight functions to the Authority in accordance with the ICT Act, the Electronic Communications & Transactions Act No. 21 of 2009, the Postal Services Act No. 22 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 Authority Secretary as well as approve the appointment of senior staff of the Authority as recommended by the Director General.

In carrying out its responsibilities and exercising its powers, the Board recognizes its overriding responsibility to act honestly, fairly, diligently, and in accordance with the law. Individually and collectively, the Board upholds the good governance principles of discipline, transparency, independence, accountability, fairness and social responsibility.

COMPOSITION OF THE BOARD

The ICT 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 Zambia National Farmers Union;
- (e) one person nominated by the Zambia Consumers Protection Association;
- (f) one person nominated by the Law Association of Zambia;

STATEMENT ON CORPORATE GOVERNANCE

CONTINUED...

- (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 2018 financial year, the Board consisted of the following:

- Mr. Emmanuel M. Musonda
- Eng. Misheck Lungu
- Dr. Chileshe Mulenga
- Mr. Andrew Nkunika
- Mr. Francis Mwale
- Mr. Vestus Chungu
- Mr. Keith Asherwood (until October 26, 2018)
- Eng. Patrick Mutimushi (ex officio).

On a sad note, the Board lost one of the members, Mr. Keith Asherwood, who tragically passed away on 26th October 2018. Mr. Asherwood was also the Chairperson of the Technical Committee.

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
The Committee assists the Board in ensuring that policies and strategies essential for the discharge of the Authority's mandate are developed, that the legal framework within which the Authority discharges its mandate is adequate, and advises the Board on the Authority's regulatory functions such as licensing, enforcement of licence conditions, etc.

- Audit & Risk Committee

The Committee considers and makes recommendations to the Board regarding any appropriate matters relating to the management, monitoring, assessment or audit of the Authority's systems, processes, procedures, and discharge by the Authority of its duties including risk management.

- Technical Committee

The Committee oversees any appropriate technical related matters that the Authority may encounter both in the discharge of its regulatory mandate as well as in its operations such as quality of service, frequency assignment and spectrum monitoring, innovation and uptake of new technologies by entities in the sector.

- Finance, Human Resource and Administration Committee

The Committee makes recommendations to the Board on any appropriate matters relating to financial matters, human capital as well as general administration of the Authority.

In order to ensure that the Organization was effective, the Board placed a very high premium on sound governance systems throughout the year 2018. This was in line with the government's resolve to strengthen good corporate governance practices as evidenced by the enactment of the new Companies Act No. 10 of 2017 and the Public Finance Management Act No. 1 of 2018, both of which introduced fiduciary duties on the part of the members of the governing Board of Directors individually and collectively.

Some of the activities undertaken by the Board in this regard included the following:

- i. Corporate Governance Workshop

A Corporate Governance Workshop was held for the Board and members of Senior Management. The workshop took place on May 25 - 26, 2018 at Protea Safari Lodge in Chisamba.

The two-day programme took the format of six (6) presentations by accredited trainers from the Institute of Directors of Zambia (IoDZ) who were trained trainers in corporate governance by the Global Corporate Governance Forum (GCGF) of the International Finance Corporation (IFC). The topics covered included: Corporate Governance Overview and Ethical Leadership; the role of the Board and Governance of Strategy, Board Committees and Company Secretary, Strategic Leadership and Stakeholder Management.

STATEMENT ON CORPORATE GOVERNANCE

CONTINUED...

The IoDZ presented a revised Board Charter for ZICTA, the Authority's Governance Checklist and Assessment Tool and the Board Evaluation Questionnaire. This was followed by a plenary session, evaluation and recommendations.

ii. Adoption of Corporate Governance Tools

The Board adopted the revised Board Charter, Corporate Governance Checklist and Assessment Tool as well as the Board Evaluation Framework. The adoption of these corporate governance tools will go a long way in building a culture of good corporate governance within the institution. The formulation of these documents, which was facilitated by the IoDZ, ensured that the documents met best practice in corporate governance. The three corporate governance tools have since been operationalized.

iii. Review of Legal Developments

In September 2018, the Authority Secretary made a presentation on the implications of the new Companies Act No. 10 of 2017 on the operations of ZICTA, while a similar presentation was made in December 2018 regarding the Public Finance Management Act No. 1 of 2018. The resultant decisions ensured that all processes and procedures of the Authority were aligned to the changes in the law.

BOARD AND COMMITTEE MEETINGS

During the 2018 financial year, a number of Board and Committee meetings were held as follows:

i. Board Meetings

The Board had four (4) scheduled meetings, one at the end of each quarter, whose attendance was as follows:

	Name	Position	Scheduled Meetings	Meetings Attended
1	Mr. Emmanuel M. Musonda	Chairperson	4	4
2	Eng. Misheck Lungu	Member	4	3
3	Dr. Chileshe Mulenga	Member	4	2
4	Mr. Andrew Nkunika	Member	4	4
5	Mr. Francis Mwale	Member	4	2
6	Mr. Vestus Chungu	Member	4	4
7	Mr. Keith Asherwood	Member	4	2
8	Eng. Patrick M. Mutimushi	Member	4	3

ii. Committee Meetings

a) Audit & Risk Committee

The Committee held a total number of seven (7) meetings and the attendance was as follows:

	Name	Position	Scheduled Meetings	Meetings Attended
1	Mr. Vestus Chungu	Chairperson	7	7
2	Mr. Francis Mwale	Member	7	5
3	Mr. Andrew Nkunika	Member	7	7
4	Mr. Keith Asherwood	Member	7	4
5	Eng. Patrick M. Mutimushi	Member	7	7

b) Technical Committee

The Committee held a total number of four (4) meetings and the attendance was as follows:

	Name	Position	Scheduled Meetings	Meetings Attended
1	Mr. Keith Asherwood	Chairperson	4	2
2	Eng. Misheck Lungu	Member	4	3
3	Mr. Francis Mwale	Member	4	4
4	Mr. Vestus Chungu	Member	4	4
5	Eng. Patrick M. Mutimushi	Member	4	4

c) Finance, Human Resource & Administration Committee

The Committee held a total number of five (5) meetings and the attendance was as follows:

	Name	Position	Scheduled Meetings	Meetings Attended
1	Eng. Misheck Lungu	Chairperson	5	3
2	Dr. Chileshe Mulenga	Member	5	3
3	Mr. Kayula Chimfwembe	Member	5	4
4	Eng. Patrick M. Mutimushi	Member	5	5

d) Policy, Legal & Regulatory Affairs Committee

The Committee held a total number of four (4) meetings and the attendance was as follows:

	Name	Position	Scheduled Meetings	Meetings Attended
1	Mr. Andrew Nkunika	Chairperson	4	4
2	Eng. Misheck Lungu	Member	4	2
3	Dr. Chileshe Mulenga	Member	4	2
4	Eng. Patrick M. Mutimushi	Member	4	4



I.0. SELECTED RECENT GLOBAL DEVELOPMENTS IN THE ICT SECTOR



I.1. Global Trends in Access and Usage of ICT Services

The long-term upward trend in the adoption of Information and Communication Technology (ICT) services continued on its positive growth trajectory in 2018. Particularly, the world crossed the halfway line in 2018 with 51.2 per cent of the world population using the Internet. In recent years, however, growth rates for most indicators were more modest than in the first decade of the century largely because in many countries, especially in the developed nations, penetration rates were approaching saturation levels (see Figure 1).

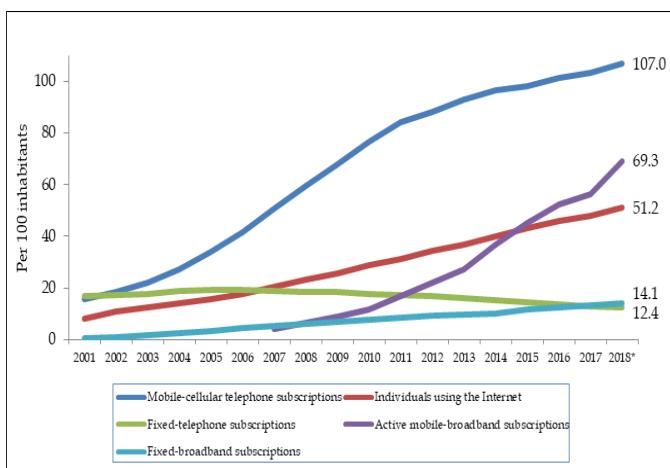


Figure 1: Global ICT Developments, 2001-2018*

Notes: * ITU estimate.

Source: International Telecommunications Union (2018) Measuring Information Society Report

I.2. Positive Growth Outlook for Mobile Industry by 2025

The GSM Association (GSMA) reported that there were about 5 billion unique mobile subscribers by the end of 2018. The global association forecasted the number of unique mobile subscribers to reach 5.9 billion by 2025, equivalent to 71% of the world's population. Growth was expected to be driven by developing countries, particularly India, China, Pakistan, Indonesia and Bangladesh, as well as Sub-Saharan Africa and Latin America. Further, 4G was projected to become the leading mobile network technology worldwide by more than 3 billion connections by 2019.

A number of mobile 5G commercial launches were expected over the next three years in North America and major markets across Asia and Europe. The number of Internet of Things (IoT) connections (cellular and non-cellular) was equally expected to increase more than threefold worldwide between 2017 and 2025. GSMA estimated the contribution of mobile technologies and services in 2017 at 4.5% of GDP globally, a contribution that amounted to US\$3.6 trillion of economic value added. By 2022, the contribution was projected to reach US\$4.6 trillion, or 5 percent of GDP.

I.3. General Data Protection Regulations Effected

In May 2018, the General Data Protection Regulation (GDPR) came into effect. The GDPR was a new regulation which intended to strengthen and unify data protection law within the European Union. Through a range of far-reaching provisions, the European Commission aimed to give data subjects across Europe increased ownership and control over their personal data assets, ensuring the right to a private life, and to provide a simplified "one-stop shop" regulatory environment for the acquisition, the use and the storage of the personal data of European citizens. The GDPR would apply to any business or entity, regardless of their geographical location, that held or processed the personal data of EU citizens. The GDPR had a broad definition of personal data and it included genetic, biometric, cultural, political, economic, social, mental and religious information.

I.4. First-Ever Southern Transatlantic Cable Scheduled for Operations

The first ever transatlantic broadband submarine cable in the southern hemisphere, the South Atlantic Cable System (SACS) was scheduled to begin carrying its first commercial traffic in 2018. The cable would provide a more direct and lower-latency route between African markets and the United States of America. The 6,300km SACS cable had a design capacity of 40Tbit/s using 100Gbit/s dense wave-division multiplexing technology and was made up of four fibre pairs, connecting Luanda in Angola to Fortaleza in Brazil.

<https://www.gsma.com/mobileeconomy/wp-content/uploads/2018/05/The-Mobile-Economy-2018.pdf>

https://www.itu.int/en/ITU-D/Statistics/Documents/publications/misr2017/MISR2018_VolumeI.pdf

The GSM Association is a trade body that represents the interests of mobile operators worldwide, uniting nearly 800 operators with almost 300 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and internet companies, as well as organisations in adjacent industry sectors.

It also connected to the 10,000 km-plus Monet cable, which ran between Miami in the US and São Paulo in Brazil. The new route was expected to slash latency, or network round-trip round times, between Africa and Brazil and Africa and the US. There would also be a ring in the Atlantic Ocean, providing an alternative route to the northern transatlantic systems.

I.5. GSMA Launches Global Mobile Money Certification Scheme

During the year 2018, the GSMA announced the launch of the GSMA Mobile Money Certification, a global scheme for mobile money providers to offer safer, more transparent and more resilient financial services to millions of mobile money users around the world. The certification relied on an independent assessment of a mobile money provider's ability to deliver secure and reliable services, to protect the rights of consumers and to combat money laundering and terrorism financing. The certification was designed to enhance consumer trust and accelerate commercial partnerships by setting a high bar to which all providers could aspire. The certification criteria complemented the providers' compliance efforts and went beyond regulation in its detail and scope, defining and promoting industry best practices in detail.

I.6. Internet Society partners with Facebook to expand Internet connectivity in Africa

The Internet Society, a global non-profit organization dedicated to the open development, evolution and use of the Internet, partnered with Facebook to develop Internet Exchange Points (IXP) throughout Africa. An Internet Exchange Point was where multiple local and international networks, ISPs and content providers interconnected their networks together to efficiently exchange Internet traffic through an arrangement commonly referred to as Peering. By the end of 2018, 42% of countries in Africa lacked IXPs, which meant that most of their domestic Internet traffic was exchanged through points outside their respective country, usually through satellite or submarine fibre across multiple international hubs to reach their destination.

<http://westondigital.com/index.php/about-us/news/79-an-introduction-to-the-gdpr>

<https://techcentral.co.za/first-southern-transatlantic-cable-in-service-soon/82101/>



2.0. SELECTED LOCAL DEVELOPMENTS IN THE ICT SECTOR

2.1. Issuance and Renewal of Licences to Operators in the ICT Sector

As at the end of December, 2018, there were a total of 87 valid licences in the ICT sector. The Authority issued five (5) Network licences, four (4) Service (Category A) licences and three (3) Service (Category B) licences. Further, three (3) Network licences and one (1) Service (Category B) licence were renewed. (See Table I).

2.3. Issuance of Signal Distribution Licence to GOtv

In March 2018, ZICTA issued GOtv Zambia limited with a notification of award for a network licence of a private signal distributor which authorized the company to install and operate a digital terrestrial television distribution network. Following the fulfilment of the required processes, the Authority accordingly issued GOtv with the network licence of a private signal distributor.

Table I: Number of Licensed Operators in the ICT Sector as at December 31, 2018

No.	Type of Licence	Coverage	Number of Licences 2017	Number of Licences 2018
1	Network (Service & Facilities)	International	03	4
		National	56	41
		Provincial	1	1
		District	1	3
2	Service (With a Network- Category A)	National	29	30
		Provincial	0	0
		District	0	1
3	Service (Without a Network- Category B)	National	6	7
		Provincial	0	0
		District	0	0
Total			96	87

2.2. Issuance of Licences to Operators in the Postal Services Sector

Following the issuance of the Postal and Courier Services regulations by the Minister of Transport and Communications in 2016, providers of postal and courier services were required to obtain licenses from ZICTA. As at the end of December 2018, a total of 23 licences were issued to operators in the Postal and Courier services sector. They constituted one (1) Public Postal Operator Licence issued to Zampost Limited; 13 international and domestic courier services licenses, eight (8) domestic courier services licenses and one (1) local courier services licence. The Authority issued six (6) International and Domestic Courier Licence licences and three (3) Domestic Courier Licences in 2018.

2.4. Awarding of a Fourth Mobile Operator Licence

In 2018, ZICTA awarded a 4th mobile network operator (MNO), UZI Zambia Limited, with a Licence. The Licence was for a Network Licence under the International Market Segment and a Service Licence under the National Market Segment. UZI Zambia Limited pledged a US\$350 million investment and the creation of 450 direct employment opportunities. The company intended to roll out 4G/LTE network country wide and deploy over 100 universal access sites in Zambia.

2.5. MTN Zambia launches TeleSchool

MTN Zambia, in September 2018, launched TeleSchool noting the role that technology played in helping students perform better in grade twelve examinations. Through

<https://www.gsma.com/newsroom/press-release/gsma-launches-global-mobile-money-certification-scheme/>

<https://www.internetsociety.org/news/press-releases/2018/internet-society-partners-with-facebook-to-expand-internet-connectivity-in-africa/>

a partnership with the Ministry of General Education and the Zambia Teachers Forum, MTN launched TeleSchool, an initiative that would deliver education to a wider group of students across the country and bridge the learning gap in an effort to support the Zambian government's target of increasing the teacher to student ratio by having 55,000 teachers over the next 10 years. It was envisaged that the initiative would address the obstacles in the present system by providing tutorial lessons and training through social media in the main subjects such as Mathematics, Science, Biology and English which would be supported by MTN's countrywide network coverage.

2.6. ZICTA and Childline/Lifeline Zambia Launch Online Reporting Portal for Child Sexual Abuse Content

ZICTA, in partnership with Childline/ Lifeline Zambia and Internet Watch Foundation (IWF) launched an online child sexual abuse reporting portal in the second half of 2018. The IWF portal would be Zambia's first online mechanism for reporting child sexual abuse imagery, enabling citizens to report child sexual abuse images discovered on the internet. It would also be used for information dissemination on how children could stay safe online. The IWF reporting portal in Zambia would be set up at no cost using the grant from the WeProtect Global Fund to end violence against children. Zambia became the 24th nation to join IWF global reporting network, and the 6th country to benefit from a portal funded by the Global Fund. One of the SDGs was to end all forms of violence by 2030, even online, under SDG 16 which aimed to end abuse, exploitation, trafficking and all forms of violence against and torture of children.

2.7. MTN Zambia and NAPSA Partner to Introduce Mobile Solution for Payment of Contributions

In an effort to drive the use of mobile money and broaden the options for paying employees' contributions, the National Pension Scheme Authority (NAPSA) and MTN Zambia, partnered to launch a Mobile Money payment option and USSD for submitting monthly returns. MTN Zambia provided the technology that allowed MTN customers to pay NAPSA contributions for their workers. NAPSA Director General, Mr. Yollard Kachinda, viewed the development as a step towards broadening of

payment options which would ease the compliance burden and result in higher employer productivity since employers would not be required to visit NAPSA offices and queue up in order to pay contributions. The mobile phone-based platform was seen to be convenient and cut on the cost of doing business, as members would be able to pay NAPSA contributions from anywhere.

2.8. ZANACO and Airtel Money Form Mobile Money Partnership

Zanaco and Airtel Zambia partnered to allow Airtel Money Agents and Dealers to deposit cash into their Airtel Money wallet at any Zanaco branch or Zanaco Express shop across the country. The partnership was viewed as a great opportunity to enhance already existing platforms and also encourage customers to move from exclusively cash-based transactions to formal digital financial services. The new partnership was earmarked to increase mobile money users' access to cash from Zanaco's over 1000 booths across the country.

2.9. Zamtel and ZRA Launch Joint Tax Payment Service

State owned telecommunications company Zamtel in partnership with the Zambia Revenue Authority (ZRA) announced the launch of a mobile tax payment system using Zamtel Kwacha. The move would see Zamtel customers remit all their domestic taxes such as Turnover Tax, Base Tax, Income Tax, VAT, Withholding Tax and Pay As You Earn via the Zamtel Kwacha platform. Other tax types covered under this innovation included Property Transfer Tax, Mineral Royalty, medical Levy Tax, Presumptive Tax and Insurance Premium Levy. The mobile tax payment platform would also be used to capture millions of informal sector players such as Marketeers and Small Scale Traders by the Zambia National Marketeers Credit Association (ZANAMACA) who have been engaged by the ZRA to act as a tax agent in the collection of base tax.

2.10. MTN Zambia Launches New Number Range, 076

In the 4th Quarter, MTN Zambia announced the launch of an additional new number range of 076 and expansion of the existing number range aimed at allowing new customers to join the network and reserve up to four numbers of their choice. Existing customers would have the same offers as the 076-number range.

Customers would be given an opportunity to reserve a special number of their choice or use a special date as their mobile number and once the number was reserved, the customer had 7 days to redeem their number at any MTN outlet.

2.11. Liquid Telecom Completes Acquisition of CEC Liquid Telecom Zambia

Towards the close of the 2018 financial year, Liquid Telecom completed the acquisition of the remaining 50% stake in its Zambian subsidiary, CEC Liquid Telecom, from Copperbelt Energy Corporation PLC. The acquisition would help facilitate the group's digital transformation strategy through an enhanced operating model and the benefit of 100 per cent of the cash flows from CEC Liquid Telecom and its retail arm, Hai Zambia. The Liquid Telecom Group viewed the acquisition of CEC Liquid Telecom as another major milestone towards the delivery of Liquid Telecom's vision to build Africa's digital future. Liquid Telecom and CEC first entered into the joint venture in 2011, and it had invested in the rollout of a fibre optic network across Zambia making it deliver some of the country's and Africa's fastest broadband speeds.

2.12. Zamtel Switches on 4G on the Copperbelt

Zamtel announced the launch of 4G network on the Copperbelt for its mobile customers. The 4G network which offered superfast internet download speeds on mobile in excess of 30Mb/s was switched on and commercially available to all mobile users on the Copperbelt. 4G network sites were deployed in Kitwe, Chingola, Mufulira, Chambishi, Lufwanyama, Chililabombwe and Kalulushi including the border town of Kasumbalesa. The launch of the 4G network followed the successful deployment of the 4.5G Home package in November 2016, a service which had been well received by corporates and home users. Zamtel confirmed that the primary objective for investing in the next generation 4G technology on mobile was to ensure that Zamtel was able to handle rising volumes of data traffic arising from the huge appetite for high speed internet on the Copperbelt.



