



# ZICTA

ZAMBIA INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

## 2015 ANNUAL REPORT



## **VISION**

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

## **MISSION**

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

## **CORE VALUES**

We, at ZICTA are committed to the following values:

### **PROFESSIONALISM:**

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

### **INTEGRITY:**

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

### **TRANSPARENCY:**

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

### **INDEPENDENCE:**

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

### **ACCOUNTABILITY:**

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

### **PREDICTABILITY:**

We shall make commitment to conduct business with certainty.

### **TEAM WORK:**

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

## OBJECTIVES

- To effectively enforce ICT regulations, standards and guidelines in order to ensure compliance
- To promote the widespread availability and usage of electronic communications networks and services throughout Zambia, in order to contribute to the socio-economic development.
- To promote research and development in ICT in order to generate information for decision making and product improvement
- To manage the scarce resources in order to enhance equitable access and effective utilization
- To promote the establishment of a secure ICT infrastructure in order to enhance user confidence.
- To effectively coordinate the formulation and review of ICT regulations, guidelines and standards, in order to provide a framework for effective administration of ICT programmes.
- To effectively monitor the provision of ICT services, in order to facilitate protection of consumers, the general public and the environment.
- To effectively plan, monitor and evaluate the implementation of the Authority's programmes, in order to facilitate development and implementation of appropriate interventions and assess the impact.
- To enhance the Authority's capacity to deliver, in order to ensure effective regulation.

## OBJECTIVES (*contd*).

- To effectively and efficiently manage the provision of administrative and logistical support services, in order to enhance operations of the Authority.
- To ensure the provision of universal postal and courier services, in order for all citizens to have access to a minimum range of such services, of specified quality, at affordable prices, irrespective of their geographical location in Zambia.
- To stimulate competition in the provision of un-reserved postal and courier services in order to ensure that such competition drives efficiency, cost-reflective pricing and innovation in postal and/ or courier products, services and processes.

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## ACRONYMS

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

## BOARD OF REGULATORS



Mr. Emmanuel M. Musonda  
BOARD CHAIRMAN



Eng. Misheck Lungu  
BOARD MEMBER



Mrs. Patricia Jere  
BOARD MEMBER



Mr. Keith Asherwood  
BOARD MEMBER



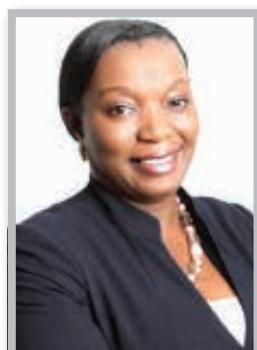
Brig Gen. Emelda Chela  
BOARD MEMBER



Mr. Vestus Chungu  
BOARD MEMBER



Ms. Daisy Nkhata Ng'ambi  
BOARD MEMBER



Mrs. Margaret K. Chalwe  
Mudenda  
BOARD MEMBER



Mr. Patrick Chisanga  
BOARD MEMBER



Eng Bernard Chiwala  
BOARD MEMBER

**“ We are strong advocates of the fact  
that the development of ICTs in the country  
will ensure the creation of a knowledge  
based society in all aspects of development  
and governance ”**

**O**n behalf of the Board and Management of the Zambia Information and Communications Technology Authority (ZICTA), it is my privilege to present the annual report and consolidated financial statements of the Authority for the year ended 31 December 2015. As foreseen, this was an eventful year for the Authority and the sector at large. In the midst of the milestones achieved, the country was in the midst of elections following the passing of our beloved late President, Mr. Michael Chilufya Sata, towards the end of 2014. The Authority managed to effectively carry-on with its operations smoothly even with the transition in power following Presidential by-elections held early in the year 2015 which ushered in His Excellency, President Edgar Lungu, as the Republican President of Zambia.

In the 2015 Financial Year, the Authority managed to score on a number of fronts internally and sector wise. This report highlights the Authority's continued efforts to deliver on our mandate and responsibility to consistently create an enabling telecommunications environment in Zambia that promotes market driven fair competition, which provides accessible and affordable communication services for all citizens of this country. With the various initiatives undertaken by the Authority, over 74% of Zambia's population had access to mobile telephone service and approximately 39% of our residents had access to mobile broadband internet service by end of the year. Prospects for the future show an upward trajectory with regard to improvement in penetration rates and we continue to pursue various programmes to ensure Government leverages off Information and Communications



## CHAIRMAN'S STATEMENT

Technologies (ICTs) to improve the way that it conducts business. We as ZICTA also believe this will meaningfully impact the manner in which the various ministries, agencies and government institutions interact with each-other and improve how government services are delivered to the citizens of Zambia and how our much needed revenue is collected and accounted for.