<http://www.napsa.co.zm/mtn-zambia-partners-napsa-introduce-mobile-solution-payment-contributions-2/>

Blog: <https://www.linkedin.com/in/sandi-chimpala-0a42a359/>

<https://tiozambia.com/zamtel-zra-launch-mobile-money-tax-payment-system/>

<https://www.telecompaper.com/news/mtn-zambia-launches-new-range-of-numbers-under-076-prefix--1265725>

<http://extensia-ltd.com/liquid-telecom-completes-zambian-acquisition-as-it-names-two-regional-ceos/>

<https://www.lusakatimes.com/2018/11/21/zamtel-switches-on-mobile-4g-on-the-copperbelt/>



3.0. PERFORMANCE OF THE ICT SECTOR

3.I. Mobile Telephony

3.I.I. Active Mobile Network Subscriptions

The total number of active mobile telephone subscriptions increased by 15.1 percent to reach 15.5 million subscriptions at the end of 2018 compared to 13.4 million reported at the end of 2017. The subscription level represented an improvement in penetration rates from 81.9 percent recorded at the end of 2017 to 91.6 percent in 2018. The sharp growth in penetration could partly be explained by heightened competition among the operators, evident from the numerous promotions on the market, which continued to provide an incentive for multiple subscription across operators.

Zambia had a market share of 38.1 percent. Zamtel had the least market share in mobile subscribers of 16.5 percent. Notwithstanding, Zamtel recorded its highest market share since 2014 thus reflecting an evolving positive participation of Zamtel in the competition landscape for mobile telecommunication services.

3.I.3. Mobile Voice Call Traffic Volumes

3.I.3.I. Domestic Traffic

The total domestic outgoing minutes, defined as the total number of minutes originating on domestic mobile networks to either within the same mobile network or to another domestic mobile network increased by 40.2

Table 2:Trends in Mobile Network Subscriber Base 2016 - 2018

Year	2016	2017	2018	Change
Number of Subscribers	12,017,034	13,438,539	15,470,270	2,031,731
Penetration Rate	74.9%	81.9%	91.6%	15.1%

Improvements in coverage arising mainly from new investments in the network by operators in 2018 complemented the growth outturn. Further, the growing emergence of machine to machine (M2M) services such as point of sale and other data based devices that utilize sim cards equally spurred growth in penetration.

3.I.2. Market Shares of Mobile Network Subscription

MTN Zambia Limited and Airtel Zambia Limited continued to have relative dominance in subscription over Zamtel. At the end of 2018, MTN Zambia Limited had the largest market share of 45.4 percent while Airtel

percent from 9.9 billion minutes recorded at the end of December 2017 to 14.0 billion minutes recorded at the end of December 2018. Similarly, Domestic incoming mobile voice traffic, defined as the total number of minutes received on domestic mobile networks from either within the same mobile network or from another domestic mobile network, increased from 1.6 billion minutes recorded at the end of December 2017 to 2.0 billion minutes reported at the end of December 2018 reflecting an improvement of 25.9 percent. mobile networks to either within the same mobile network or to another domestic mobile network increased by 40.2 percent from 9.9 billion minutes recorded at the end of

Table 3:Trends in Mobile Network Market Share 2016 - 2018

Year		2016	2017	2018	Change
Airtel Zambia	Number	4,971,355	5,332,496	5,897,968	565,472
	Market Share	41.4%	39.7%	38.1%	-1.6%
MTN Zambia	Number	5,801,562	5,972,449	7,016,393	1,043,944
	Market Share	48.3%	44.4%	45.4%	1.0%
ZAMTEL	Number	1,244,117	2,133,594	2,555,909	422,315
	Market Share	10.4%	15.9%	16.5%	0.6%
Total		12,017,034	13,438,539	15,470,270	2,031,731

December 2017 to 14.0 billion minutes recorded at the end of December 2018. Similarly, Domestic incoming mobile voice traffic, defined as the total number of minutes received on domestic mobile networks from either within the same mobile network or from another domestic mobile network, increased from 1.6 billion

Table 4:Trends in Incoming and Outgoing Domestic Mobile Voice Traffic

	2016	2017	2018	Percentage Change
Traffic domestic Incoming Minutes	1,089,330,526	1,614,112,062	2,031,404,096	25.9%
Traffic domestic Outgoing Minutes	11,500,328,930	9,967,432,124	13,975,890,482	40.2%

minutes recorded at the end of December 2017 to 2.0 billion minutes reported at the end of December 2018 reflecting an improvement of 25.9 percent. The increase in the domestic traffic could partly be explained by heightened volume based bundled price offered on the market that had received wide adoption and it was also complemented by the exponential uptake of services evident from the increases in the mobile penetration rate.

3.1.3.2. International Traffic

Incoming international traffic continued to decline in 2018, falling by 39.5 percent from 61.8 million minutes reported at the end of 2017 to 37.4 million minutes reported at the end of 2018. Similarly, outgoing international traffic declined by 7.5 percent from 43.1 million minutes reported at the end of 2017 to 40 million minutes recorded at the end of 2018. The performance could partly be explained by the increasing adoption of internet-based applications like WhatsApp, Skype and Viber among others to make international voice calls. In addition, adverse practices such as SIM boxing, a consequence of least cost routing could also explain the decline in international incoming traffic.

3.2. Fixed Telephony

3.2.1. Active Fixed Telephony and Penetration

There was a relative decrease of 0.99 percent in the number of active fixed telephone (PSTN) subscribers between December 2017 and December 2018. A total

of 100,444 active PSTN subscribers were reported at the end of 2018 relative to 101,444 reported at the end of 2017. The performance reflected a deterioration in fixed telephone penetration from 0.62 percent reported in 2017 to 0.59 percent in 2018. The dwindling penetration rates were partly on account of the fixed to mobile substitution by consumers.

3.3. Internet Usage

Access to Internet services in the country increased from a total of 7.8 million active internet users in 2017 to 9.8 million active users reported in 2018. The improvement reflected an increase in the internet penetration rate from 47.3 percent to 58.4 percent. The exponential increase in internet penetration was partly explained by improvements in price offerings on the market amid heightened competition among providers, increased investment among providers leading to extensive coverage and the increased adoption of emerging technologies such as 4G/LTE. Further, the increased roll out of networked devices such as point of sale machines has in part influenced the growth of mobile internet uptake.

Table 5:Trends in Incoming and Outgoing International Mobile Voice Traffic

	2016	2017	2018	Percentage Change
Traffic International Incoming Minutes	72,816,296	61,794,578	37,414,374	-39.5%
Traffic International Outgoing Minutes	86,757,866	43,146,291	39,891,483	-7.5%

Table 6:Trends in Penetration Rate for Fixed Telephone Service 2016 - 2018

	2016	2017	2018
Population Estimate	16,037,474	16,405,229	16,887,720
Number of active Subscribers	101,407	101,444	100,444
Subscriber per 100 inhabitants	0.63	0.62	0.59
Percentage Change	(12.1%)	0.04%	(0.99%)

On the other hand, subscription to fixed internet services increased by 19.2 percent from 36,121 subscribers reported in December, 2017 to 44, 711 subscribers reported in December, 2018. The performance was partly on account of more competitive price offers by fixed operators especially for household clients. However, the majority of fixed internet subscribers were corporate entities mainly on account of their preference for higher capacities.

by 5.0 percent from 2017 figures. The drop was attributed to a significant drop in employment among mobile network operators. Employment dropped by 7.0 percent in 2018 for MNOs. However, employment increased by 14.7 percent for internet service providers and 4.9 percent for carrier of carriers but remained unchanged for the infrastructure operator.

3.4. Employment in the ICT Sector

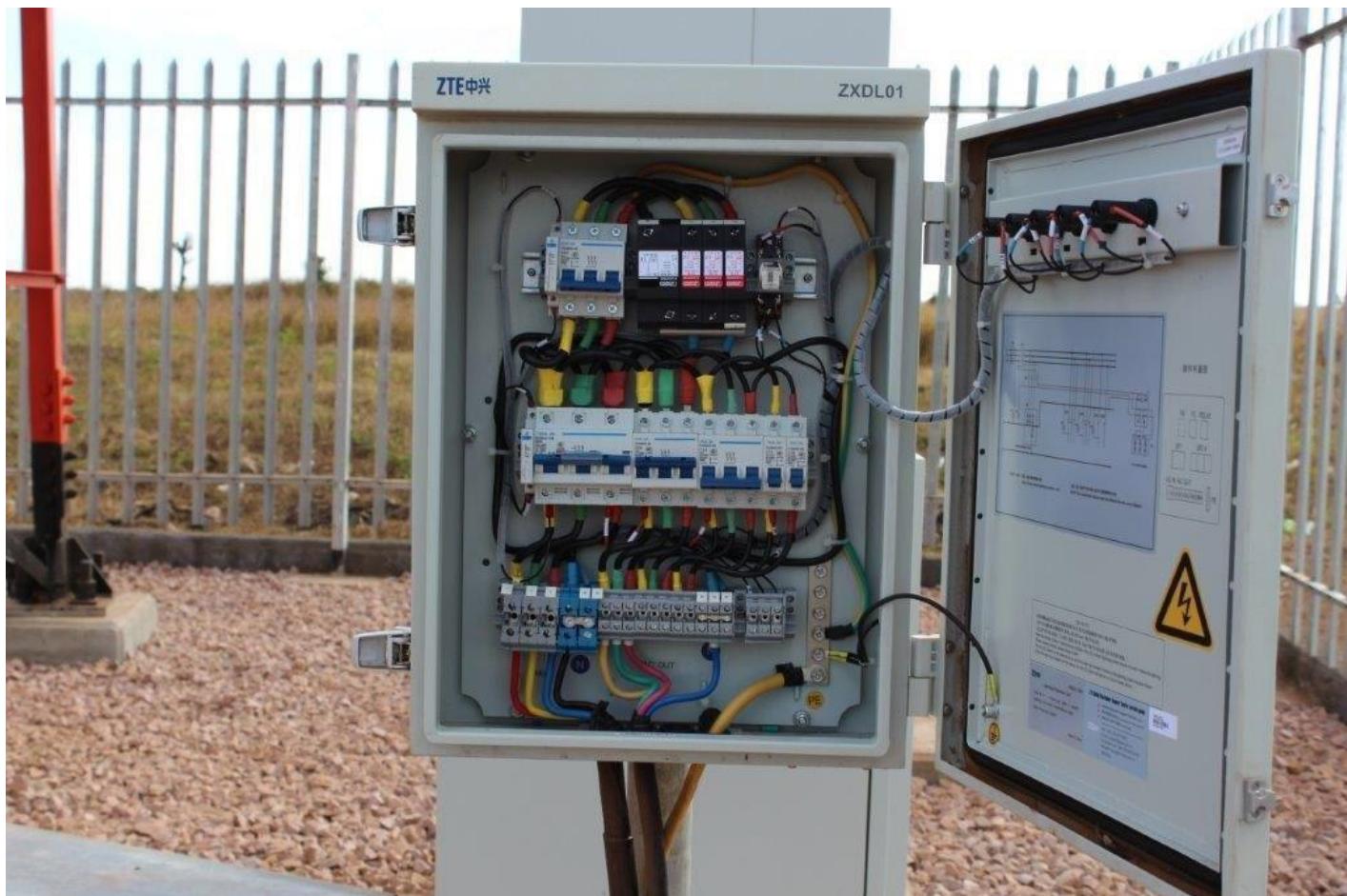
Employment opportunities created by licensees had continued to drop from 2016 to 2018. In 2018, the total number of persons employed among licensees decreased

Table 7: Trends in the Internet Usage and Penetration 2016 - 2018

Internet Usage	2016	2017	2018
Internet Subscription – Fixed Wireless	35,919	36,121	44,711
Internet users Per 100 Inhabitants	0.22	0.2	0.3
Mobile Internet Users - Smartphones/Blackberry/Dongles	5,156,365	7,723,855	9,825,716
Mobile Internet users Per 100 Inhabitants	32.20%	47%	58.2%
Internet Users – fixed wireless & Mobile Internet Usage	5,192,284	7,759,976	9,870,427
Internet Usage Per 100 Inhabitants	32.40%	47.3%	58.4%

Table 8: Employment in the ICT Sector by Operator Type 2016 - 2018

	2016	2017	2018	Percentage Change
Mobile Network Operators	1,417	1,308	1,217	(7.0)
Internet Service Providers	572	558	640	14.7
Carrier of Carriers	168	184	193	4.9
Infrastructure Operator	107	108	108	0.0
Total	2,264	2,158	2,050	(5.0)



4.0. ECONOMIC REGULATION

4.1. ICT Innovation Programme

During the year under review, ZICTA and Barclays Bank Zambia PLC entered into a partnership to support the ICT innovation programme. The bank provided K350,000 to the programme in 2018. The sponsorship went towards facilitating the various needs of the programme as well as publicizing it and providing seed capital to develop the innovations that emerged as most promising in 2018. Additionally, the funding allowed the Authority to enroll up to 60 projects into the nurturing platform. The programme was earmarked to close in early 2019 and would give up to K325,000 in monetary grants to the top five (5) innovators to further develop their prototypes.

4.2. Annual ICT Sector Market Report for 2017

The Authority produced the ICT Sector Annual Market Report for 2017. The Report was subsequently submitted to the Ministry of Transport and Communications as well as the Ministry of Finance. The Authority produced a total of four quarterly market reports for the year. Additionally, the various metrics pertaining to sector performance per quarter were posted on the ZICTA website.

4.3. Digital Financial Services Working Group

Following the recommendations from the study of institutional roles in the regulation of Digital Financial Services (DFS), a working group was established comprising the Bank of Zambia (BoZ) and the Competition and Consumer Protection Commission (CCPC). The Committee's objectives, among others, were to carry out consumer protection for DFS users as well as encourage interoperability of networks amongst DFS providers.

4.4. Inter-Governmental Group of Experts on E-Commerce and Digital Economy

The Authority drafted a paper titled "The Zambian Experience and Practices in the Usage and Adoption of Digital Platforms" for the attention of the Permanent Mission of the Republic of Zambia to the United Nations in Geneva, Switzerland. The input was submitted for consideration at the second session of the



Mr. Mulenga M. Chisanga, Director Economic Regulation

Intergovernmental Group of Experts on E-Commerce and The Digital Economy to be held in Geneva, Switzerland from April 18 to 20, 2018. The paper was conceived in an effort to share best practices as well as possibly receive advice on ways to enhance current efforts aimed at bridging the divide in access and usage of digital platforms. The document also highlighted some of the key opportunities and challenges to allow a more widespread usage and development of robust digital platforms in the country.

4.5. Research and Studies

In the 2018 financial year, the Authority undertook various

studies in line with the institution's Action Plan for the year. Key among these included the following:

4.5.1. 2018 National ICT Survey on Households and Individuals

The Swedish International Development Agency (SIDA) through the Embassy of Sweden signed a grant agreement with ZICTA to support the implementation of the 2018 ICT survey amounting to a total of Three Million Swedish Kroner (SEK 3,000,000).

The survey was undertaken primarily to measure progress in access and usage of selected ICT/telecommunication products and services such as radio, television, fixed lines, mobile phones, internet services and digital financial services among individuals, households and firms in Zambia. Furthermore, the survey sought to gather insights on some of the important attributes about consumers' experiences while using ICT products and services.

Data collection was carried out in 2018 with dissemination of the survey findings earmarked for the first quarter of 2019.

4.5.2. ICT and Postal Sector Market Reviews

In the first half of the year, the Authority conducted ICT and Postal Sector Market Reviews. The reviews were aimed at assessing the current operational and behavioural developments in the market following the implementation of the respective licensing frameworks. Ultimately, the studies were expected to assist the Authority to effectively regulate the ICT as well as the Postal and Courier Sector by mitigating any observed anti-competitive practices in the markets.

4.5.3. Platform for Publication of ICT Research and Studies

The Authority received papers on pertinent ICT and Postal sector matters from various researchers countrywide following a call for papers. The papers were invited with a view to developing a compendium of research work undertaken by various researchers in Zambia relating to various issues of an ICT or Postal nature. The papers received from various researchers across the country were circulated with to the External Review Team which upon review of the submissions recommended six (6) papers for inclusion into the journal. The journal was earmarked for publication in the

year 2019.

4.5.4. Impact Evaluation for the National Addressing and Post Code Project

The Authority undertook an impact evaluation of the National Addressing and Post Code Project. The impact evaluation sought to ascertain the extent to which the project goals had been realised and to identify any shortcomings following the implementation of the project by the Authority under the first phase. The assessment was also aimed at establishing whether there were any challenges relating to the implementation that could be useful at informing the effective scale up of the project.

4.5.5. Cloud Computing Study

The Authority conducted a Cloud Computing Assessment study during the third quarter of 2018. The study among other things highlighted the challenges and prospects in the market segment and recommended regulatory and policy action that could support growth and development of the sub sector.

4.6. Next Generation Network/Access Cost of Service Study

Section 47 of the ICT Act prescribed that tariffs for electronic communication services should be transparent, non-discriminatory and based on costs not exceeding the cost of providing the service. The Act also provided that the Authority should conduct reviews of the tariffs so as to ensure conformity to the provisions of section 47.

In 2018, the Authority engaged the services of Analysys Mason, a UK based consulting firm, to conduct a comprehensive cost of service study focused on next generation networks, access, broadband and broadcasting services. The rationale for the study was premised on the shift in the market that had been brought about by technological advances and the convergence of all applications and services onto a single Next Generation IP based network.

The main objective of the study was to develop an NGN/A based cost model for wholesale and retail electronic communication services in Zambia. Further, the study was extended to developing a cost model for the optic fibre backbone, access network as well as the Digital Terrestrial Transmission (DTT) Signal Distribution

Network.

By close of the year, the Consultant had submitted final copies of the seven (7) modules for the NGN/A Cost of Service Study as follows:

- a) Weighted Average Cost of Capital (WACC);
- b) Mobile Network Module;
- c) Mobile Retail Module;
- d) Broadcasting Network Module;
- e) Fixed Access Network Module;
- f) ISP Core Network Module; and
- g) ISP Retail.

The models were shared with the Licensees to enable them thoroughly review and interrogate the input parameters to the models before commencing with the implementation. A number of comments and subsequent clarifications were provided to the industry stakeholders. In instances, where comments from stakeholders were valid, the relevant adjustments were made to the model parameters resulting in more robust and accurate models. The results of the cost of service study were scheduled for implementation in the first quarter of 2019.

4.7. Review of Access Regulations

The Authority carried out a holistic review of SI No. 57 Access Regulations aimed at enhancing infrastructure sharing in the ICT Sector following the implementation of the new Licensing Framework. Infrastructure sharing was aimed at lowering the barriers to entry in the ICT Sector thereby enhancing competition which in turn was expected to improve quality of service and affordability of ICT products and services. The proposed amendments to SI No. 57 Access Regulations were submitted to the Ministry of Transport and Communications who in turn submitted them to the Ministry of Justice.

4.8. ICT Sector Market Review

The Authority reviewed the ICT Sector Relevant Markets following the implementation of the new Licensing Framework. The Review Report among other things highlighted the challenges faced by the ICT sector such as:

- a) Challenges related to vertical integration and price undercutting;
- b) Discriminatory pricing in collocation services;
- c) Limited oversight on wholesale and intermediate segments of the market; and

- d) The increase in the cost of licensing for VAS and Private Network services.

The Report proposed recommendations aimed at dealing with the identified challenges and the need for the Authority to introduce the concept of Significant Market Power (SMP) in the Relevant Markets and Dominance Determination. Licensees with SMP would also be subjected to ex-ante regulatory actions.

4.9. Extension of the Validity Period of Data Bundles

In 2018, the Authority engaged the MNOs regarding the extension of the validity period of data bundles. The engagement focused on the introduction of data bundles with extended validity and proposed mandatory data roll over for the unused data by MNOs before expiry. Further, MNOs were directed to offer periodic notifications before data exhaustion. The MNOs were expected to implement the proposals by the close of 2018.

4.10. Benchmarking Exercise - Annual Operating Fees for Postal Licensees

The Authority conducted an exercise with respect to the annual operating fees that postal licensed operators were required to remit to the Authority. At the time of the exercise, licensed operators were required to remit 2 percent of their annual gross turnover to the Authority as an operating fee. However, the operators expressed concerns that the fees were too high and that prompted the Authority to conduct a benchmarking exercise with comparable countries in the region. Following the benchmarking exercise, it was recommended that annual operating fees for licensed privately owned postal operators be reduced to 1.5 percent of gross annual turnover, whereas for the national operator, Zampost, it was recommended that the fee be reduced to one (1) percent.

4.11. Consultation for Funding Mechanism for Universal Postal Services

An industry-wide consultation of postal sector stakeholders was held during the second half of the 2018 financial year. The consultation was for the purpose of obtaining views with respect to the funding of universal postal services throughout the country.



5. LEGAL AND REGULATORY AFFAIRS



5.1 Changes to the Law During the Year

The following legal instruments were passed during the period under review:

- i. Statutory Instrument No.48 of 2018, the Tariff Regulations

The regulations were passed in May 2018. The objective of the regulations was to allow the Authority to provide more effective, efficient and targeted regulation of tariffs in both retail and wholesale markets.

The rationale was for the Authority to exercise some form of post-ante regulation or almost ‘light touch’ regulation in markets where competition was sufficient to produce lower prices for consumers while maintaining high levels of quality of service.

- ii. Statutory Instrument No.25 of 2018, the Universal Access (Amendment) Regulations.

The issuance of the Information and Communications Technologies (Universal Access) (Amendment) Regulations allowed the Authority to either appoint a natural person or a company as Fund Manager. The regulations set out the criteria for the appointment of the Fund Manager of the Universal Access and Service Fund (UASF).

5.2 Progress on the Reform of the Legal Environment

The Electronic Communications and Transactions Act No. 21 of 2009 was reviewed. The Act was split into three (3) draft pieces of legislation namely;

- (a) Electronic Transaction Bill;
- (b) Cyber Security and Cyber Crime Bill; and
- (c) Data Protection Bill.

The draft Bills were submitted to the Ministry of Justice.

Mr. Thomas K. Malama, Director Legal and Regulatory Affairs

5.3 Major Enforcement Activities

During the period under review, the Authority undertook various enforcement exercises across all the 10 provinces of Zambia. The enforcement related to type approval, use of scarce resources and quality of service among others.

The following were some of the key enforcement outcomes:

- The three mobile network operators (Airtel Zambia, MTN Zambia and Zamtel) were fined a total of K12.6 Million for poor quality of service;
- Konkola Copper Mine was fined K630,000 for

- using non-type approved equipment;
- Sun FM, a radio station based in Ndola was shut down and its transmitter was confiscated for using non type approved equipment;
 - Young Generation, a radio station based in the Choma District of Southern Province was shut down and its transmitter was confiscated for non-payment of spectrum fees; and
 - A notice of cancellation of licence was issued to Mobile Broadband Limited for failure to pay spectrum and annual operating fees.

5.4 Implementation of the Converged Licensing Framework

During the period under review, a total number of twenty one (21) ICT and Postal licenses were issued upon consideration and approval by the Authority, bringing the total revenue received from licence fees to over K12 million.

i. Electronic Communications

In the ICT Sector, twelve (12) licenses were issued in 2018 as listed in Table 9.

ii. Postal

In the Postal Sector, nine (9) were issued in 2018 as listed in Table 10.

Table 9: ICT Licences Issued in 2018

No.	Name of Licensee	Licence Category	Market Segment
1	Lumwana Mining Company Ltd	Network (closed user group)	District
2	Fibrecom Ltd	Service (Without Network)	National
3	CMC Telecommunications Zambia Ltd	Service (Without Network)	National
4	Airlink Broadband Ltd	Network and Service	District
5	Zambia National Commercial Bank	Network (Closed user group)	National
6	GOTv Zambia Ltd	Network and Service	National
7	UZI Zambia Ltd	Network and Service	International and National
8	Indo Zambia Bank Limited	Network (closed user group)	National
9	WIOCC Zambia Limited	Network and Service	National
10	Bandwidth and Cloud Services (Zambia)	Network and Service	National
11	SITA Zambia Ltd	Service (Without Network)	National
12	BT Solutions Limited	Service (Without Network)	National

Table 10: Postal Licences Issued in 2018

No.	Name of Licensee	Licence Category	Market Segment
1	Fei Yue Express Company Ltd	Courier	International and Domestic
2	Times Courier Services	Courier	Domestic
3	Dezalu Courier Services	Courier	Domestic
4	P. Mwansa Bus Services Ltd	Courier	Domestic
5	Links Express Logistics	Courier	International and Domestic
6	Amezam Limited	Courier	Internatinol and Domestic
7	Online Express Limited	Courier	International and Domestic
8	Imoken International Limited	Courier	International and Domestic
9	Freshlux Express Limited	Courier	International and Domestic





Eng. Mwenya Mutale, Director Technology and Engineering

6.0. TECHNOLOGY AND ENGINEERING

6.1 QoS Mobile Monitoring Activities

The Authority conducted Quality of Service (QoS) fixed and mobile drive test covering all provincial headquarters across the country at least twice per quarter. The mobile drive tests were conducted to measure QoS of the three (3) MNOs in terms of the major Key Performance Indicators (KPIs) according to the national standards (ETSI, ITU-T).

The mobile drive tests performed were aimed at benchmarking the QoS of MNOs where social and economic activities occur. On the other hand, the fixed probes were distributed to ten (10) different sites to monitor the major KPIs including network availability of 24 hours per day, 7 days per week all over the year (24/7 QoS probes).

6.2 Statistical Data Samples

The trend for the number of QoS tests carried out in 2018 for Fixed and Mobile drive was as shown in figures 2 and 3 respectively. The total number of QoS tests was 573, 229 for Fixed and 121, 383 for Mobile resulting in a total 694, 612 QoS tests. An increased number of

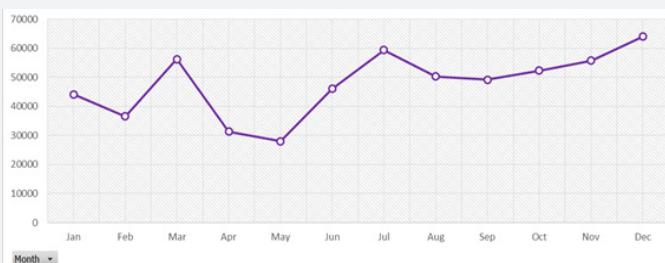


Figure 2: Number of Fixed Monitoring Tests - 2018

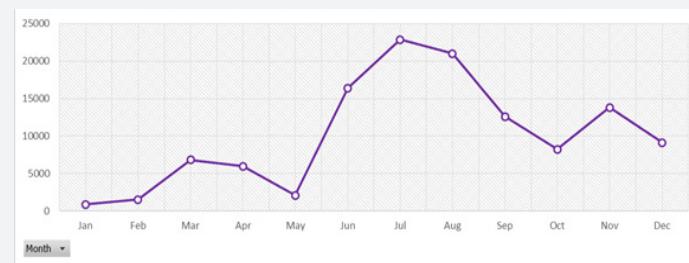


Figure 3: Number of Mobile Monitoring Test - 2018

Mobile drive tests were conducted between the months of May to October 2018 in response to the observed and reported poor quality of service.

6.3. QoS MNOs Performance in 2018

6.3.1 Voice Services

Figures 4, 5 and 6 represent trend performance for Voice Services MNOs across the country during 2018.

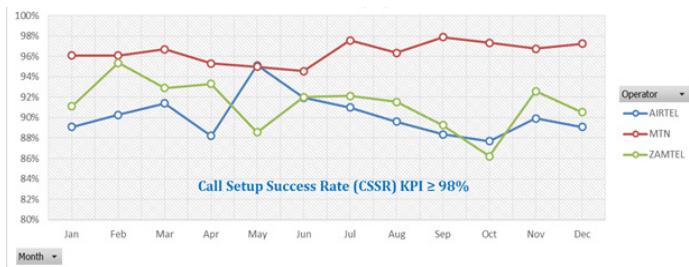


Figure 4: CSSR (%) - 2018



Figure 5: CDR (%) - 2018



Figure 6: CST (S) - 2018

6.3.2 Data Services

Figures 7, 8 and 9 represent trend performance for Data services for MNOs across the country during the 2018.

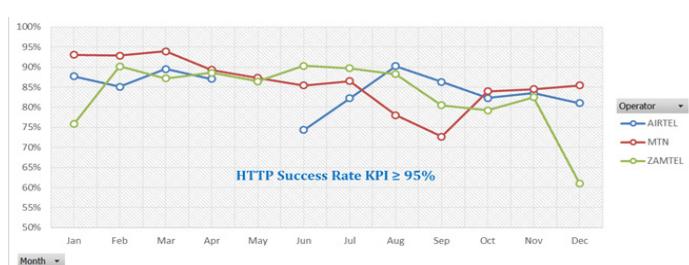


Figure 7: HTTP Success Rate (%) - 2018

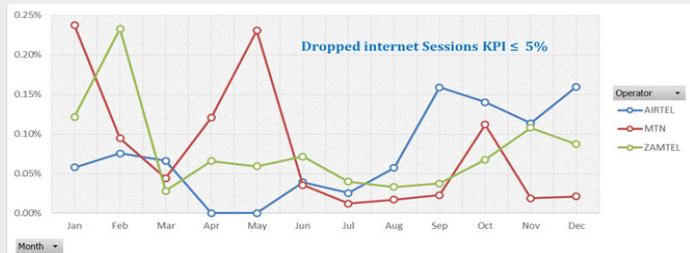


Figure 8: Dropped Internet Sessions (%) - 2018

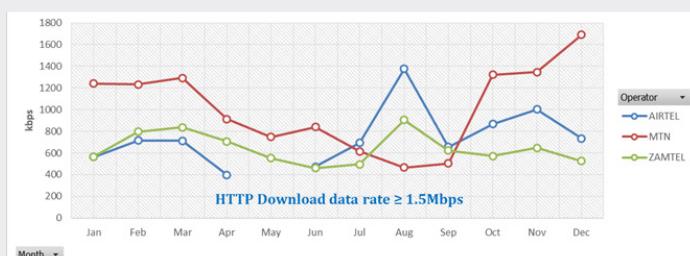


Figure 9: HTTP Download Rate on 3G (Kbps) - 2018

6.3.3 SMS Services

Figures 10 and 11 represent trend performance for SMS services for MNOs across the country during 2018.

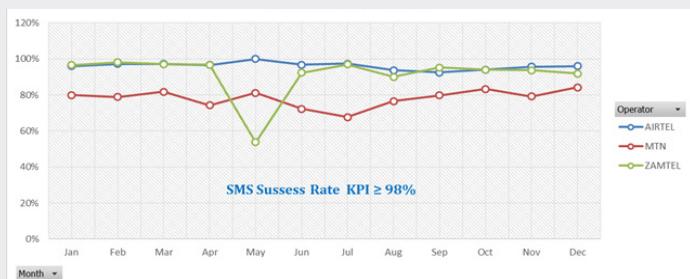


Figure 10: SMS SR (%) - 2018

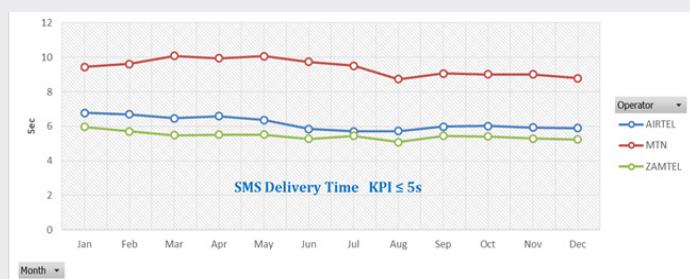


Figure 11: SMS Delivery Time (s) - 2018

6.4 QoS Guidelines and Stakeholders Meeting

In the second quarter of 2018 the Authority, held a meeting with the stakeholders to address the responses and comments regarding the draft QoS guidelines. The engagement was a milestone in the process to publish new QoS guidelines.

6.5 Contribution to ITU

In 2018, various contributions were made by Zambia to ITU which included the following:

- i. Proposed text amendment to G.1000 which defined the QoS standards;
- ii. Development of QoS benchmarking guidelines;
- iii. Digital Financial Services;
- iv. The impact of Sim Boxing on QoS; and
- v. Long-Term Evolution (LTE) assessment.

6.6 Early Warning System Project

The Authority, working in partnership with the International Telecommunications Union (ITU) and the Disaster Management and Mitigation Unit (DMMU), implemented a Flood Early Warning System Project. The project was undertaken at two (2) flood prone pilot sites in Western Province - Mbata Island and Kasaya. After project

completion, post implementation review was undertaken in January 2018, followed by official commissioning in May 2018 by Her Honour the Republican Vice President Mrs. Inonge Mutukwa Wina and the Minister under her office, Honourable Silvia Chalikosa.

The same event also marked the formal handover of the entire project infrastructure and access keys. Other key participating stakeholders were Zambia Army and Water Resources Management Authority (WARMA).

6.7 Spectrum Monitoring

The Authority conducted spectrum occupancy measurements and general monitoring aimed at identifying frequency bands to support new services. In 2018, a number of spectrum occupancy tests and audits were conducted, especially in the bands allotted for Digital Terrestrial Television (DTT). Particularly important were the GSM band tests to support the proposed fourth Mobile Operator in Zambia. The tests were conducted in the following frequency bands:

- 880-915MHz (GSM uplink); and
- 925-960MHz (GSM downlink)

The brief findings were as outlined in Figure 12, Figure 13 and Table 11.

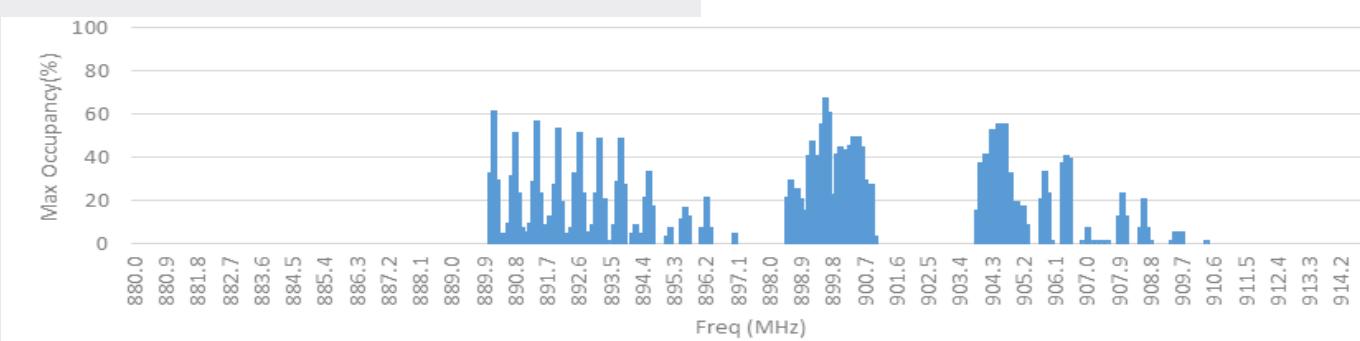


Figure 12: GSM 900MHz Occupancy Test Results

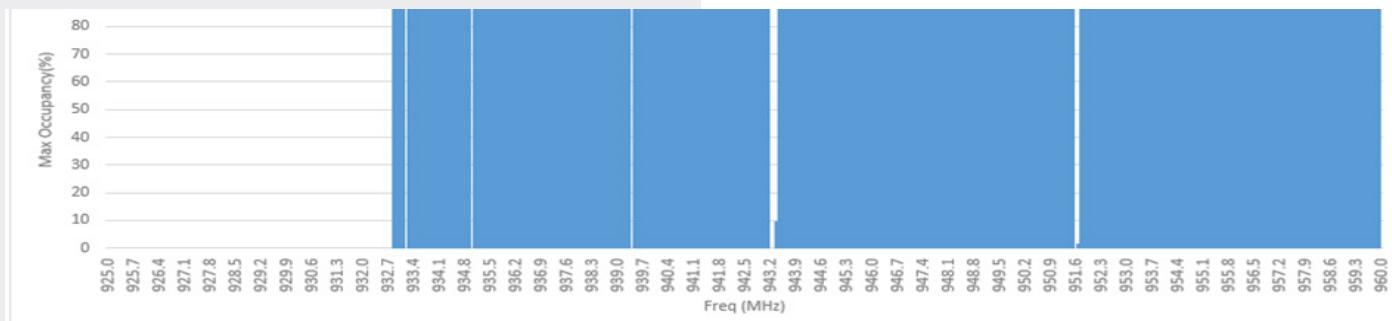


Figure 13: Total Utilization of GSM900MHz Band Per Operator

Table 11: Actual Utilization of GSM 900MHz Band

Item	Spectrum
Occupied Spectrum	26.5MHz
Guard Bands (between services and between Operators)	700KHz
Free Spectrum	7.8MHz
Total Spectrum (925 - 960MHz)	35MHz

6.7.1 Interference Resolution

A number of interference cases were reported in the period under review, and were all timely resolved as shown in Table 12.

Table 12: Reported and Resolved Interference Cases

Index	Interference case	Date Reported	Date Resolved	Comments
1	Hot FM	5/1/2018	8/1/2018	Complaint against Komboni Radio
2	Q FM and Sun FM	6/2/2018	8/2/2018	Resolved
3	Komboni Radio	21/02/2018	27/02/2018	RDS related interference
4	Yar FM	22/02/2018	25/02/2018	Resolved
5	Power FM/Joy FM	20/06/2018	20/06/2018	Resolved
6	Metro FM	4/10/2018	9/10/2018	Interference by Hot FM
7	Radio Maria	23/10/2018	23/10/2018	Resolved

6.7.2 Past-Due Notice Compliance Inspections

ZICTA undertook routine and unscheduled inspections on all radio transmission systems to ensure compliance with licence conditions as well as avoid illegal use of radio spectrum.

6.8 Cyber Security Activities

During the year under review, ZICTA undertook the following cyber security activities.

- a) Conducted 90 digital forensic extraction and analysis cases for law enforcement agencies;
- b) Attended 10 court sessions as digital forensic expert witnesses;
- c) Responded to 6 cyber incidences that were reported

by the zmCIRT constituents;

- d) Developed and deployed a honey-pot server;
- e) Conducted 12 cyber security awareness presentations at conferences, workshops and education centre events;
- f) Participated in the resolution of the SMS Mobile money fraud including engagements with BOZ, Commercial Banks and MNOs;
- g) Undertook Cyber Security Agency establishment benchmarking tour to Israel.
- h) Participated in a workshop on Cyber Strategies, Legislation and National CIRTS in Addis Ababa, Ethiopia;
- i) Participated in ICT Regulation - Policy and Practice: Reporting template for ZICTA in Sweden;
- j) Participated in the development of the zero draft Zambia Cyber Security Policy; and
- k) Developed and circulated the Cyber Security Survey Questionnaire for Zambian based private and public institutions. The survey was aimed at collecting data on the Cyber Security situation in Zambia, most especially on the security status of the critical information infrastructure (CII).

6.9 Spectrum Planning

6.9.1 DTT Coordination

Following the award of a DTT Signal Distributor licence to GOtv by ZICTA, the Authority reviewed its current DTT plan to ensure that there were enough DTT frequencies for both the private and public signal distributors. Some of newly planned channels required coordination with neighbouring countries such as Malawi, Angola, Mozambique, Congo DR and Zimbabwe in order to minimise interference between countries.

6.9.2 Satellite Earth Station Guidelines

The Authority developed Satellite Earth Station Guidelines whose main objective was to provide guidance on the licensing and use of satellite earth stations in Zambia.

6.9.3 Broadcasting Guidelines

Broadcasting guidelines were developed in line with the Authority's mandate for the regulation of the technical aspect of broadcasting. The objectives of the broadcasting guidelines were to provide technical guidelines to broadcasters on how they were expected to conduct themselves. The guidelines also highlighted the role of ZICTA and Independent Broadcasting Authority (IBA) as far as the broadcasting sector was concerned.

In addition, the Authority worked closely with the

Independent Broadcasting Authority (IBA) in conducting inspections of Radio and Television stations.

6.9.4 World Radio Conference (WRC) 19 National RAG Preparatory Meeting

The Authority conducted a national Radio Advisory Group (RAG) preparatory meeting in May 2018. The main purpose of the meeting was to prepare positions on the various agenda of World Radio Conference -19 which would be held in October, 2019. The meeting was attended by industry key stakeholders including the Ministry of Transport and Communications.

6.10 Spectrum Licensing

6.10.1 Radio Spectrum Licenses

The radio spectrum licenses that were issued and cancelled were as presented in Table 13.

Table 13: Radio Spectrum Licences issued and cancelled

	Renewal	New Appl.	Cancelled
January	48	4	2
February	71	9	4
March	71	4	3
April	68	8	3
May	44	15	4
June	41	10	1
July	62	4	7
August	55	0	7
September	42	11	2
October	64	12	0
November	71	11	4
December	33	1	2
2018 Annual Totals	670	89	39

6.10.2 Spectrum License Conditions Review

The Authority reviewed the spectrum license conditions to ensure that the conditions were in line with the current trends and laws.

6.11 Standards and Electronic Networks

6.11.1 Dealers

A total of 69 new equipment dealers were registered while 73 dealers had their certificate renewed in 2018. The significance of registering dealers was to have control on the equipment conformity to Zambian standards.

6.11.2 Type Approval

The Authority checked conformity of electronic communications equipment to set standards. The conformity check ensured that the network integrity was safeguarded and that the environment and the general public were protected.

During the period under review, 400 models of electronic communications equipment were type approved.

The ZRA single window was fully operationalized in May 2018 thereby enabling the Authority electronically monitor entries of electronic equipment.

6.12. ICT Standards Development

The Information and Communications Technology Steering Committee (ISC) undertook various activities through the Technical Committees (TCs). The goal of the ISC during the period was to ensure the adoption of standards that inter alia:

- i. Increase access to Digital Financial Services while ensuring data confidentiality and security from hackers, amongst others;
- ii. Improving accessibility to ICTs for Persons with Disabilities (PwDs); and
- iii. Facilitate for the interoperability and interworking of systems utilising the Internet of Things (IoTs) applications.