We are strong advocates of the fact that the development of ICTs in the country will ensure the creation of a knowledge based society in all aspects of development and governance. As a Board and indeed on behalf of the Authority, I take this opportunity to acknowledge the continued confidence and encouragement of our shareholders; the trust and loyalty of our clients and partners; and the commitment and professionalism of our management and staff for we cannot achieve all our set goals and vision of transforming our country into an industrialised state with these critical elements. The Board also expresses its appreciation and conveys its best wishes and sincere gratitude to His Excellency the President, Mr. Edgar Chagwa Lungu, and the Minister of Transport and Communications, for their wise leadership, visionary reform programme for the country, and support of Zambia's ICT sector.

A handwritten signature in black ink, appearing to read "Emmanuel Musonda".

Emmanuel Musonda  
Board Chairman

## MANAGEMENT TEAM



Margaret K. Chalwe Mudenda  
**DIRECTOR GENERAL**



Clementina Simwenza  
**DIRECTOR FINANCE**



Mulenga Chisanga  
**DIRECTOR MARKET  
COMPETITION & LICENSING**



Mofya Chisala  
**DIRECTOR SUPPORT SERVICES**



Thomas Malama  
**DIRECTOR LEGAL &  
REGULATORY AFFAIRS**



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



Patrick Mutimushi  
**DIRECTOR TECHNOLOGY &  
ENGINEERING**

**“ As the sector remains dynamic in the products and services offered by operators, the Authority ensures less rigorous and more collaborative efforts thereby continuing to respond to these trends without stifling growth and innovation ”**



## DIRECTOR GENERAL's MESSAGE

The year 2015 was an exciting one for the Zambia Information and Communications Technology Authority (ZICTA). The excitement was due to the many vigorously initiated projects under the umbrella slogan “Promoting ICTs for All”. The emphasis on our slogan has always been that information and communication technologies (ICTs) continue to penetrate the country and reach as many citizens as possible. These efforts were in line with the Authority’s just ended 2011 - 2016 Strategic Plan.

The 2011-2016 Strategic Plan was a critical vehicle used to guide the Authority’s operations during the specified strategic period. Regardless of challenges and some limitations, this vehicle allowed the Authority put its best foot forward. I am confident that those stakeholders who worked with us during this period will agree with this statement. Looking at the numerous programmes and projects implemented during the period, from the construction of 204 community towers in 118 chiefdoms across the country under the Universal Access Project, to the SMART Zambia e-Government master plan 2016-2020 aimed at revising and enacting new laws to effectively manage and regulate the ICT sector, our vehicle was definitely on the right track.

In view of the many demanding government projects leading to the sharing of limited resources, the Authority had to prioritise the most effective programmes so as to deliver the best possible results. At the beginning of the review period, the

Authority identified and streamlined its activities to critical focus areas which included affordability, broadband infrastructure development, review of the licencing framework and strengthening internal capacity.

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

During the period under review, ZICTA through the Ministry responsible for Transport and Communications issued access guidelines that facilitate infrastructure sharing in the ICT sector. This is not only expected to eliminate entry barriers on the market but also translate into lower cost of services on the market.

The Authority remains committed in developing strategies aimed at improving consumer experience in the usage of ICT services. This was done through intensive technical monitoring of service quality using internationally acceptable methods. The Authority continued investing in equipment and human resources to effectively monitor the quality

of ICT services on the market. In addition, the Authority continued to monitor and bring redress to consumer complaints through its contact center and interactive social media platforms.

The Authority participated in a number of regional and international meetings among them the Communications Regulators' Association of Southern Africa (CRASA), World Summit on the Information Society (WSIS), Global Symposium for Regulators (GSR), and Universal Postal Union (UPU). These platforms created an environment for sharing experiences and knowledge across countries and regions on international good practices in the regulation of ICT services.

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

The Authority remains committed to facilitating the growth and development of the ICT sector while upholding the interest of consumers through affordable and quality ICT products and services. The world continued to register positive improvements in access and usage of information and communication technologies during the review period. Particularly, global mobile subscriptions grew to close to 7 billion,

with Zambia having over 11,500 active subscribers despite a slowdown in global mobile penetration.