The progress made by each respective Technical Committees (TCs) was as follows:

6.12.1 Technical Committee 3 (TC 3): QoS/QoE and Performance

TC3 focused on three key areas of standardization which included the newly introduced Telecommunication Traffic Monitoring System (TTMS), Multimedia and Next Generation Networks (NGN).

The committee adopted one (1) technical report, 18 standards and 120 normative references. The standards

adopted addressed the following:

- i. Operational aspects of performance, QoS and QoE;
- ii. End-to-end quality aspects of interoperability; and
- iii. Development of multimedia quality assessment methodologies, both subjective and objective.

In addition, 13 standards along with 35 normative references were reviewed and adopted. These standards addressed:

- i. Human factor aspects of public telecommunication terminals for people with disabilities;
- ii. Technical aids for persons with disability (Environmental control systems for daily living); and
- iii. Procedures for designing, evaluating and selecting symbols, pictograms and icons.

6.12.2 Technical Committee 5 (TC 5): Future Networks and Security

TC5 was mandated to oversee the standardisation of issues related to future networks, cloud computing and cybersecurity set out to identify and adopt standards necessary to address effective and secure utilisation of Digital Financial Services. The committee adopted 17 Digital Financial Services security standards.

Additionally, the meeting reaffirmed the adoption of all 10 e-Health standards that were referred to the TC by the ISC from TC 6 in order for them to consider and recommend on the security aspect of these standards. Furthermore, the TC adopted 30 normative standards that went together with the adopted standards. The standards provided the following:

- i. Recommendations for mobile-phone financial service providers (MFSPs) on interoperability of mobile payments to persons;
- ii. Recommendation for both MFSPs and financial regulators on authentication and integrity of transmitted messages;
- iii. Recommendations on minimum requirements for use of biometrics in financial institutions; and
- iv. Personal Identification Number (PIN) management and security.

Further, 30 Internet of Things (IoT) standards, 20 normative reference standards, three (3) technical reports and one (1) group report (ETSI GR IP6 008V1.1.1) on deployment of IPv6-based IoT were reviewed and adopted.

6.13 Numbering and Registry Performance

6.13.1 Comparison of the 2018 and 2017 Numbering Revenue

In 2018, a new National Destination Code (07X) was introduced thereby allowing for uptake of more subscriber numbers by the MNOs.

6.13.2 Registry Performance

The registered domains increased by 9.97% from 4,906 in 2017 to 5,449 in 2018. The statistics per zone for 2018 were as shown in Table 14. In 2018 Zamnet had the highest number of registered domains.

Table 14: Number of Registered Domains

ZONE	Number Of Domains	%
co.zm	3,942	72.34
org.zm	511	9.38
com.zm	456	8.37
gov.zm	198	3.63
ac.zm	90	1.65
edu.zm	114	2.09
.zm	63	1.16
sch.zm	39	0.72
net.zm	13	0.24
info.zm	10	0.18
biz.zm	9	0.17
mil.zm	4	0.07
Total	5,449	100.00

7.0. CONSUMER PROTECTION AND INFORMATION MANAGEMENT

7.1 Contact Centre Calls and Complaints Resolution Rate

In 2018, the Contact Centre received a total of 16,876 calls covering a wide array of topics. Poor Quality of Service represented the highest volume of complaints with 30%, followed by mobile money at 12.3%, whilst loss of airtime and network outage were at 11% and 10% respectively.

The highest volume of calls were received from Lusaka. Amongst the MNOs, Airtel recorded the highest number of complaints followed by MTN and Zamtel.

A comparison of the most frequent complaints across all service providers in 2016, 2017 and 2018 was as presented in Figure 14.

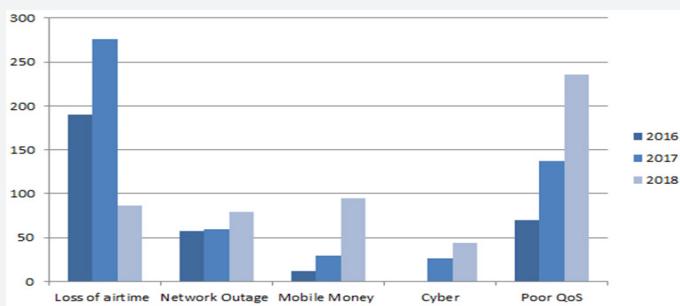


Figure 14: Comparison of Complaints

The Authority achieved an annual complaint resolution rate of 86% in 2018 against a set target of 82.5%.

7.2 Information, Education and Communication (IEC) Activities

The Authority conducted several IEC activities such as workshops, presentations, radio programmes and many others. The purpose of the IEC activities was to disseminate valuable information to consumers with regards to services available, the quality of service offered on the market, rights and obligation of consumers and how to stay safe online. The rationale of the programme addressed social media abuse, consumer protection issues, emerging issues and consumer behaviour such as cyber-crimes. A summary of IEC activities undertaken by



Mr. Mofya Chisala, Director Consumer Protection and Information Management

the Authority throughout the year were as presented in Table 15.

7.3 Internet Watch Foundation Portal Launch

In conformity with Sustainable Development Goal 16.2 which aimed to end all forms of violence by 2030 and International Telecommunication Union (ITU) Resolution Number 179 on Child Online Protection, Zambia through the Authority signed an agreement with the Internet Watch Foundation (IWF) to reinforce the nation's ability to mitigate online risk against children. The IWF launch took place on September 11, 2018 in Lusaka. Zambia was recognized as the 24th nation to join the IWF global reporting network and the sixth country to benefit from a portal funded by the Global Fund to

Table 15: Information, Education and Communication Activities

Activity	Annual Target	Completed	Percentage	Coverage
Radio Programmes	21	18	85.71%	Lusaka, Copperbelt, Western, Muchinga
Learning institutions sensitisations	20	40	200%	Lusaka, Copperbelt, Western, Muchinga
Information Tool kits	5	5	100%	Digital Finance, Social Media, PwD, Ewaste
Presentations	9	14	155%	Ministry of Finance, Parliament, Zambia Police, Postal and Courier
Videos	5	3	60%	Digital Finance, Social Media, PwD, Ewaste

End Violence Against Children. The IWF Portal would enhance the Authority's ability to pursue its mandate by providing a reporting platform to the public for reporting images and videos of child sexual abuse.



Zambian Ambassador to the United Kingdom, Mr. Muyeba Chikonde, giving his key note speech at the launch of the IWF Portal.



Facebook Representative, Ms. Emila Ghandi, giving a presentation on facebook security features in Lusaka, Zambia.

to authenticate the COP National Strategy and align it with ITU guidelines. A total of four (4) workshops were held in Chipata, Ndola, Choma and Lusaka. Following the consultative meeting with stakeholders and gap analysis, a draft COP strategy was submitted to the Ministry of Transport and Communications.



Mr. Edgar Mlauzi, Manager Consumer Protection and Compliance during a sensitisation programme on Mongu FM Radio Station.

7.4 Facebook Round Table Conversations

The Authority established a collaborative relationship with Facebook to promote a safe cyber space in the Zambian ICT Sector. A number of collective meetings were held with Facebook which included a courtesy call to Ministry of Transport and Communications, a conversation series, a round table with policy makers, a training with Government media/communication managers and a meeting with law enforcement agencies. The activities provided a platform to discuss joint efforts between the Authority and Facebook that would promote the responsible use of social media in Zambia.

7.5 Child Online Protection Validation Workshop

In January 2018, ZICTA launched a series of Child Online Protection (COP) National Strategy validation workshops.

7.6 Persons with Disabilities (PwDs) and the Aged

In June 2018, a consumer awareness and sensitisation meeting was held with senior citizens and Zambia Agency for Persons with Disabilities (ZAPD). The objective of the meeting included identifying and increasing consumer awareness on the needs of the PwDs. The recommendations made included the printing of Consumer Protection Guidelines in Braille and ensuring PwDs were provided designated desks in MNOs' service centers.

7.7 Consumer Protection Guidelines

The Authority reviewed and updated the Consumer Protection Guidelines and ICT Code of Conduct to make them responsive to current emerging issues.

7.8 Compliance Inspections

Compliance inspections were conducted in seven (7) provinces. The inspections included among others routine inspections of licensed ICT, Postal and Courier as well as suspected illegal operators in Lusaka, Copperbelt, Luapula, Northern, Muchinga, Central and North Western Provinces.

As a result of the inspections, the Authority was able to record at least 70% compliance levels in both the ICT and Postal Sectors.



Compliance inspections carried out by ZICTA Compliance Officers in Lusaka, Zambia.

8.0 BUSINESS TECHNOLOGY



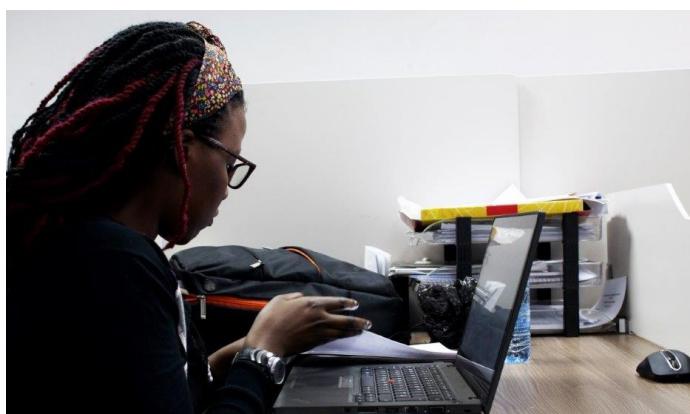
8.1 Business Continuity Management

A number of tasks were performed in regard to enhancing business continuity and disaster readiness for the institutions. The roadmap for the implementation of BCP was drawn. BCP teams were setup, roles and responsibilities were done in readiness for the implementation of BCP. The BCP Expert team met to review the May 2018 BCM Audit Report and the BCM Implementation Roadmaps.

8.2 Other Activities

Other activities undertaken included:

- ACCPAC Upgrade;
- Business Impact Assessment (BIA);
- Maintenance of IT Systems at DR Site;
- Backup Connectivity Link to the DR Site; and
- Fire and Safety Risk Assessment for the New Building.



9.0. CORPORATE COMMUNICATIONS

9.1 Opening of the Chinsali Office

The Authority opened the Chinsali Office in the period under review. The office was officially opened on March 22, 2018 by the Minister of Transport and Communications, Honourable Brian Mushimba (MP).

9.2 Newspaper Articles

In the month of February 2018, the Authority resumed publication of its newspaper column in the Zambia Daily Mail, which saw over 20 articles published. Further, seven (7) additional articles were published in the Daily Nation Newspaper.

9.3 Anti-Cyber Bullying Videos

During the period under review, the Authority engaged Zambian musical artists, Chef 187 and Pompi, to create video clips that spoke against cyber-bullying acts and encouraged positive use of social media in Zambia. The two artists had a huge fan-base on social media which the Authority hoped would aid and enhance effort to encourage people to use social media responsibly.

9.4 Production of ZICTA Documentaries

The Authority produced seven (7) episodes of short TV documentaries dubbed “5 Minutes with ZICTA” which aired on ZNBC TV and were posted on the Authority’s Facebook page.

9.5 Media Coverage

The Authority received fair coverage in the print, electronic and online media. During the period under review, the Authority was covered by various media institutions as shown in Figure 15.



Ms. Ngabo Nankonde, Manager Corporate Communications

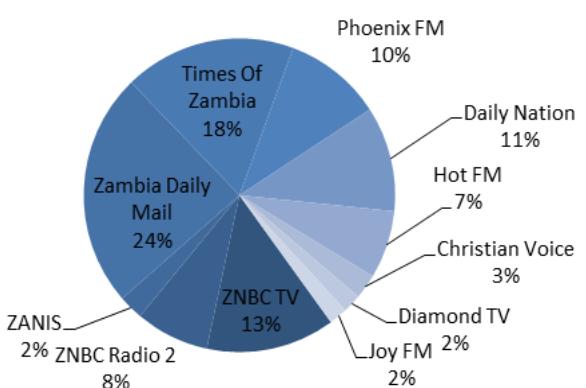


Figure 15: ZICTA 2018 Media Coverage



ZICTA staff from left to right: Edward Mulenga, Tehillah Chimfwembe and Richard Chipopola on set at ZNBC TV studios

The Authority held a press conference at the ZICTA Lumumba Office where the Director General addressed the media on the Performance of the ICT Sector in 2017.

In addition, the Director General featured on various Television and Radio platforms including ZNBC TV, ZNBC Radio 2, Radio Phoenix, Diamond TV among others.

Other key topics discussed on various media platforms were as highlighted in Table 16.

Table 16: Key Topics Discussed on Media Platforms

Key Topics Discussed	
ICT Young Innovators MOU Signing Ceremony	Social Media and The Children
Social Media Abuse and its Challenges	30 Ngwee Surcharge On Internet Calls
Internet Regulation	Responsible Use of Social Media
The Benefits of New Licensing Regime	Circulation of Pornographic Videos
Abuse of Social Media	Children and Internet Usage
Moral Decay and Social Media	The Computer Assembly Plant
The Computer Assembly Plant	ICT Education in Schools Pros and Cons
The Future of Financial Digital Platforms	ICT College Bolstering Smart Agenda.
The Postal Sector and its Future	ZICTA to Modernise Postal, Courier Services
The 4th Mobile Operator	Child Online Protection Portal Launch
Competition in the Mobile Telecom Sector	Understanding the role of ZICTA

9.5.1 Press Releases and Statements

During the period under review, the Authority issued the following press releases;

- Nuisance and Irresponsible Use of Social Media
- ZICTA Welcoming the Conviction Related to Social Media Abuse
- Notification of Award for a National Licence Under International Market Segment and a Service Licence Under the National Market Segment to UZI Zambia
- Notification of Award for a Network Licence (Private Signal Distributor) Under National Market Segment With Associated Resources to GoTV Zambia
- Public Notice on Conducting Postal and Couriers Service Without a License
- Latest Fining of the Mobile Operators
- Response to Correct the Allegation that ZICTA was Pushing for the Law to Start Registering WhatsApp Administrators

The press statements were circulated to both print and electronic media as well as posted on the ZICTA Facebook page.

9.6 Commemorations of Local and International Days

9.6.1 International Children's Day of Broadcasting

During the period under review, the Authority participated in the International Children's Day of Broadcasting which was commemorated on March 4, 2018 under the theme "Children and ICTs". The Authority featured on a number of radio and TV interviews to discuss the theme.

9.6.2 Girls in ICT Day

The Authority in association with the Ministry of Transport and Communications, Ministry of General Education as well as other partners such as CEC Liquid Telecom, Financial Sector Deepening Zambia (FSDZ), IHS Towers and ZTE, joined the rest of the world in commemorating the Girls in ICT Day on Thursday, April 26 - 27, 2018 at Hillcrest National Technical High School in Livingstone. The commemoration was held under the theme "Expand Horizons, Change Attitudes".



Pupils from Hillcrest National Technical Secondary School during the commemoration of the 2018 Girls in ICT Day.

9.6.3 Safer Internet Day

The Authority commemorated Safer Internet Day which was held on February 6, 2018. The Authority used its social media platforms, Facebook and Twitter, to raise awareness of the day. Prior to the day of the commemoration, a competition was held where applicants (pupils) were tasked to come up with a comic book on how the internet could be used positively. In crowning the commemoration, Nathan Musenge, emerged as the winner and a prize was presented to him by the Director General at an event held at Thornhill Secondary School in Lusaka.

Others days commemorated were:

- World Consumer Rights Day;
- Youth Day; and
- World Telecommunications and Information Society Day - WTISD.



ZICTA Members of staff participate at the commemoration of the 2018 World Consumer Rights Day.

9.7 Traditional Ceremonies

9.7.1 2018 Kuomboka Traditional Ceremony

The Authority took part in the 2018 Kuomboka Traditional Ceremony of the Lozi speaking people which took place on April 28, 2018. In Mongu, the Director General and Director Human Capital and Operations, Mr Thomas Matandala, accompanied the Minister of Transport and Communications, Hon. Brian Mushimba MP, to pay a courtesy call on Western Province Minister, Mr Richard Kapita, and briefed him on a number of interventions the Authority was making to improve the quality of service in the mobile telecommunications as well as key projects under the Universal Access and Service Fund. The Ministerial entourage then proceeded to Lealui where they met the Royal Establishment and other senior government officials before proceeding to Limulunga for continued proceedings of the ceremony.

9.7.2 2018 Umutomboko Traditional Ceremony

The Authority attended the Umutomboko Traditional Ceremony which took place in Mwansabombwe District in Luapula Province. The Authority used the opportunity to engage both rural and urban stakeholders across the country, who came to attend the traditional ceremony.

9.8 Zambia International Trade Fair (ZITF) 2018

ZICTA participated at the 2018 Zambia International Trade Fair which was held in Ndola from June 26 to July 3, 2018, under the theme "Private Sector Key to Industrialisation". The Authority scooped First (1st) Prizes in Information and Communications Technology category and Regulatory Organisation category.

The Authority further interacted and engaged members of the public who visited the stand to know more about ZICTA's mandate. Most of the people that visited the stand asked questions on the following areas, among others:

- Mandate of ZICTA;
- Quality of Service;
- Consumer benefits emanating from the fining of mobile operators;
- When the forth mobile operator would start its operations;
- Young Innovators Programme; and
- Interventions in the postal and courier operations.

9.9 Social Media

9.9.1 Facebook

As at January 1, 2018 the Authority had 39,784 followers while as at December 31, 2018 the number grew to had 56,089 followers, registering 16,305 new facebook followers accounting for 41% against the target growth rate of 20%.

During the same year, 178 posts were made on Facebook. The Authority registered 25,057 engagements with 19,840 reactions, 3,375 comments and 1,842 shares. The Authority received 2,551 inbound messages in the year 2018.

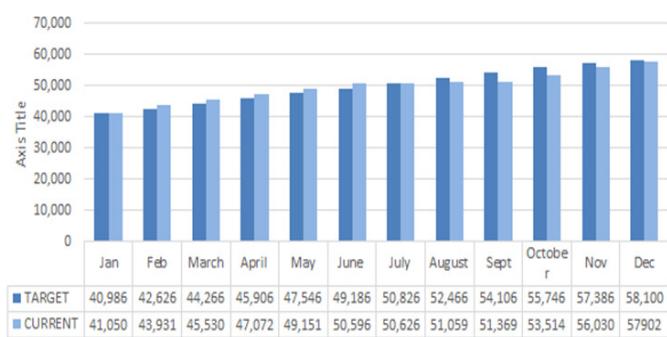


Figure 16: Trend in Facebook Followers - 2018

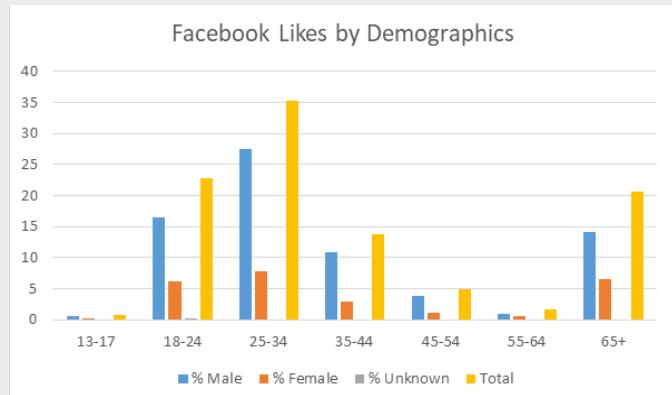


Figure 17: Facebook Followers Age Demographics- 2018

9.9.2 Twitter

As at December 31, 2018 the Authority had 1,808 followers on Twitter with a total number of 112 tweets during the same period.

In the same period, it received 1,754 engagements on twitter with 903 likes, 711 retweets and 140 replies. Further, there were a total of 195 inbound messges and Twitter inbound sentiments registered 358 neutral, 267 negative and 204 positive comments.

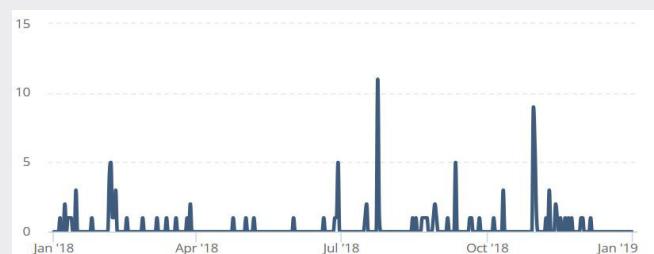


Figure 18: Twitter Tweets - 2018



ZICTA team after winning the 1st Prize for Best ICT Exhibitor and 1st Prize for Best Regulatory Organisation at the 2018 Zambia International Trade Fair in Ndola.

9.10 Stakeholder Management and International Relations

9.11 The Young ICT Innovation Programme

The Authority organised and facilitated the launch of the ICT Young Innovation programme for the 2018 Cycle which was held in Lusaka. The event was saw over 30 media institutions covering the launch and over 50 representation from other strategic corporating partners.

The Authority also continued to advertise the ICT Young Innovation programme for the 2018 Cycle in various media publications such as Nkwazi Inflight Magazine, the Agricultural and Commercial Show Catalogue as well as newspapers.

9.12 Internet Corporation for Assigned Names and Numbers (ICANN)

During the period under review, the Authority facilitated for a workshop and press briefing for joint Domain Name System (DNS) Industry Workshop. The workshop, which focused on root zone Domain Name System Security Extension (DNSSEC) - KSK rollover, was facilitated by the Manager for Stakeholder Engagement for Africa, Bob

Ochieng. The briefing was held at ZICTA's Lumumba Office.

9.13 Communications Regulators' Association of Southern Africa (CRASA) Annual General Meeting

In the first quarter of the period under review, the Authority participated at the Communications Regulators' Association of Southern Africa (CRASA)'s 7th Annual General Meeting (AGM) which was held from April 12 to 13, 2018 in Ezulwini, Swaziland. The AGM discussed a number of regional issues bordering on ICT, Postal and Courier sectors, and the Zambian delegation was led by the Director General, Eng. Patrick Mutimushi.

Other events which the Authority participated in to enhance regional and international participation include the following;

- 2018 ITU Plenipotentiary Conference;
- 2018 ATU Plenipotentiary Conference;
- ITU Telecom World 2018;
- Digital Financial Services Meeting; and
- Early Warning System Launch.



Delegates and participants of the 2018 Young ICT Innovation Programme National Business Conference.

10.0. PROJECTS

10.1 Last Mile Connectivity to Zambia Research and Education Network (ZAMREN) Member Institutions

The project was implemented in partnership with ZAMREN and it focused on the provision of internet connectivity to education and research institutions through fibre connectivity.

A total of 17 selected institutions benefitted from the project in 2018 as follows:

- a) Monze College of Agriculture - Monze
- b) Kasiya Business College - Pemba
- c) Kasiya Secretarial College - Monze
- d) Popota Agriculture College - Choma
- e) Monze Community Development College - Monze
- f) Zambia Institute of Animal Health - Mazabuka
- g) Senanga Schools of Nursing and Midwifery - Senanga
- h) Kaoma Schools of Nursing and Midwifery - Kaoma
- i) Chizongwe Technical Secondary School - Chipata
- j) Hillside Girls Secondary School - Chipata
- k) Mpika Boys Secondary School - Mpika
- l) Chinsali Girls Secondary School - Chinsali
- m) Chilonga Schools of Nursing and Midwifery - Mpika
- n) Kansenshi Secondary School - Ndola
- o) Michael Chilufya Sata Medical School - Ndola
- p) Ndola School for Continuing Education - Ndola
- q) Centre for Veterinary Institute - Lusaka

10.2 Connecting Learning Institutions Phase II

The project targeted to supply computers to Government schools and tertiary institutions. As such, based on a stringent eligibility criteria, a total of 117 schools were selected as beneficiaries of computers meant to strengthen provision of information technology in schools. Each school was given 20 computers and a printer.

10.3 National Addressing and Post Code

Working closely with the Lusaka City Council, the



Eng. Bwalya Mwango, Head Projects

Authority installed house number plaques in Olympia, Roma, Bennie Mwiinga (PHI), Chelstone, Chainama, Emmasdale, Madras, Libala stages I to 4, Bedrock, Chilenje South, Ibex Hill and Salama Park.

10.4 Construction of Communication Towers

The Authority completed the construction of 25 communication towers in selected parts of the country. The project was aimed at the enhancement of the provision of mobile communication services in areas that were particularly underserved or unserved. By the end of 2018, 15 towers were on air while the remaining towers were scheduled to be commissioned in 2019.

10.5 ICT Support to the Visually Impaired Learners

In 2018, the Authority commenced the process of

selecting institutions to benefit from the ICT support for the visually impaired learners. Four (4) schools were identified namely; Sefula School for the Visually Impaired, St. Mary's Special School, Mumbwa Secondary and Magwero School for the Visually Impaired. Each institution would be provided with computers installed with JAWS software and a braille printer.

10.6 Support to the Zambia National Data Centre (ZNDC)

During the year under review, the Authority continued to provide support towards the operationalisation of ZNDC under the e-Governement project.

The Authority also facilitated the subdivision of the ZICTA land as part of the process to ensure that the ZNDC was separated and operated independently.

10.7 Modification of ZICTA Main Building

The Authority worked closely with the Public Infrastructure Department and the supervising consultant to complete the works relating to the ZICTA main building. At the close of the year the project had reached 98% completion.



One of the numbered houses in Lusaka's Chelstone residential area.



Braille Printer donated to Magwero School for the visually impaired in Chipata.



Pupils at Kabulonga Boys Secondary School using the computers soon after ZICTA handed over the computer lab to the school.

II. HUMAN CAPITAL DEVELOPMENT AND OPERATIONS

II.1 Staff Complement

The total staff complement stood at 144 as at December 31, 2018 compared to 136 in 2017. 25 were in Management while 119 were non-Management staff. Of the staff complement, 54 were female and 90 were male, representing 37.5% and 62.5% respectively.

II.2 Capacity Building

II.2.1 Long term

The Authority continued to encourage career growth and development based on self-sponsorship in different disciplines. Despite financial challenges experienced during the year, staff had generally continued to undertake self-advancement learning initiatives while the Authority provided a conducive learning environment through its robust learning and development policy.

II.2.2 Short term

During the period under review, some members of staff had both local and overseas exposure in terms of meetings and conferences translating into 8.3% of the total number of staff in the Authority. A summary of staff trained was as provided in Figure 19.

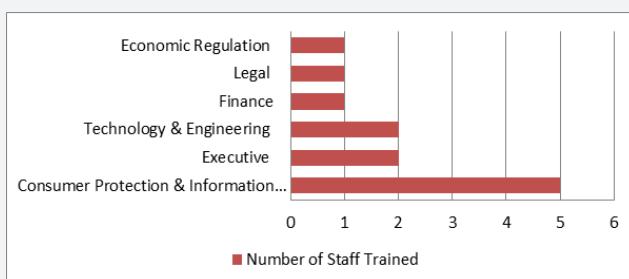


Figure 19: Number of Staff Trained



Mr. Thomas Matandala, Director Human Capital and Operations

II.3 Gender Policy

A Gender Policy was developed to integrate gender equity and equality into the Authority's internal organizational processes and systems to be applied in all aspects of its operations.

II.4 Industrial Relations

The Authority continued to enjoy industrial harmony. Management and the Union maintained the harmony to ensure consistency in productivity. During the year, a strategy of "doing more with less" was successfully championed.

Table 17: Staff Complement as at December 31, 2018

Description	Male	Female	Total
Staff Complement	90	46	136
Recruitments	11	11	22
Resignations	(05)	(02)	(07)
Separations	(02)	0	(02)
Non confirmation of employment	(01)	0	(01)
End of contract	0	0	0
Non-renewal of contract	0	0	0
Dismissals	(03)	(01)	(04)
Termination of contract	0	0	0
Early Retirement	0	0	0
Death	0	0	0
Staff Complement as at 31.12.2018	90	54	144

11.5 Promotions

As part of the Authority's quest to realign and enhance efficiency and effectiveness, 10 members of staff were promoted. Those promoted included 3 Help Desk Assistants, a Records Clerk, a Driver, a Communications Officer, a Protocol and Public Relations Assistant, an Office Assistant and a Receptionist.

Management also viewed the promotions as part of staff development and career growth.

12.ACQUISITION AND SUPPLY CHAIN

12.1 Procurement Reports

The Annual Procurement Plan for the year 2018 was prepared and served as a tool for planning and monitoring procurement activities carried out by the Authority. The plan was submitted to the Zambia Public Procurement Authority (ZPPA). Further, the monthly and quarterly procurement reports were prepared and submitted to the ZPPA.

12.2 Volume of Procurements for the Year 2018

In 2018, the Authority contracted goods, works and services amounting to K120,160,213.73. A total of K33,921,516.65 was procured in the first quarter representing 28.23% of the annual volume. In the second quarter, a total of K15,775,440.05 was procured representing a ratio of 13.13% of the total annual value. The highest volume was recorded in the third quarter with a total expenditure of K55,881,645.22 while the fourth quarter accounted for K14,581,611.81 representing 46.51% and 12.14% respectively of the total annual expenditure.

12.3 Procurement Committee Meetings

22 Procurement Committee meetings were held in 2018, representing an average of two meetings per month.

12.4 Electronic Government Procurement System

The Authority continued to conduct procurements through the Electronic Government Procurement (e-GP) System. The system enhanced the integrity of the procurement process.

12.5 Training in Public Procurement

A workshop in public procurement was organized for staff in 2018 specifically targeting the managers and the professional staff. The training was meant



Mr. Paul M. Manda, Deputy Director Acquisition and Supply Chain

to create awareness and understanding of public procurement.

12.6 Bidder Complaints

No bidder complaint was received during the year thereby reaffirming the integrity of the Authority in handling procurement matters and increased compliance to rules and procedures.

12.7 Major Procurements Undertaken in 2018

The major procurements were listed in Table 18.

Table 18: Major Procurements Undertaken in 2018

No.	Description	Method of Procurement	Status
1	Supply, delivery, installation and commissioning of computers and printers for 160 learning institutions	Open Bidding	90% Completed
2	Supply and delivery of four motor vehicles	Open Bidding	Delivered
3	Consulting services for the development of the cost models for next generation networks	Open Bidding	90% Completed
4	Supply, installation and commissioning of the local area networks	Open Bidding	Completed
5	Upgrade of two sites from microwave repeater sites to coverage sites in north western province	Direct Bidding	Completed
6	Supply and installation of digital content to 73 primary schools	Direct Bidding	Completed
7	Lease of fibre for the TTMS for a period of 12 months	Direct Bidding	Completed
8	Supply, delivery and installation of last mile optic fibre connectivity to 15 learning institutions	Open Bidding	Completed
9	Maintenance and support services for the QoS system on contractual basis for a period of three (3) years	Direct Bidding	33% Completed
10	Provision of comprehensive motor insurance on contractual basis for a period of 36 months	Opening Bidding	33% Completed

12.8 Award and Recognition

The Authority was given an award by the Zambia Institute of Purchasing and Supply for best performing Acquisition and Supply Chain Unit in the public sector.





13. CHALLENGES AND CONCLUSION



13.0 Challenges

13.1 Budgetary Constraints

In the year under review, the Authority planned to undertake various activities which were core to the successful achievement of the 2017 - 2021 Strategic Plan. The activities included the establishment of physical presence in all 10 provinces with a view of enhancing consumer protection and information dissemination.

However, due to budgetary constraints, the Authority was unable to holistically implement such activities. Instead, a phased approach was used which resulted in the prioritization of certain activities with maximum impact on the institutional strategic focus and goals. This resulted in the Authority not fully meeting planned activities for 2018.

13.2 Consumer Awareness

The Authority observed that some of the complaints it received in 2018 fell outside its jurisdiction. That therefore, called for heightened sensitisation of members of the general public and other stakeholders so that they could appreciate the Authority's mandate and be able to distinguish its functions from other regulatory agencies. Intensified awareness programmes were to be conducted in various parts of the country, and would cover areas such as Digital Financial Services, the New Licensing Frameworks, Mobile Money Scam, findings of the Cost of Service Study and the National ICT Survey among others.

13.3 Review of Regulatory Tools

In 2018, through Ministry of Transport and Communications, the Authority started the process of reviewing pieces of legislation governing its operation such as the Postal Services Act and the ICT Act. The review of the ICT Act gave birth to three (3) new draft pieces of legislation namely Cybercrime, Data Protection and E-commerce bills. The bills sought to promote a safe cyber space by creating a favorable environment for e-commerce. The bills were yet to presented to Parliament for consideration.

13.4 Conclusion

Despite the challenges, the Authority continued to deliver in accordance with its 2017 - 2021 Strategic Plan and the provisions of the ICT Act, ECT Act and the Postal Act. The Authority hoped to continue to work towards the attainment of its vision of advancing the nation to a digital society.

14. FINANCIAL REPORT

14.1 Income

The Authority had an approved grant allocation of K98.2 million in the 2018 National Budget.

The total grant received from Government during the year amounted to K81.8 million compared to K98.2 million in 2017. Other income included international traffic fees and sundry income which amounted to K33.6 million compared to K34.9 million in 2017.

14.2 Non-Tax Revenue

Non-tax revenue was collected on behalf of Government in the form of various license fees, namely; Annual Operating fees, Radio License fees, Numbering fees and Type Approval fees, amongst others, in accordance with the ICT Act No. 15 of 2009.

The total non-tax revenue collected in 2018 amounted to K306.7 million against a budget of K294.3 million. Of the amount collected, K68.4 million was appropriated to the Universal Access and Service Fund in accordance with ICT (Universal Access) Regulations, 2012.

14.3 Expenditure

The total operating, staff and administrative expenses amounted to K155.5 million compared to K158.8 million in 2017, representing a decrease of 2.1%.



Mrs. Pethel C. Phiri, Director Finance



Finance Department

**Zambia Information and Communications
Technology Authority**

Separate Financial Statements for the year ended
31 December 2018

MPH Chartered Accountants

Zambia Information and Communications Technology Authority
Separate Financial Statements for the year ended 31 December 2018

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Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Report of the Board

The members of the Board submit their report on the activities for the year ended 31 December, 2018.

1. The Authority

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

2. Review of activities

The Authority was allocated grant income from the Government of the Republic of Zambia (GRZ) of K98,216,843 for the year ended 31 December 2018 (2017: K 107,303,253) of which K81,847,369 was received. The excess of expenditure over income for the year ended 31 December 2018 amounted to K23,812,105 (2017: K13,347,628).

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

3. Events after the reporting date

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

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Report of the Board (continued)

4. The Board and Secretary

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

Mr. Emmanuel M. Musonda	-	Chairperson
Eng. Misheck Lungu	-	Member
Dr. Chileshe Mulenga	-	Member
Mr. Francis Mwale	-	Member
Mr. Keith Asherwood	-	Member (Until on 26 October 2018)
Mr. Vestus Chungu	-	Member
Mr. Andrew Nkunika	-	Member
Mr. Patrick M. Mutimushi	-	Member
Mr. Benaiah M. Mupenda	-	Secretary

5. Management

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

Mr. Patrick M. Mutimushi	-	Director General (CEO)
Mr. Thomas Malama	-	Director Legal and Regulatory Affairs
Mrs. Pethel C. Phiri	-	Director Finance
Mr. Mutale Mwenya	-	Director Technology and Engineering
Mr. Mulenga M. Chisanga	-	Director Economic Regulation
Mr. Mofya Chisala	-	Director Consumer Protection and Information Management
Mr. Thomas Matandala	-	Director Human Capital Development and Operations

6. Employees

The monthly average number of persons employed by the Authority during the year was 145 (2017: 139). The total remuneration paid to employees by the Authority was K87,571,319 (2017: K93,982,674).

7. Donations

The Authority made donations during the year amounting to K63,321 (2016: K54,587).

8. Health

The Authority has policies and procedures to safeguard the occupational health, safety and welfare of its employees.

9. Capital expenditure

Capital expenditure during the year amounted to K67,690,819 (2017: K63,995,071). 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:

 29.03.19

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Statement of responsibilities in respect of the preparation of financial statements

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

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

The Board is also responsible for ensuring that the Authority keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority. It is also responsible for safeguarding the assets of the Authority, and taking reasonable steps for the prevention and detection of fraud and other irregularities. The independent external auditors, MPH Chartered Accountants, have audited the financial statements and their report is shown on pages 64 to 67.

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 2018 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 68 to 114 were approved by the Board on29/3/19..... and were signed on its behalf by:

.....

Board Chairperson

.....

Member of the Board

Independent Auditor's Report

To the Board of Zambia Information and Communications Technology Authority

Report on the financial statements

We have audited the separate financial statements of the Zambia Information and Communications Technology Authority ("the Authority"), which comprise the Statement of Financial Position as at 31 December 2018, and the Statement of Comprehensive Income, the Statement of Changes in Accumulated Funds and the Statement of Cash Flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Authority's separate financial statements give a true and fair view of the financial position of the Authority as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Information and Communication Technologies Act No. 15 of 2009.

Basis for Opinion

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

Material Uncertainty related to Going Concern

We draw attention to Note 1.2 in the financial statements. The Authority has over the last five years experienced liquidity constraints and stagnation in grant income resulting in recurring excesses of expenditure over income and declining reserves. As stated in Note 1.2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Authority's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty related to Going Concern section, we have determined the matter described below to be a key audit matter to be communicated in our report.

Independent Auditor's Report (continued)

Receivables

At 31 December 2018, the Authority's gross receivables were K26,964,907 (2017: K18,741,478). The debtors are in respect; of International Traffic Fees receivable (note 9); Other Receivables and Prepaid Expenses (note 10); and Amounts due from Related Parties (note 17(iii)).

Key audit matter

Recoverability of receivables

The Authority's debtors include balances that may be irrecoverable.

Our response

Our audit procedures in respect to the valuation of receivables included, among others:

- Assessing the existence of the receivables through direct confirms or review of supporting documents giving rise to the debtors balances;
- Assessing the recoverability of the debt; and
- Review of payments from debtors received after the reporting date;

We found disclosures in respect of the impairment of receivables in notes 9,10 and 17(iii) to be appropriate.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report (*continued*)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report (*continued*)

Other Information

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

Supplementary information

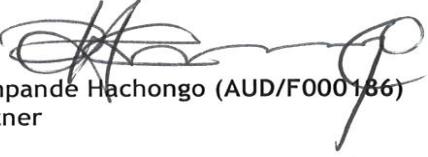
The supplementary information set out on pages to 113 to 114 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

Report on other legal and regulatory requirements

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

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


MPH Chartered Accountants


Hampande Hachongo (AUD/F000186)
Partner


Lusaka, Zambia

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Statement of Comprehensive Income

	Note	2018 K	2017 K
Revenue			
Grant income	4(i)	98,216,843	107,303,253
International traffic fees	4(ii)	23,805,703	30,967,843
Total revenue		122,022,546	138,271,096
Other income			
Sundry income		6,699,728	3,809,765
Other- grants		3,092,553	209,509
Total other income		9,792,281	4,019,274
Net financing (costs)/income			
Net finance (costs)/income		(135,353)	3,128,254
Total net financing(costs)/income		(135,353)	3,128,254
Total income		131,679,474	145,418,624
Expenditure			
Salaries, gratuity and other retirement benefits	5(a)	(87,571,319)	(93,982,674)
Administration expenses	5(b)	(46,082,954)	(48,719,200)
Operating expenses	5(c)	(13,830,015)	(6,465,299)
Depreciation expense	7	(8,007,291)	(9,599,079)
Total expenditure		(155,491,579)	(158,766,252)
Excess of expenditure over income		(23,812,105)	(13,347,628)
Other comprehensive income			
Surplus on defined benefit plan	19	1,073,743	1,721,056
Total comprehensive income for the year		(22,738,362)	(11,626,572)

The accounting policies and notes on pages 72 to 112 are an integral part of these financial statements.

Zambia Information and Communications Technology Authority
 Separate Financial Statements for the year ended 31 December 2018

Statement of Financial Position

	Note	2018 K	2017 K
Assets			
Non-Current Assets			
Property and equipment	7	180,906,124	121,733,910
Investments in subsidiaries	18	-	-
Retirement benefit plan assets	19	6,805,891	5,732,148
		187,712,015	127,466,058
Current Assets			
Inventory	8	532,629	1,957,652
International traffic fee receivables	9	2,620,538	4,676,730
Other receivables and prepaid expenses	10	3,912,200	5,183,658
Amounts due from related parties	17(iii)	925,869	8,881,091
Investments at amortized cost	11	-	-
Fixed term deposits	12	-	15,006,264
Cash and bank balances	12	916,028	2,760,811
		8,907,264	38,466,206
Total Assets		196,619,279	165,932,264
Accumulated Funds and Liabilities			
Accumulated funds		54,378,200	71,116,562
Non-Current Liabilities			
Gratuity benefits	14	4,268,313	4,772,461
Deferred income	20	112,566,081	70,000,000
Total Non-Current Liabilities		116,834,394	74,772,461
Current Liabilities			
Amounts due to related parties	17(ii)	257,617	1,670,954
Sundry payables and accrued expenses	13	16,442,065	7,257,122
Gratuity benefits	14	8,707,003	5,115,165
Total Current Liabilities		25,406,685	14,043,241
Total Accumulated Funds and Liabilities		196,619,279	165,932,264

The financial statements set out on pages 61 to 112 which have been prepared on a going concern basis, were approved by the Board on 21.03.19..... and were signed on its behalf by:

.....
 Board Chairperson

.....
 Member of the Board

The accounting policies and notes on pages 72 to 112 are an integral part of these financial statements.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Statement of Changes in Accumulated Funds

	Accumulated funds
Balance at 1 December 2017	K 88,743,134
Excess of expenditure over income for the year	(13,347,628)
Surplus on defined benefit plan assets	1,721,056
At 31 December 2017	77,116,562
 Balance as at 1 January 2018	 77,116,562
Excess of expenditure over income for the year	(23,812,105)
Surplus on defined benefit plan assets	1,073,743
 At 31 December 2018	 54,378,200

Accumulated funds

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

The accounting policies and notes on pages 72 to 112 are an integral part of these financial statements.