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

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

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



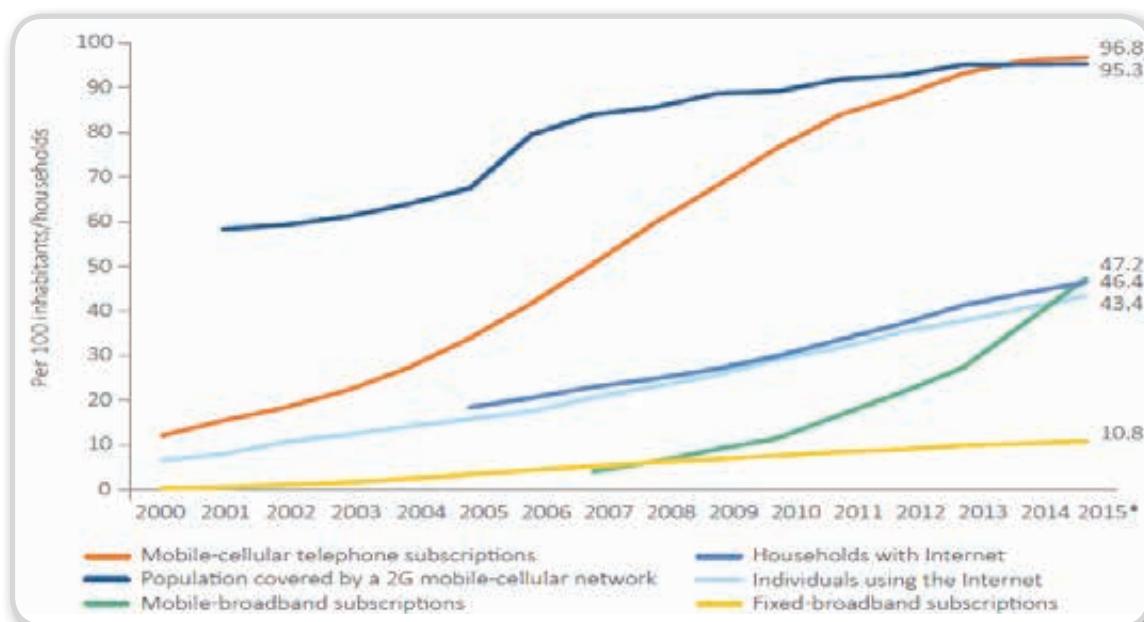
Margaret K. Chalwe Mudenda  
Director general

# 1. RECENT GLOBAL DEVELOPMENTS IN THE ICT SECTOR

## 1.1. Trends in Access to Information and Communication Technologies

The world continued to record sizeable growth in access to Information and Communication Technologies (ICTs) and their use in 2015. The proportion of the global population covered by mobile cellular networks is now over 95 percent. Global mobile cellular subscriptions increased relative to the population from 96.1 percent in 2014 to 96.8 percent in 2015 partly owing to multiple subscriptions. A continued decline in fixed telephone subscription relative to the population from 15.2 percent recorded in 2014 to 14.5 percent was recorded in 2015 partly owing to the fixed-mobile substitution. Moderate growth was recorded in global fixed internet subscription from 10.3 percent recorded in 2014 to 10.8 percent recorded in 2015. Mobile broad band subscriptions relative to the population recorded a sharp increase, rising from 37.2 percent to an estimated 47.2 percent between 2014 and 2015, reflecting growing availability of mobile broadband networks, falling prices and greater adoption of smartphones, tablets and other mobile internet devices<sup>1</sup> (see figure 1).