Zambia Information and Communications Technology Authority
 Separate Financial Statements for the year ended 31 December 2018

Statement of Cash flows

	Note	2018 K	2017 K
Cash flows from operating activities			
Excess of expenditure over income		(23,812,105)	(13,347,628)
Adjustments			
Depreciation expense	7	8,007,291	9,599,079
Loss on disposal of fixed assets		126,032	412,198
Interest received		(1,136,134)	(1,967,127)
Operating cash flows before movements in working capital		(16,814,916)	(5,303,478)
Movements in working capital			
Decrease in inventory	8	1,425,023	88,289
Decrease/(increase)in license fee receivables	9	2,056,192	(4,676,730)
(Increase)/decrease in other receivables	10	1,271,458	21,615,305
Decrease in amounts due from related parties	17(iii)	7,955,222	888,127
Decrease in held to maturity investments	11	-	6,207,353
Increase/(decrease) in sundry payables	13	9,184,943	(3,211,645)
Increase/(decrease) in gratuity benefits	14	3,087,690	(2,992,452)
(Decrease) in retirement benefits	15	-	(16,772,095)
Increase/(decrease) in amounts due to related parties	17(ii)	(1,413,337)	442,072
Net cash out flows from operating activities		6,752,275	(3,715,254)
Cash flow from investing activities			
Proceeds from disposal of property and equipment		385,282	861,798
Expenditure on property and equipment	7	(67,690,819)	(63,995,071)
Net cash out flows from investing activities		(67,305,537)	(63,133,273)
Cash flows from financing activities			
Capital grant - Deferred income	20	42,566,081	70,000,000
Interest received		1,136,134	1,967,125
Net cash from financing activities		43,702,215	71,967,125
Increase/(decrease) in cash and cash equivalents		(16,851,047)	5,118,598
Cash at the beginning of the year		17,767,075	12,648,477
Cash and cash equivalents at end of the year	12	916,028	17,767,075

The accounting policies and notes on pages 72 to 112 are an integral part of these financial statements.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies

1. 1 The Zambia Information and Communications Technology Authority

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

1.2. Going Concern

The Authority has over the last five years experienced liquidity constraints and stagnation in grant income resulting in recurring excesses of expenditure over income and declining reserves. Further at 31 December 2018, the Authority's current liabilities exceeded its current assets by K16,000,271. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Authority's ability to continue as a going concern. The Directors have instituted measures to sustain the operations of the Authority. These measures include the following:-

1.2.1 Lobbying for an improved funding mechanism

The Board is actively following up a request with the Ministry of Finance for increased budgetary allocations and has made proposals for an enhanced funding mechanism with a view to having the ICT regulatory functions financed through license fees from the sector. Should the proposal materialise, it will lead to a marked improvement in both the amount and timing of financing received, which would ameliorate the Authority's liquidity challenges. The Ministry of Finance has committed to quarterly payments of the approved funding. The release of the funding is also tied to the achievement of the quarterly revenue collection targets.

1.2.2 Cost containment measures

As a result of the constrained financial position, the Authority has put in place measures to contain costs. These measures include amendment of conditions of service for permanent and pensionable employees, migration of non-management contract staff to permanent and pensionable employment, and migration from a defined benefit to a defined contribution pension plan. All these measures are intended to rationalise the Authority's staff related costs while maintaining key human resources cardinal to the Authority's execution of its mandate.

1.2.3 Cessation of financial support to affiliate entities

The Authority has in previous years provided financial support to affiliate entities such as the Zambia ICT College (ZICTC) and the Zambia National Data Centre (ZNDC). From January 2018, these entities have secured their own allocations in the Estimates of Revenue & Expenditure (Yellow Book), and will now be financed through the Central Treasury.

Should the Authority fail to improve its generation of funds to meet the working capital requirements, there is a material uncertainty which may cast significant doubt about the Authority's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements have been prepared on a going concern basis which assumes that the Authority will continue in existence for the foreseeable future.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (*continued*)

2. Basis of preparation and accounting policies

Statement of compliance

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

Basis of preparation

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

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

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

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

Separate financial statements

The Authority has issued these Separate Financial Statements in accordance with the provisions of IAS 27 *Separate Financial Statements*. Under IAS 27 an entity may elect to issue Separate Financial Statements and account for investments in subsidiaries either at cost, in accordance with IAS 9 *Financial Instruments*, or using the equity method as described in IAS 28 *Investments in Associates and Joint Ventures*. The Authority has issued these Separate Financial Statements due to the non-availability of up to date financial statements of the subsidiaries to enable timely consolidation in accordance with IFRS 10, “*Consolidated Financial Statements*”. The subsidiary undertakings are listed in note 18.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (continued)

Basis of preparation and accounting policies (continued)

2.1 Revenue recognition

Grant income

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

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

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

Interest income

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

2.2 Property and equipment

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

Properties in the course of construction for 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:

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

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (*continued*)

2.2 Property and equipment (*continued*)

Capital work in progress is not depreciated.

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

2.3 Impairment of tangible and other assets

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

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

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

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

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

2.4 Financial instruments

Financial assets and financial liabilities are recognised in the Authority's statement of financial position when the Authority becomes a party to the contractual provisions of the instrument. 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 profit or loss) 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 profit or loss are recognised immediately in profit or loss.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (continued)

2.4 Financial instruments (continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Authority has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Authority are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Authority's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Authority's own equity instruments.

Compound instruments

The component parts of convertible loan notes issued by the Authority are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Authority's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (continued)

2.4 Financial instruments (continued)

Compound instruments (continued).

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium/other equity . Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to retained profits/other equity . No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Authority, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Authority manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Authority's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (*continued*)

Financial liabilities at FVTPL (*continued*)

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the ‘other gains and losses’ line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, 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 recognised in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability’s credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Authority that are designated by the Authority as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently 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 amortised cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the ‘other gains and losses’ line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (*continued*)

Foreign exchange gains and losses (*continued*)

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

When the Authority exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Authority accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivative financial instruments

The Authority does not enter into any derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

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.

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).

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (*continued*)

2.6 Foreign currencies (*continued*)

*Functional and presentation currency (*continued*)*

Transactions and balances

In preparing the financial statements of the Authority, transactions in currencies other than the Authority's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

2.7 Retirement benefit obligations

(i) Defined benefit plan

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

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

Defined benefit costs are categorised as follows:

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

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

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

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

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (continued)

2.7 Retirement benefit obligations (continued)

(ii) Defined contribution plan

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

The Authority migrated from a defined benefit pension plan to a defined contribution pension plan as at 30th June 2017.

(iii) Other entitlements

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

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

2.8 Inventory

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

2.9 Critical accounting estimates and judgments

Critical judgments in applying accounting policies

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

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

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

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (*continued*)

2.9 Critical accounting estimates and judgments (*continued*)

Critical judgments in applying accounting policies (*continued*)

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Authority determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Authority monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Authority's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

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.

Calculation of loss allowance on receivables

When measuring credit losses the Authority uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Assessment of the existence of control for consolidation

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

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

Key sources of estimation uncertainty

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

Estimates of asset lives, residual values and depreciation methods

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

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (continued)

2.10 Investments in subsidiaries

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

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

2.11 Impact of the application of IFRS 9 on financial performance

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 9 for the current year.

Impact on profit or loss, other comprehensive income and total comprehensive income at 31 December, 2018;

	K
Increase in administrative expenses	19,506,300
Decrease in excess of income over expenditure for the year	19,506,300
<i>Impact on other comprehensive income for the year</i>	Nil
<i>Items that will not be reclassified subsequently to comprehensive income for the year:</i>	Nil

Impact on assets, liabilities and equity as at 31 December, 2018

	K
Trade and other receivables	(19,506,300)
Total effect on net assets	(19,506,300)
Total effect on accumulated funds	(19,506,300)

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (*continued*)

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

In the current year, a number of amendments to IFRSs and new Interpretations issued by the International Accounting Standards Board (IASB) have become effective and are mandatorily effective for an accounting period that begins on or after 1 January 2018.

Standard	Subject of amendment	Effective date and impact
IFRS 9 - Financial Instruments	IFRS 9 introduced new requirements for: 1) The classification and measurement of financial assets and financial liabilities, 2) Impairment of financial assets, and 3) General hedge accounting The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Authority has elected not to restate comparatives in respect of the classification and measurement of financial instruments.	The amendments are effective on January 1, 2018. The impact of the amendments are disclosed in Note 2.11.
IFRS 15 - Revenue from Contracts with Customers	IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers: <ul style="list-style-type: none">- 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.	Annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Authority's accounting policies for its revenue streams are disclosed in detail in note 2.1. The application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Authority.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (*continued*)

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

Classification and Measurement of Share-based Payment Transactions(Amendments to IFRS 2)	<p>IFRS 2 was amended by the clarifications related to classification and measurement of certain share-based payment transactions.</p> <p>More specifically:</p> <ul style="list-style-type: none">• IFRS 2 now contains the accounting requirements related to treatment of vesting and non-vesting conditions in cash-settled share-based payment transactions;• The guidance on share-based payment transactions with a net settlement feature for withholding tax obligations was added,• IFRS 2 introduced new accounting requirements for modifications of share-based payment transactions from cash-settled to equity-settled.	<p>These changes are effective for Financial Years beginning on or after 1 January 2018.</p>
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts(Amendments to IFRS 4)	<p>All these amendments shall be applied prospectively.</p>	<p>The amendment to IFRS 2 has had no impact on the Authority.</p>
	<p>The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4:</p> <ul style="list-style-type: none">• an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach");• an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach"). <p>The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.</p>	<p>The Amendments to IFRS 4 are effective 1 January 2018.</p> <p>The amendments have had no impact on the financial statements of the Authority.</p>

Zambia Information and Communications Technology Authority

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Accounting Policies (*continued*)

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

Amendments to IAS 40 - Transfers of Investment Property	The amendments in Transfers of Investment Property (Amendments to IAS 40) are: <ul style="list-style-type: none">• Paragraph 57 of IAS 40 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.• The list of evidence in paragraph 57(a) - (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list.	The amendments to IAS 40 are effective 1 January 2018. The amendments have had no impact on the financial statements of the Authority.
Annual improvements to IFRSs 2014- 2016 Cycle(Amendments to IFRS 1, IFRS 12 and IAS 28)		The amendments are effective for financial periods beginning on or after 1 January 2018.
IFRS 1- First-time Adoption of International Financial Reporting Standards	The amendment deleted the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose.	The amendments have had no impact on the financial statements of the Authority.
IFRS 12- Disclosure of Interests in Other Entities	Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued.	
IAS 28- Investments in Associates and Joint Ventures	Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation,	

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (*continued*)

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

	or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.	
IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. The amendments have had no impact on the financial statements of the Authority.

2.11.1 New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Authority has not applied the following new and revised IFRSs that have been issued but are not yet effective. The Directors do not expect that the adoption of the Standards listed below will have a material impact on the financial statements of the Authority in future periods, except where indicated below:

Title	Description	Effective Date
IFRS 16	IFRS 16 requires lessees to recognise most leases on their statement of financial position. Lessees will have a single accounting model for all leases, with two exemptions (low value assets and short term leases). Lessor accounting is substantially unchanged. There will be additional disclosure requirements.	1 January 2019 with limited early application permitted.
IFRS 17 Insurance Contracts	The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	The Standard is effective for annual reporting periods beginning on or after 1 January 2021.
Amendments to IFRS 9 Prepayment Features with Negative Compensation	The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (*continued*)

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

2.12. 1 New and revised IFRSs in issue but not yet effective (*continued*)

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	<p>The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).</p>	<p>1 January 2019. Earlier application is permitted.</p>
Annual Improvements to IFRS Standards 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs	<p><i>IAS 12 Income Taxes</i> The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. The changes will not impact the Authority.</p> <p><i>IAS 23 Borrowing Costs</i> The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The changes could impact the Authority.</p> <p><i>IFRS 3 Business Combinations</i> The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.</p> <p><i>IFRS 11 Joint Arrangements</i> The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.</p>	<p>Annual periods beginning on or after 1 January 2019. Earlier application is permitted.</p>

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Accounting Policies (*continued*)

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

2.12. 1 New and revised IFRSs in issue but not yet effective (*continued*)

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement	10	The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).	1 January 2019. Earlier application is permitted.
IFRS Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		The amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.
IFRIC Uncertainty Income Treatments	23 over Tax	IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to: <ul style="list-style-type: none"> • determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: <ul style="list-style-type: none"> - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position 	The Interpretation is effective for annual periods beginning on or after 1 January 2019.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements

	2018 K	2017 K
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3. License fees

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

The Authority collected a total of K209,531,529 (2017: K182,122,044), and remitted a total of K209,531,529 (2017: K197,919,179) in respect of license fees. Details of the license fees collected and remitted are as shown in Appendix 2.

The amounts owing to the Government from Zamtel totaled K95,633,027 (2017: K78,538,3981), as detailed in Appendix 3.

4. Grant income

- (i) Grant income represents funds receivable from Government during the year.
- (ii) Effective 1 January 2016 the Authority, as provided for by statutory instrument No.80 of 2015 commenced collection of fees on International Traffic. 11 cents of 20 US cents is retained by operators, 6 cents of 20 US cents is retained by ZICTA whilst 3 cents of US 20 cents is remitted to Government.

5. Expenditure

(a) Salaries, gratuity and other retirement benefits

Salaries	69,910,867	52,760,317
Gratuity and other terminal expenses	10,785,191	18,566,849
Social tour and holiday allowance	5,817,522	5,437,248
Other	1,057,739	17,218,260
	<hr/> <u>87,571,319</u>	<hr/> <u>93,982,674</u>

(b) Administration expenses

Board expenses	4,296,503	7,059,030
Zambia ICT College payroll expenses	-	8,145,981
Medical expenses	2,078,520	2,308,744
Meeting and conferences abroad	2,873,440	4,268,447
Other	36,834,491	26,936,998
	<hr/> <u>46,082,954</u>	<hr/> <u>48,719,200</u>

(c) Operating expenses

Service maintenance agreements	1,829,293	2,190,677
System operating expenses	755,069	873,988
Other	11,245,653	3,400,634
	<hr/> <u>13,830,015</u>	<hr/> <u>6,465,299</u>

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

							2018 K	2017 K
6. Taxation								
Zambia Information and Communications Technology Authority is exempt from income tax under section 5 of the Income Tax Act CAP 323: Part 3 - Exempt organisations.								
7. Property and equipment								
	Leasehold land and buildings Cost	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 2017	32,440,722	20,881,892	45,308,102	24,590,542	2,608,751	12,293,761	138,123,770	
Additions	-	1,037,090	-	-	85,509	62,872,472	63,995,071	
Disposals	-	(182,180)	-	(4,996,867)	(32,762)	-	(5,211,809)	
At 31 December 2017	32,440,722	21,736,802	45,308,102	19,593,675	2,661,498	75,166,233	196,907,032	
Additions	-	1,007,325	-	4,056,290	61,152	62,566,052	67,690,819	
Disposals	-	(51,909)	-	(2,351,409)	-	-	(2,403,318)	
At 31 December 2018	32,440,722	22,692,218	45,308,102	21,298,556	2,722,650	137,732,285	262,194,533	
Depreciation								
At 1 January 2017	3,099,089	16,194,993	29,698,668	18,561,197	1,957,908	-	69,511,855	
Charge for the year	648,815	2,482,708	4,103,599	2,104,990	258,967	-	9,599,079	
Disposals	-	(174,583)	-	(3,730,468)	(32,762)	-	(3,937,813)	
At 31 December 2017	3,747,904	18,503,118	33,802,267	16,935,719	2,184,113	-	75,173,121	
Charge for the year	648,815	2,091,580	3,112,709	1,934,481	219,707	-	8,007,291	
Disposals	-	(51,909)	-	(1,840,094)	-	-	(1,892,004)	
At 31 December 2018	4,396,719	20,542,789	36,914,976	17,030,106	2,403,820	-	81,288,409	
Carrying amount								
At 31 December 2018	28,044,004	2,149,429	8,393,126	4,268,451	318,829	137,732,285	180,906,124	
At 31 December 2017	28,331,468	1,760,965	12,978,552	2,657,956	477,385	75,166,233	121,733,910	

The cost of fully depreciated assets at 31 December 2018 was K53,564,253 (2017: K33,042,304).

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

	2018 K	2017 K
8. Inventory		
Office stationery	532,629	425,167
House number signage	-	1,532,485
	532,629	1,957,652

The house number signage relates to items of stock for the National Addressing Post Code Project which at 31 December, 2017 were yet to be installed.

9. International traffic fee receivables

International traffic fees	4,676,730	4,846,707
Impairment provision(i)	(499,150)	(3,807,408)
Current year invoices	23,805,703	30,967,843
Payments	(25,071,586)	(27,208,044)
Exchange difference	(291,159)	(122,368)
	2,620,538	4,676,730

i) International traffic fees recoverable are due from Zamtel, Airtel and MTN.

The Authority does not hold any collateral over these balances.

Movement in allowance for doubtful debts

Balance at the beginning of the year	3,807,408	4,846,707
Bad debts recovered	(3,807,408)	(1,039,299)
International traffic fees impairment provision	499,150	-
Balance at end of the year	499,150	3,807,408

The average credit period on fees receivable is 30 days. No interest is charged on outstanding trade receivables. The expected credit loss (ECL) is mainly based on the ageing of the receivables balance and historical experience. The receivables are assessed on an individual basis or grouped into homogenous groups and assessed for impairment collectively, depending on their significance. Moreover, trade receivables are written off on a case by case basis if deemed not to be collectable on the assessment of the underlying facts and circumstances.

The Authority uses a provision matrix to measure the expected credit loss of receivables. Based on industry practice and the environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

	2018 K	2017 K
10. Other receivables and prepaid expenses		
Receivables from employees	2,684,580	4,632,262
Other staff receivables	9,902	147,178
Prepayments	1,701,036	249,860
Sundry receivables	2,191,144	191,144
Sub-total	6,586,662	5,220,444
Impairment provision	(2,674,462)	(36,786)
Total	3,912,200	5,183,658

Movement in impairment provision

At beginning of the year	36,786	2,000
Movement during the year	2,637,676	34,786
At year end	2,674,462	36,786

Receivables from employees

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

The value of the receivables are analysed as follows:

Fair value at market rate	1,396,427	3,108,351
Unexpired benefits to employees	763,120	1,523,911
	2,159,557	4,632,262

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

Interest income at market rate	314,198	699,379
Expired benefits provided by the employer	(170,902)	(118,532)
Interest on employee receivables in income and expenditure	143,296	580,847

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

	2018 K	2017 K
11. Held to maturity investments		
60 days fixed term deposits	- 15,006,264	<u>- 15,006,264</u>

The fixed term deposits are held with the following financial institutions:

Atlas Mara Bank	- 5,683,959
Investrust Bank Plc	- 5,204,708
Barclays Bank Zambia Limited	- 3,112,512
Zambia National Commercial Bank Plc	<u>- 1,005,085</u>
	- 15,006,264
Less: disclosed in the Statement of Financial Position as cash and bank balances (Note 12)	<u>- 15,006,264</u>
Disclosed as investments held at amortized cost	<u>- -</u>

12. Cash and bank balances

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

Bank account balances and cash in hand	916,028	2,760,811
Fixed term investments classified under cash equivalents (Note 11)	- 15,006,264	
	916,028	17,767,075

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

	2018 K	2017 K
13. Sundry payables and accrued expenses		
Leave pay	2,254,015	2,360,282
NAPSA	281,028	-
PAYE	4,041,887	-
Pension contributions	1,456,637	-
Personal levy	1,088	-
Trade creditors	3,853,507	2,305,386
Audit fees provision	150,800	150,800
Provisions for legal and professional charges (note (a) below)	655,414	655,414
Other payables	<u>3,747,689</u>	1,785,240
	<u>16,442,065</u>	7,257,122
Note (a)		
<i>Provisions for legal and professional charges</i>		
At 1 January	655,414	960,000
Provisions charged to comprehensive income in the year	-	-
Provisions utilised in the year	-	(304,586)
Provisions reversed in the year	-	-
At 31 December	655,414	655,414
Current	655,414	655,414
Non-Current	-	-
	655,414	655,414
The Authority is currently involved in some legal disputes. The amount provided represents the Directors' best estimate of the Authority's liability (including professional charges) having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Authority is successful in defending the actions. Due to the nature of the disputes, the Directors have not disclosed future information on the basis that they believe that this would be seriously prejudicial to the Authority's position in defending the cases brought against it.		
14. Employee end of contract gratuity benefits		
At beginning of year	9,887,626	12,880,078
Charge for the year	10,471,552	14,412,167
Payments during the year	(7,697,501)	(21,119,466)
Fair value adjustment	313,639	3,714,847
At end of year	12,975,316	9,887,626
Non-current portion	4,268,313	4,772,461
Current portion	8,707,003	5,115,165
	12,975,316	9,887,626

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

	2018 K	2017 K
15. Employee terminal benefits		
At beginning of year	2018 K	2017 K
Charge for the year	-	16,772,095
Payments during the year	-	3,280,114
At end of year	(20,052,209)	-
	-	-
16. Financial instruments		
<i>Capital management</i>		
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.		
<i>Gearing ratio</i>		
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 (2017: 0%).		
<i>Categories of financial instruments</i>		
<i>Financial assets</i>		
Cash and bank balances	12	916,028
Fixed term deposits	12	-
Receivables from employees	10	2,684,580
Prepayments	10	1,701,036
International traffic fee receivables	9	2,620,538
Amounts due from related parties	17(iii)	925,869
Sundry receivables	10	2,191,144
		11,039,195
		36,295,480
<i>Financial liabilities</i>		
Staff obligations	14	12,975,316
NAPSA	13	281,028
PAYE	13	4,041,887
Pension contributions	13	1,456,637
Personal levy	13	1,088
Leave pay	13	2,254,015
Trade creditors	13	3,853,507
Audit fees provision	13	150,800
Legal and professional charges provision	13	655,414
Other payables	13	3,747,689
Amounts due to related parties	17(ii)	257,617
		29,674,998
		18,815,702

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

	2018 K	2017 K
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16. Financial instruments (continued)

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.

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	K	K
US Dollars	Trade creditors	160,862	604,930
US Dollars	Bank balances	34,934	2,395,331
US Dollars	Receivables	<u>2,620,538</u>	<u>4,676,730</u>

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

	Mid-market exchange rates as at 31 Dec 2018	Mid-market exchange rates as at 31 Dec 2017	Average currency depreciation during the year
US Dollars	11.89	10.11	17.61%

At 31 December 2018, 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 K299,376 (2017: K646,713).

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

	2018 K	2017 K
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16. Financial instruments (continued)

Interest rate risk management

The exposure to interest rate risk 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 risk management

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

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

	Note		
International traffic fees	9	2,620,538	4,676,730
Other receivables and prepaid expenses	10	3,912,200	5,183,658
Amounts due from related parties	17(iii)	<u>925,869</u>	8,881,091
Sub total		7,458,607	18,741,479
Cash and bank balances	12	916,028	2,760,811
Fixed term deposits	12	-	15,006,264
Sub total		<u>916,028</u>	<u>17,767,075</u>
		<u>8,374,635</u>	<u>36,508,554</u>

Ageing of receivables

The aging of receivables at the reporting date was:

	31 Dec 2018 Gross amount K	31 Dec 2018 Impairment K	31 Dec 2018 Net amount K	31 Dec 2017 Gross amount K	31 Dec 2017 Impairment K	31 Dec 2017 Net amount K
Current	10,166,797	(8,501,867)	1,664,930	8,881,091	-	8,881,091
0-30	10,248,233	(8,366,756)	1,881,477	4,676,730	-	4,676,730
31-60	-	-	-	-	-	-
61-90	<u>6,549,877</u>	<u>(2,637,677)</u>	<u>3,912,200</u>	5,218,444	(34,786)	5,183,658
	26,964,907	(19,506,300)	7,458,607	18,776,265	(34,786)	18,741,479

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

	2018 K	2017 K
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16. Financial instruments (*continued*)

Credit risk management (continued)

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

Liquidity risk management

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

The following table details the Authority's remaining period for contractual maturity of its non-derivative financial assets and liabilities. The table below has been drawn up based on the contractual maturities of the financial assets and liabilities with the exception of statutory obligations.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

			2018 K	2017 K		
	Note		1 to 3 months	3 months to 1 year	More than 1 year	Total
31 December 2018			K	K	K	K
Liabilities						
Staff obligations	14		-	8,707,003	4,268,313	12,975,316
Trade creditors	13		-	3,853,507	-	3,853,507
Leave pay	13		-	2,254,015	-	2,254,015
Other payables	13		-	3,747,689	-	3,747,689
NAPSA	13		-	281,028	-	281,028
PAYE	13		-	4,041,887	-	4,041,887
Pension contributions	13		-	1,456,637	-	1,456,637
Personal levy	13		-	1,088	-	1,088
Audit fees provision	13		-	150,800	-	150,800
Legal and professional charges	13		-	655,414	-	655,414
Amounts due to related parties	17(ii)		-	257,617	-	257,617
			-	25,406,685	4,268,313	29,674,998
31 December 2018						
Assets						
Bank and cash balances	12		916,028	-	-	916,028
Amounts due from related parties	17(iii)		925,869	-	-	925,869
International Traffic fees	9		-	2,620,538	-	2,620,538
Receivables from employees	10		-	2,684,580	-	2,684,580
Other staff receivables	10		9,902	-	-	9,902
Prepayments	10		-	1,701,036	-	1,701,036
Sundry receivables	10		-	2,191,144	-	2,191,144
			1,851,799	9,197,298	-	11,049,097

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

	2018 K	2017 K
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16. Financial instruments (continued)

Liquidity risk management (continued)

	Note	1 to 3 months	3 months to 1 year	More than 1 year	Total
31 December 2017		K	K	K	K
Liabilities					
Staff obligations	14	-	5,115,165	4,772,461	9,887,626
Trade creditors	13	-	2,305,386	-	2,305,386
Leave pay	13	-	2,360,282	-	2,360,282
Audit fees provision	13	-	150,800	-	150,800
Legal and professional charges	13	-	655,414	-	655,414
Other payables	13	-	1,785,240	-	1,785,240
Amounts due to related parties	17(ii)	-	1,670,954	-	1,670,954
		-	14,043,241	4,772,461	18,815,702
31 December 2017					
Assets					
Bank and cash balances	12	17,767,075	-	-	17,767,075
Amounts due from related parties	17(iii)	8,881,091	-	-	8,881,091
International Traffic fees	9	-	4,676,730	-	4,676,730
Receivables from employees	10	-	4,632,262	-	4,632,262
Other staff receivables	10	-	147,178	-	147,178
Sundry receivables	10	191,144	-	-	191,144
		26,839,310	9,456,170	-	36,295,480

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).
-

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

	2018 K	2017 K
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16. Financial instruments (continued)

Fair value measurements (continued)

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

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

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

	Note	2018		2017	
		Carrying amount K	Fair value K	Carrying amount K	Fair value K
Financial assets					
Bank and cash balances	12	916,028	916,028	2,760,811	2,760,811
Investments at amortized cost	12	-	-	15,006,264	15,006,264
Receivables from employees	10	2,684,580	2,684,580	4,632,262	4,632,262
Prepayments	10	1,701,036	1,701,036	147,178	147,178
Amounts due from related parties	17(iii)	925,869	925,869	8,881,091	8,881,091
Sundry receivables	10	2,191,144	2,191,144	191,144	191,144
International Traffic fee receivables	9	2,620,538	2,620,538	4,676,730	4,676,730
Financial liabilities					
Staff obligations	14	12,975,136	12,975,136	9,887,626	9,887,626
Trade creditors	13	3,853,507	3,853,507	2,305,386	2,305,386
Audit fees	13	150,800	150,800	150,800	150,800
Legal provision charges	13	655,414	655,414	655,414	655,414
Other payables	13	3,747,689	3,747,869	1,785,240	1,785,240
Amounts due to related parties	17(ii)	257,617	257,617	1,670,954	1,670,954

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

	2018 K	2017 K
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17. Related party transactions

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

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

- Government ministries and parastatals;
- Subsidiaries;
- Defined benefit pension fund;
- Board Members; and
- Key management personnel.

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

i) Transactions during the year

Collections on behalf of and payments to Government

(a) Collections on behalf of Government (Appendix 2)	<u>209,531,529</u>	182,122,044
(b) Payments to Government (Appendix 2)	<u>209,531,529</u>	197,919,179
(c) Grant receivable for the year from the Government	<u>98,216,843</u>	107,303,253
(d) Expenditures on behalf of ZNDC	-	1,086,872
(e) Expenditures on behalf of Zambia ICT College	-	8,145,981
(f) Capital grant TTMS-GRZ	<u>42,566,080</u>	70,000,000
(g) Zambia ICT College operating expenses	<u>39,596</u>	8,145,981

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

	2018 K	2017 K
17. Related party transactions (<i>continued</i>)		
ii) Amounts due to related parties		
Universal Access Service Fund	257,617	270,617
Zambia ICT College Limited	-	829,829
Zambia National Data Centre	-	570,508
	257,617	1,670,954
iii) Amounts due from related parties		
Amounts due from Universal Access Service Fund	-	64,154
Government transfer - TTMS	925,869	-
Government grant	16,369,474	8,816,937
	17,295,343	8,881,091
Impairment provision	(16,369,474)	-
	925,869	8,881,091

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

iV) 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:

(a) Key management personnel compensation		
Salaries and other short term benefits	10,667,070	9,311,166
(b) Loans due from key management personnel		
	128,567	369,716
(c) Payables due to key management personnel		
	3,487,532	2,050,039
(d) Board members expenses		
	4,296,503	7,059,030

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

			2018 K	2017 K
18. Investments in subsidiaries				
	Place of operation and incorporation	31 December 2018	31 December 2017	31 December 2018
		Holding in %	Holding %	K
Zambia ICT College Limited (Note 1)	Zambia	100	100	-
Zambia National Data Centre Limited (Note 2)	Zambia	100	100	-
				-
				-

Note 1-ICT College

The Zambia ICT College was incorporated as a Company limited by guarantee (with no share capital) in 2010. ZICTA appointed the Trustees and the Board members of the College. The principal activities of the College are to offer various ICT skills training courses delivered using various media such as e-learning platform, e-classroom and e-lab.

Effective 1 January 2018, the entity has an independent budget allocation in the national budget and receives funding directly from the Ministry of Finance. However ZICTA continues to appoint Directors and controls the Board of ICT College.

Note 2 -Zambia National Data Centre

In December 2015, ZICTA incorporated a Company, the Zambia National Data Centre (ZNDC), a Company in which ZICTA owns all the shares. The Board of the Authority was appointed by ZICTA. The principal activities of the ZNDC are storage of data, back up and disaster recovery. Effective 1 January 2018 ZNDC is under Smart Zambia Institute with independent budget allocation in the national budget and receives funding directly from the Ministry of Finance. However ZICTA continues to appoint Directors and controls the Board of ZNDC.

Post year end the guarantors in ZNDC who were employees of ZICTA have been replaced by employees of ZNDC.

Note 3

Significant transactions between ZICTA and the subsidiaries are disclosed in note 17.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

	2018 K	2017 K
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19. Retirement benefits

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

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

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

The fund is subject to an actuarial valuation every three years by independent consultant actuaries. The latest actuarial valuation was carried out by Independent Actuaries and Consultants to determine the fund's position as at 30 June 2017 and shows that the plan assets were K 6,805,891 (31 December 2017: K8,454,148) and liabilities were nil (31 December 2017: K2,722,000) resulting in a surplus of K 6,805,891 (31 December 2017: K5,732,148).

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

Discount rate	-	11.84% p.a
General inflation	-	5.75% p.a
Salary inflation	-	7.25% p.a
Pension increase provision	-	5.75% p.a
Post retirement interest rate	-	5.76% p.a
Present value of obligations	-	(2,722,000)
Fair value of plan assets	<u>6,805,891</u>	<u>8,454,148</u>
Surplus on actuarial valuation	<u>6,805,891</u>	<u>5,732,148</u>

Zambia Information and Communications Technology Authority
 Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

	2018 K	2017 K
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19. 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 estate. Due to the long term nature of the plan liabilities, the Board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such an increase in the salary of the plan participants will increase the plan's liability.

Funding level	-	295.0%
Increase in surplus on defined benefit plan	1,073,743	1,721,056

The defined benefit scheme is in the process of being replaced with a defined contribution scheme. The residual assets on the defined benefit will be allocated among the members, while a portion will accrue to the employer. As funds cannot revert to the employer, the employer will share in this surplus through a contribution holiday.

Zambia Information and Communications Technology Authority
 Separate Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

	2018 K	2017 K
20. Deferred income		
TTMS capital grant	<u>112,566,081</u>	<u>70,000,000</u>

The Authority is in the process of implementing a Telecommunication Traffic Monitoring System (TTMS) which is being funded through a Capital Grant from the Treasury. The system is aimed at providing revenue assurance through the monitoring of telecommunication traffic volume. The Government of the Republic of Zambia through the Ministry of Transport and Communications (MTC) entered into a contract with Nanjing Sinovatio Technology Co. Ltd for the supply, delivery, installation and commissioning of the system for a total contract price of \$21,109,740.00. As at the end of December 2018, the Authority has paid out a total of K112,566,081 towards the purchase of the equipment. Implementation of this system follows issuance of Statutory Instrument No. 80 of 2015.

The deferred income was not amortised during the period as the related asset is yet to come into use.

21. Contingent liabilities

There are no known contingent liabilities as at 31 December 2018 (2017: nil)

22. Capital commitments

Authorised by the Board and contracted for	<u>3,300,036</u>	<u>5,530,120</u>
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23. 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.

24. Comparatives

Where necessary comparatives for 2017 have been reclassified in order to have meaningful comparison with the current year.

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Appendix 1: Detailed Statement of Income and Expenditure

	2018 K	2017 K
Income		
Grant income-GRZ	98,216,843	107,303,253
International traffic fees	23,805,703	30,967,843
	122,022,546	138,271,096
Other income		
Sundry income	6,699,728	3,809,765
Other-grants	3,092,553	209,509
	9,792,281	4,019,274
Finance costs		
Interest on bank term deposits	971,699	1,375,182
Staff loans interest	143,296	580,847
Exchange gains	1,225,200	1,912,504
Exchange losses	(2,496,686)	(751,874)
Bank interest	21,138	11,595
	(135,353)	3,128,254
Total income	131,679,474	145,418,624
Expenditure (Refer to pages 51125 to 128 for details)	(155,491,579)	(158,766,252)
Excess of expenditure over income	(23,812,105)	(13,347,628)

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

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

	2018 K	2017 K
Expenditure		
Salaries and wages	69,910,867	52,760,317
Gratuity and retirement benefits	10,785,191	18,566,849
Social tour and holiday allowances	5,817,522	5,437,248
Other staff costs	892,025	17,007,028
Recruitment expenses	165,714	211,232
Repatriation and relocation expenses	163,133	1,819,084
Depreciation	8,007,291	9,599,097
Meetings and conferences - abroad	2,873,440	4,268,447
National ICT Survey	2,641,871	-
Cost of service study	3,735,761	-
Zambia ICT College operating expenses	39,596	8,145,981
Insurance	1,100,003	1,394,839
Advertising expenses	333,271	1,299,958
Postal National Addressing System	1,939,823	196,906
Service maintenance agreement	2,455,182	2,190,677
Hosting of workshops	132,032	1,321,982
Trade shows and exhibitions	898,331	260,992
Repairs and maintenance	1,420,667	1,814,419
Communications expenses	1,840,248	1,595,430
Subscriptions	2,544,869	1,835,835
Publicity and promotional expenses	388,354	1,043,648
Consumer awareness expenses	226,084	785,427
Operating expenses - CCTCD Zm Domain	8,364	2,892
Research and development	9,545	270,879
Girls in ICT expenses	189,964	115,065
ICT Innovation & resource centre	234,052	300,035
ZNDC grant	-	1,086,872
Withholding taxes	-	1,583,823
 Balance carried forward	 118,753,200	 134,914,962

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

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

	2018 K	2017 K
Expenditure (continued)		
Balance brought forward	118,752,200	134,914,962
Board expenses	4,296,503	7,059,030
Cyber security operating expenses	327,607	168,086
System operating expenses	755,069	873,988
Staff welfare	352,371	602,047
Standardisation expenses	134,109	259,585
Outside services - security	837,335	981,151
Tender and evaluations expenses	496,849	574,085
Fuel, oil and lubricants	405,998	490,555
Printing and stationery expenses	650,404	1,150,965
Monitoring, compliance and inspection expenses	607,400	911,965
Meetings and conferences - local	1,018,571	1,121,497
Education and training	74,718	257,568
Quality of service monitoring expenses	323,822	225,860
Postal operating expenses	-	17,284
Outside services - other	298,315	471,057
Travelling expenses	97,240	78,461
Corporate social responsibility	60,960	54,587
Audit expenses	526,014	242,978
Bank charges	222,888	250,654
Office consumables	264,541	305,764
Consultancy services	-	1,496,815
Uniform and protective clothing	51,149	63,815
Enforcement expenses	268,196	85,788
Library expenses	88,251	125,439
Electricity and water	909,052	459,922
Seminars and workshops - local	23,612	162,304
Subsistence and travel expenses	79,765	193,809
World Consumer rights day expenses	54,082	57,598
Rent and rates	67,708	218,428
Project - Spectrum Reforming	-	8,417
Child online protection	262,009	-
Balance carried forward	132,307,738	153,884,464

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

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

	2018 K	2017 K
Expenditure (continued)		
Balance brought forward	132,307,738	153,884,464
Fixed site monitoring	351,539	413,037
Business continuity program	-	35,380
Loss on disposal	126,032	412,198
Drafting of regulations and guidelines	4,805	304,747
Call centre expenses	135,080	97,593
Computer software and network expenses	143,081	124,782
Stamps and postages expenses	102,598	59,196
Business lunches and entertainment	88,652	87,841
Study tours - abroad	111,550	-
Funeral expenses	79,459	130,922
Medical expenses	2,078,520	2,308,744
General legal expenses	1,693	2,713
Skills development expenses	7,300	140,064
Stakeholders engagement expenses	91,906	446,791
Project monitoring and evaluation	19,404	93,525
Other general expenses	-	189,469
Provincial offices expenses	180,328	-
GRZ receivable written off	155,594	-
Impairment provisions	<u>19,506,300</u>	<u>34,786</u>
Total expenditure	<u>155,491,579</u>	<u>158,766,252</u>
Excess of expenditure over income for the year	<u>(23,812,105)</u>	<u>(13,347,628)</u>

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Appendix 2 - Funds collected on behalf of Government

	2018 K	2017 K
Nature of funds collected on behalf of Government		
Annual operating fees	69,555,834	73,108,576
Radio license fees	80,002,895	62,919,386
International traffic fees	14,626,801	13,145,536
Numbering fees	18,484,900	15,501,500
Private network fees	-	2,833,336
Sundry income	9,995,519	4,288,830
Type approval fees	1,818,598	1,488,210
Initial licensing fees	15,046,982	8,395,004
Value added services	-	441,667
 Total funds collected	 209,531,529	 182,122,044
 Remittance to GRZ	 209,531,529	 197,919,179
 Funds (retained)/remitted to GRZ from prior year collection	 -	 15,797,135

Zambia Information and Communications Technology Authority

Separate Financial Statements for the year ended 31 December 2018

Appendix 3 - Funds owing to Government by Zamtel

	2018 K	2017 K
Zamtel		
Annual operating fees	54,944,182	46,101,615
Spectrum fees	35,888,845	25,466,917
Numbering fees	-	5,375,960
Penalty fees (Quality of service)	4,800,000	1,200,000
Network, Service, Public Data	-	393,889
Total funds receivable	95,633,027	78,538,381

**UNIVERSAL ACCESS AND SERVICE FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

**Zambia Information and Communications
Technology Authority**

Universal Access and Service Fund

Financial Statements for the year ended
31 December 2018

MPH Chartered Accountants

Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

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Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

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 119 to 121.

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

In the opinion of the Board the financial statements are drawn up so as to present fairly the financial activities of the Fund for the year ended 31 December 2018 and its financial position as at that date, and have been prepared in accordance with the accounting policies set out at note 2 to the financial statements and in the manner required by the Information and Communication Technologies Act No. 15 of 2009 and the Information and Communications Technologies (Universal Access) Regulations, 2012.

Approval of the financial statements

The financial statements of the Fund as indicated above and set out on pages 122 to 148 were approved by the Board on29/3/19..... and were signed on its behalf by:


.....
Board Chairperson


.....
Member of the Board

Independent Auditor's Report

To the Board of Zambia Information and Communications Technology Authority- Universal Access and Service Fund

Report on the financial statements

Opinion

We have audited the financial statements of the Zambia Information and Communications Technology Authority Universal Access and Service Fund (“the Fund”), which comprise the Statement of Financial Position as at 31 December 2018, and the Statement of Comprehensive Income, the Statement of Changes in Accumulated Fund and the Statement of Cash Flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Fund’s financial statements give a true and fair view of the financial position of the Fund as at 31 December, 2018, and of its financial performance and its cash flows for the year then ended on the basis of the accounting policies described in note 2 and in the manner required by the Information and Communication Technologies Act No. 15 of 2009 and the Information and Communications Technologies (Universal Access) Regulations, 2012.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the statements in accordance with the accounting policies set out at notes 2.1 to 2.8 and in the manner required by the Information and Communications Technologies Act No 15 of 2009 and the Information and Communications Technologies (Universal Access) Regulations, 2012, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or cease operations, or has no realistic alternative but to do so.

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

Independent Auditor's Report (continued)

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Fund to cease as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Information

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

Other matter

The supplementary information set out on page 148 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.

Independent Auditor's Report (continued)

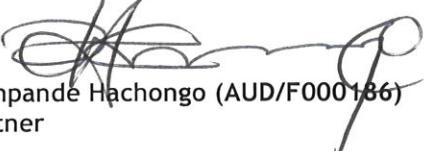
Report on other legal and regulatory requirements

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 Information and Communication Technologies (Universal Access) Regulations 2012.

Section 70 and 71 of the Information and Communication Technologies Act No. 15 of 2009 and the Information Communication Technologies (Universal Access) Regulations, 2012 provided for the set up of the Universal Access and Service Fund and the appointment of a Fund Manager to administer the Fund.

Authority was granted by the Minister of Transport and Communications for the Fund to engage a Fund Manager through issuance of SI No. 25 of 2018.


MPH Chartered Accountants


Hampande Hachongo (AUD/F000186)
Partner

29/3/19
Lusaka, Zambia

Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Statement of Comprehensive Income

	Note	2018 K	2017 K
Income			
Universal Access contributions	3	68,423,852	73,108,576
		68,423,852	73,108,576
Other income			
Interest income on bank term deposits and bank interests		8,863,763	12,028,068
Sundry income-general		-	60,319
Total other income		8,863,763	12,088,387
Net financing income/(costs)			
Exchange gain		3,533,540	185,050
Exchange loss		(2,895,710)	(266,765)
Total net financing income/(costs)		637,830	(81,715)
		77,925,445	85,115,248
Expenditure			
Operating expenses		(59,045,924)	(62,379,691)
Administrative expenses		(260,436)	(153,107)
Depreciation	4	(14,061,143)	(13,895,464)
		(73,367,503)	(76,428,262)
Surplus of income over expenditure for the year		4,557,942	8,686,986
Other comprehensive income		-	-
Total comprehensive income for the year		4,557,942	8,686,986

The accounting policies and notes on pages 126 to 148 are an integral part of these financial statements.



Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Statement of Financial Position

	Note	2018 K	2017 K
Assets			
Non-current assets			
Property and equipment	4	109,751,028	116,800,471
		<u>109,751,028</u>	<u>116,800,471</u>
Current assets			
Trade and other receivables	5	2,853,764	362,026
Amounts due from related parties	6	48,809,694	446,602
Investments at amortised cost	7	47,990,852	88,581,651
Cash and bank balances	8	7,152,622	9,036,346
		<u>106,806,932</u>	<u>98,426,625</u>
Total assets		<u>216,557,960</u>	<u>215,227,096</u>
Accumulated fund and liabilities			
Accumulated fund		201,354,451	196,796,509
Current liabilities			
Trade and other payables	9	15,203,509	18,363,752
Amount due to related parties	12	-	66,835
		<u>15,203,509</u>	<u>18,430,587</u>
Total accumulated fund and liabilities		<u>216,557,960</u>	<u>215,227,096</u>

The financial statements set out on pages 118 to 148, were approved and authorised for issue by the Board on 29/3/19 and were signed on its behalf by:

.....

 Board Chairperson

.....

 Member of the Board

The accounting policies and notes on pages 126 to 148 are an integral part of these financial statements.

Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Statement of Changes in Accumulated Fund

	Accumulated fund
	K
Balance at 1 January 2017	188,109,523
Surplus of income over expenditure for the year	8,686,986
Balance at 31 December 2017	196,796,509
 Balance at 1 January 2018	 196,796,509
Surplus of income over expenditure for the year	4,557,942
Balance at 31 December 2018	201,354,451

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

The accounting policies and notes on pages 126 to 148 are an integral part of these financial statements.



Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Statement of Cash flows

	Note	2018 K	2017 K
Cash flows from operating activities			
Surplus of income over expenditure for the year		4,557,942	8,686,980
Adjustments			
Interest income on bank term deposits and bank interests		(8,863,763)	(12,028,068)
Depreciation	4	14,061,143	13,895,464
Operating cash flows before movements in working capital		9,755,322	10,554,382
Movements in working capital			
(Increase)/decrease in trade and other receivables	5	(2,491,738)	4,310,512
(Decrease)/increase in trade and other payables	9	(3,160,243)	16,630,237
(Increase)/decrease in amounts due from related parties	6	(48,363,092)	971,749
Decrease/(increase) in held to maturity investments	7	40,590,799	(78,249,103)
Decrease in amounts due to related parties		(66,835)	(885,446)
Net cash inflow generated (used in)/from operating activities		(3,963,494)	(46,667,669)
Cash flow from investing activities			
Expenditure on property and equipment	4	(7,011,700)	(35,478,113)
Net cash out flow from investing activities		(7,011,700)	35,478,113
Cash flows from financing activities and funds			
Interest received		8,863,763	12,028,068
Net cash from financing activities		8,863,763	12,028,068
Increase in cash and cash equivalents			
Increase in cash and cash equivalents		(1,883,724)	(70,117,714)
Cash at the beginning of the year		9,036,346	79,154,060
Cash and cash equivalents at end of the year	9	7,152,622	9,036,346

The accounting policies and notes on pages 126 to 148 are an integral part of these financial statements.

Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements

Accounting Policies

1. The Universal Access and Service Fund

Section 70 (1) of the Information and Communication Technologies Act establishes the Universal Access and Service Fund (UASF). The purpose of the Fund is to enable Government through ZICTA to finance Universal Access Projects. Licensees are required under Regulation 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 (ZICTA).

2. Accounting policies

2.1 Basis of preparation and accounting policies

Statement of compliance

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

Basis of preparation

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

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

2.2 Income

Universal Access Contribution

Contributions to the Fund have been recognised on the receipts basis and represent contributions made by operators licensed under the Information and Communication Technologies Act No. 15 of 2009. Regulation 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 70 of the Information and Communication Technologies Act No. 15 of 2009, at the rate not exceeding 1.5 percent of the gross annual turnover of the licensee. The contributions are collected by ZICTA. The basis of determination of the contribution are the financial results of the operator.



Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

2. Accounting policies (*continued*)

2.2 Revenue recognition (*continued*)

Interest income

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

2.3 Property and equipment

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

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

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

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

Capital work in progress is not depreciated.

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

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

Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

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 recognised in the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument. 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 profit or loss) 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 profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

2. Accounting policies (*continued*)

2.5 Financial instruments (*continued*)

Financial assets(continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Fund has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Fund are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Fund's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Fund's own equity instruments.

Compound instruments

The component parts of convertible loan notes issued by the Fund are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Fund's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

2. Accounting policies (*continued*)

2.5 Financial instruments (*continued*)

Compound instruments (*continued*)

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium/other equity . Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to retained profits/other equity . No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Fund, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and policy permits the entire combined contract to be designated as at FVTPL.



Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

2. Accounting policies (*continued*)

2.5 Financial instruments (*continued*)

Financial liabilities at FVTPL (*continued*)

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the ‘other gains and losses’ line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, 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 recognised in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability’s credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Fund that are designated by the Fund as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently 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 amortised cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss determined and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the ‘other

Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

2. Accounting policies (*continued*)

2.5 Financial instruments (*continued*)

Foreign exchange gains and losses (*continued*)

gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

When the Fund exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Fund accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivative financial instruments

The Fund does not enter into any derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.



Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

2. Accounting policies (*continued*)

2.6 Provisions

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

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

2.7 Foreign currencies

Functional and presentation currency

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

Transactions and balances

In preparing the financial statements of the Fund, transactions in currencies other than the Fund's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

2.8 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.

Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

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

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

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

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

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Fund determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Fund monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Fund's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

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.



Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

	2018 K	2017 K
3. Income		
Annual operating fees network-Network Services	2,773,755	3,844,200
Annual operating fees network-Public Data	-	284,113
Annual operating fees service-Wireless internet	-	1,024,222
Annual operating fees service-Mobile Cellular	53,255,645	54,702,390
Annual operating fees service-Internet	6,160,622	9,402,908
Annual operating fees service-other	6,233,830	3,850,743
	68,423,852	73,108,576

The Fund raises income primarily from collections from annual operating fees, the bulk of which comes from annual operating fees on mobile cellular services from Airtel, MTN and Zamtel. The operating fees are charged on total annual turnover of individual mobile operators at a rate of 2% and 3%, of which an apportionment of 50% is made to the Fund. There are, however, significant amounts owing to the Fund in unpaid operating fees from Zamtel amounting to K54,944,182 (2017: K46,101,615), as shown in Appendix 2.

**Zambia Information and Communications Technology Authority
Universal Access Fund**
Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements (continued)

4. Property and equipment

Cost	Vehicles	VSAT HUB	GSM	VSAT	Power-Solar	Power Grid	Tower Masts	Fence	Batteries	Capital work in progress	Total
	K	K	K	K	K	K	K	K	K	K	K
At 1 January 2018	-	3,907,981	17,419,773	4,838,826	12,124,162	1,811,656	28,742,625	14,806,807	17,032,667	42,231,762	142,916,259
Additions	1,805,563	-	-	-	-	-	-	-	-	5,206,137	7,011,700
At 31 December 2018	1,805,563	3,907,981	17,419,773	4,838,826	12,124,162	1,811,656	28,742,625	14,806,807	17,032,667	47,437,899	149,927,959
<hr/>											
Depreciation											
At 1 January 2018	-	1,048,641	6,542,378	1,272,129	3,188,797	237,620	2,158,984	1,112,204	10,555,035	-	26,115,788
Charge for the year	165,679	547,117	3,483,955	677,436	1,697,383	126,816	1,149,705	592,272	5,620,780	-	14,061,143
At 31 December 2018	165,679	1,595,758	10,026,333	1,949,565	4,886,180	364,436	3,308,689	1,704,476	16,175,815	-	40,176,931
Carrying amount											
At 31 December 2018	1,639,884	2,312,223	7,393,440	2,889,261	7,237,982	1,446,220	25,433,936	13,103,331	856,852	47,437,899	109,751,028
At 31 December 2017	-	2,859,340	10,877,395	3,566,697	8,935,365	1,574,036	26,583,641	13,694,603	6,477,632	42,231,762	116,800,471

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

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

Zambia Information and Communications Technology Authority
Universal Access and Service Fund
 Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

4. Property and equipment (continued)

Cost	VSAT HUB K	GSM K	VSAT K	Power-Solar K	Power Grid K	Tower Masts K	Fence K	Batteries K	Capital work in progress K	Total K
At 1 January 2017	3,907,981	17,419,773	4,838,826	12,124,162	1,811,656	28,742,625	14,806,807	17,032,667	6,753,649	107,438,146
Additions	-	-	-	-	-	-	-	-	35,478,113	35,478,113
At 31 December 2017	3,907,981	17,419,773	4,838,826	12,124,162	1,811,656	28,742,625	14,806,807	17,032,667	42,231,762	142,916,259
<hr/>										
Depreciation										
At 1 January 2017	501,524	3,058,423	594,693	1,491,414	110,804	1,009,279	519,932	4,934,255	-	12,230,324
Charge for the year	547,117	3,483,955	677,436	1,697,383	126,816	1,149,705	592,277	5,620,780	-	13,895,464
At 31 December 2017	1,048,641	6,542,378	1,272,129	3,188,797	237,620	2,158,984	1,112,204	10,555,035	-	26,115,788
Carrying amount										
At 31 December 2017	2,859,340	10,877,395	3,566,697	8,935,365	1,574,036	26,583,641	13,694,603	6,477,632	42,231,762	116,800,471

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

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

Zambia Information and Communications Technology Authority

Universal Access Fund

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements (*continued*)

	2018 K	2017 K
5. Trade and other receivables		
Interest receivables	-	326,610
Prepayment	419	33,416
Board imprest	-	2,000
Sundry receivables	<u>2,853,345</u>	-
	<u>2,853,764</u>	<u>362,026</u>
6. Amounts due from related parties		
Zambia Information and Communications Technology Authority	254,017	270,617
Government -Central Treasury	135,000	175,985
Government -Central Treasury (TTMS) (note 12)	<u>48,420,677</u>	-
	<u>48,809,694</u>	<u>446,602</u>
7. Investments at amortised cost		
180 days fixed term deposits	<u>47,990,852</u>	<u>88,581,651</u>
	<u>47,990,852</u>	<u>88,581,651</u>
The fixed term deposits are held with the following financial institutions:		
Investrust Bank Plc	10,332,243	34,433,101
Zambia National Commercial Bank Plc	21,087,362	30,097,765
Atlas Mara Bank	<u>16,571,247</u>	<u>24,050,785</u>
	<u>47,990,852</u>	<u>88,581,651</u>
Less: disclosed in the Statement of Financial Position as cash and bank balances	-	-
Disclosed as investments at amortised cost	<u>47,990,852</u>	<u>88,581,651</u>
8. Cash and bank balances		
Cash and cash equivalents include held to maturity investments maturing less than 90 days after year end. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flow can be reconciled to the related items in the Statement of Financial Position as follows:		
Bank account balances and cash in hand	7,152,622	9,036,346
Fixed term investments classified under cash equivalents (note 7)	-	-
	<u>7,152,622</u>	<u>9,036,346</u>



Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (continued)

	2018 K	2017 K
9. Trade and other payables		
Trade payables	10,519,034	6,784,838
Audit fees	127,600	127,600
Accrued expenses	<u>4,556,875</u>	<u>11,451,314</u>
	<u>15,203,509</u>	<u>18,363,752</u>

10. Financial instruments

Categories of financial instruments

Financial assets

	Note		
Investments at amortised cost	7	47,990,852	88,581,651
Cash and bank balances	8	<u>7,152,622</u>	<u>9,036,346</u>
		<u>55,143,474</u>	<u>97,617,997</u>

Financial risk management objectives

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

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

Market risk

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

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

Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

	2018 K	2017 K
11. Financial instruments (continued)		
<i>Foreign currency risk management</i>		
The Fund undertakes certain transactions dominated in foreign currencies. Hence, exposure to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as approved by the Board.		
Currency	Asset/liabilities	
US Dollars	Trade and other payables	7,512,013 10,893,413
US Dollars	Trade and other receivables	2,843,075 -
US Dollars	Bank balances	116,192 98,466
EUR	Investments at amortised cost	- 8,635,418

The Fund is exposed to foreign exchange risk arising primarily from the importation of raw materials and finished goods and cash balances.

	Mid-market exchange rates 2018	Mid-market exchange rates 2017	Average currency depreciation during the year
US Dollars	11.89	10.1	17.61%
Euro	13.59	11.97	13.53%

As at 31 December, if the US Dollar and the Euro had appreciated or depreciated by 10% against the Kwacha, with all variables held constant, the increase or decrease in the surplus would have been K672,069 (2017: K215,952).

Interest rate risk management

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

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

Credit management

Credit risk refers to the risk that a counterparty will default on its contractual obligations 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.



Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

	2018 K	2017 K
The Fund's maximum exposure to credit risk is analysed below:		
Investments at amortised cost	Note 7	47,990,852
Trade and other receivables	Note 5	2,853,764
Amounts due from related parties	Note 6	48,420,677
Cash and bank balances	Note 8	7,152,622
		106,417,915
		98,250,640

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

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 its non-derivative financial assets and liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets and liabilities.

Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

		2018 K	2017 K		
	Note	1 to 3 months	3 months to 1 year	More than 1 year	Total
11. Financial instruments (continued)					
31 December 2018					
Liabilities					
Trade and other payables	9	-	15,203,509	-	15,203,509
Amounts due to related parties	10	-	-	-	15,203,509
		-	15,203,509	-	15,203,509
31 December 2018					
Assets					
Trade and other receivables	5	2,853,764	-	-	2,853,764
Amounts due from related parties	6	-	48,809,694	-	48,809,694
Bank and cash balances	8	7,152,622	-	-	7,152,622
Investments at amortised cost	7	-	47,990,852	-	47,990,852
		10,006,386	96,800,546	-	106,806,932
31 December 2017					
Liabilities					
Trade and other payables	9	-	18,363,752	-	18,363,752
Amounts due to related parties	12	-	66,835	-	66,835
		-	18,430,587	-	18,430,587
31 December 2017					
Assets					
Trade and other receivables	5	362,026	-	-	362,026
Amounts due from related parties	6	-	446,602	-	446,602
Bank and cash balances	8	9,036,346	-	-	9,036,346
Investments at amortised cost	7	-	88,581,651	-	88,581,651
		9,398,372	89,028,253	-	98,426,625
<i>Fair value measurements</i>					

The information set out below provides information about how the Fund 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:



Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

	2018 K	2017 K
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11. Financial instruments (*continued*)

Fair value measurements (continue)

- 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.

Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

11. Financial instruments (*continued*)

*Fair value measurements (*continued*)*

Note	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	K	K	K	K
Investments at amortised cost	7	47,990,852	47,990,852	88,581,651

Fair value hierarchy as at 31 December 2017

	level 1	level 2	level 3	Total
				K
Financial assets	K	K	K	K
Investments at amortised cost	7	-	47,990,852	-
Financial liabilities				
Trade and other payables	9	-	15,203,509	-
Amounts due to related parties	10	-	-	-

Fair value hierarchy as at 31 December 2017

	level 1	level 2	level 3	Total
				K
Financial assets	K	K	K	K
Investments at amortised cost	7	-	88,581,651	-
Financial liabilities				
Sundry payables and accrued expenses	9	-	18,363,752	-
Amounts due to related parties	10	-	66,835	-

Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

	2018 K	2017 K
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12. Related party transactions

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

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

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

During the year the transactions that took place with related parties are as follows:

Staff expenses-receivables	2,480	1,473
Investments-receivables	247,444	269,144
GRZ operating fees-receivables	135,000	175,985
GRZ –receivables (TTMS payment)	48,420,677	-
Trade payables	4,093	55,819
Investments-payable	-	-
Staff expenses-payable	-	8,335
GRZ other payable	-	2,681

Related party transaction balances

Receivable

Zambia Information and Communications Technology Authority	389,017	446,602
Government (TTMS)	48,420,677	-

Payable

Zambia Information and Communications Technology Authority	-	66,835
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13. Contingent liabilities

There were no known significant contingent liabilities as at 31 December 2018.

14. Capital commitments

Authorised by the Board and contracted for	9,900,000	17,620,496
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Zambia Information and Communications Technology Authority**Universal Access and Service Fund**

Financial Statements for the year ended 31 December 2018

Notes to the Financial Statements (*continued*)

15. Events after the reporting date

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

16. Comparatives

Where necessary comparatives for 2017 have been reclassified in order to have meaningful comparison with the current year.



Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Appendix 1: Detailed Statement of Income and Expenditure

	2018 K	2017 K
Income		
Universal Access contributions	<u>68,423,852</u>	<u>73,108,576</u>
	68,423,852	73,108,576
Sundry income		
Interest income on bank term deposits	8,863,763	12,028,068
Sundry income-general	-	60,319
	<u>8,863,763</u>	<u>12,088,387</u>
Total sundry income		
Finance costs		
Exchange gain	3,533,540	185,050
Exchange loss	(2,895,710)	(266,765)
	<u>637,830</u>	<u>(81,715)</u>
Total net financing income/(costs)	9,501,593	12,006,672
	<u>9,501,593</u>	<u>12,006,672</u>
Total income	77,925,445	85,115,248
	<u>77,925,445</u>	<u>85,115,248</u>
Expenditure		
Operating expenses		
Special Projects - Connecting Learning Institutions	4,025,737	24,483,900
Special Projects - Tertiary Institutions (ZAMREN)	229,008	2,337,997
Special Projects - Operating Tower Installations	36,153,331	24,095,199
Special Projects-E-Governance	16,333,384	10,964,796
Special Projects-People with Disabilities	56,630	32,361
Special Projects - Computer Assembly Plant	2,229,567	97,613
Special Projects - Monitoring and Evaluation	18,267	367,825
	<u>59,045,924</u>	<u>62,379,691</u>
Total operating expenses		
Administrative expenses		
Audit fees	178,866	127,600
Bank charges	42,615	25,507
Other administration costs	38,955	-
	<u>260,436</u>	<u>153,107</u>
Total administrative expenses before depreciation		
Depreciation	14,061,143	13,895,464
	<u>14,321,579</u>	<u>14,048,571</u>
	<u>14,321,579</u>	<u>14,048,571</u>
Total expenditure	73,367,503	76,428,262
	<u>73,367,503</u>	<u>76,428,262</u>
Excess of income over expenditure for the year	4,557,942	8,686,986
	<u>4,557,942</u>	<u>8,686,986</u>

The Fund has no staff. All related staff costs are borne by ZICTA.

Zambia Information and Communications Technology Authority

Universal Access and Service Fund

Financial Statements for the year ended 31 December 2018

Appendix 2: Contributions due from Zamtel

	2018 K	2017 K
Universal Access contributions due		
Annual operating fees 2012	5,112,120	5,112,120
Annual operating fees 2013	7,372,455	7,372,455
Annual operating fees 2014	8,642,340	8,642,340
Annual operating fees 2015	8,998,965	8,998,965
Annual operating fees 2016	6,480,510	6,480,510
Annual operating fees 2017	9,495,225	9,495,225
Annual operating fees 2018-estimate	<u>8,842,567</u>	-
	<u>54,944,182</u>	<u>46,101,615</u>

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