Figure 1: Global Trends in Access to ICTs; 2000 - 2015



Source: ITU Information society Report, 2015

## 1.2. Trends in the ICT Development Index

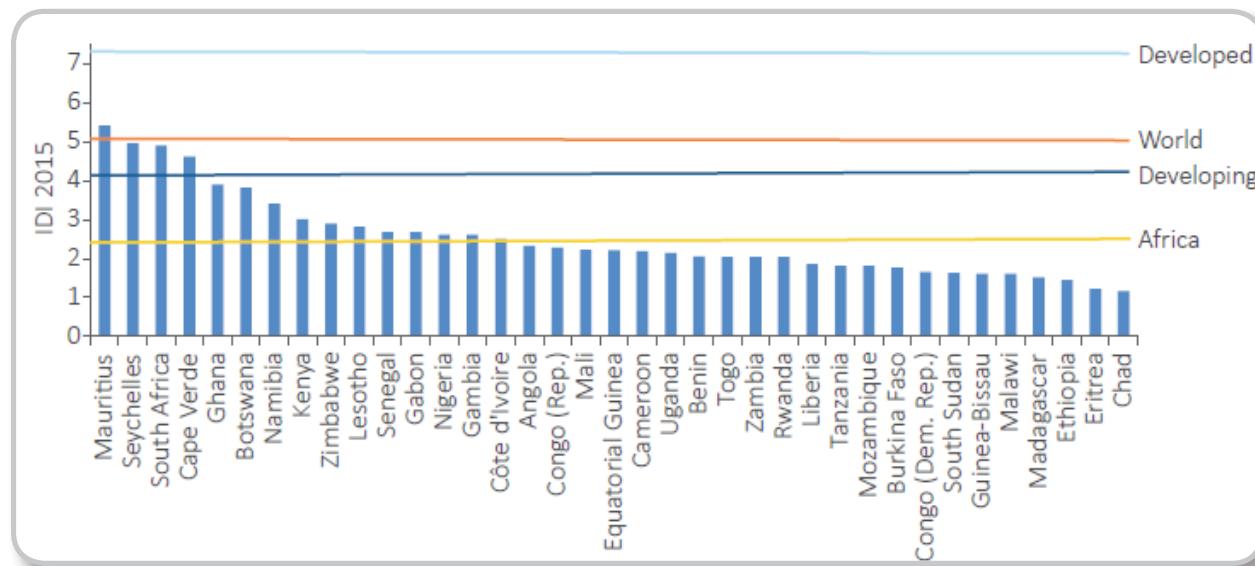
The average ICT Development Index (IDI) across all 167 countries included in the global assessment increased from 4.14 in 2010 to 5.03 in 2015 reflecting a general improvement in accessibility, skills and usage of ICTs globally.<sup>2</sup> European countries continued to score the highest average IDI indices in 2015 with the least variation across countries while African countries consistently had the least average IDI indices with the highest variation across countries over the last five years.

1. Based on ITU(2015) Measuring Information society report

2. The ICT Development Index (IDI) is a composite measure (between 0 and 10) used by the International Telecommunication Union (ITU) to monitor developments in ICTs within and across countries

Zambia ranked 24<sup>th</sup> out of 37 African countries considered in the IDI assessments for 2015 with an improvement in its overall IDI score from 1.55 in 2010 to 2.04 in 2015. However, the country's score was slightly below the regional average for Africa of 2.53<sup>3</sup> (see figure 2). These findings do not only reflect the extent to which Africa continues to lag behind in ICT development but also the need to close the digital divide across regions.

**Figure 2: IDI Values for Africa, 2015**



Source: ITU Information society Report, 2015

### 1.3. Global Mobile Telecommunication Revenues and Investments

Global mobile telecommunication revenues are estimated to have reached USD1.2 trillion in 2015 and are projected to increase marginally in 2016<sup>4</sup>. However, there have been significant variations in mobile revenue across regions with growth rates slowing down in most parts of the world. Developing markets such as sub-Saharan African markets recorded the highest revenue growth rates reflecting strong subscriber growth rates. Global mobile revenue growth rates are expected to slow down owing to factors such as market maturity, competition and regulation. Partly offsetting these factors is the monetization of growing data traffic by operators.

### 1.4. Global Telecommunication Investments in Networks and Capacity

Globally, investors have been investing heavily in their network to increase capacity and deployment of broadband networks in the recent years. Total investment by global mobile operators was estimated at US\$216 billion in 2014, an annual growth of more than 9 percent from the previous year<sup>5</sup>. Going forward the magnitude of investments is expected to decline as the deployment of 4G networks is being concluded in some regions and the cost of technologies tends to reduce with maturity. Developing new revenue streams and adopting more sustainable business models will be key if global mobile operators are to meet the cost of significant investment levels required to support future data growth.

<sup>3</sup> Ibid;

<sup>4</sup> GSMA intelligence(2015): The Mobile Economy, 2015

<sup>5</sup> Ibid;

## 1.5. Recognition of ICTs in the United Nations Sustainable Development Goals

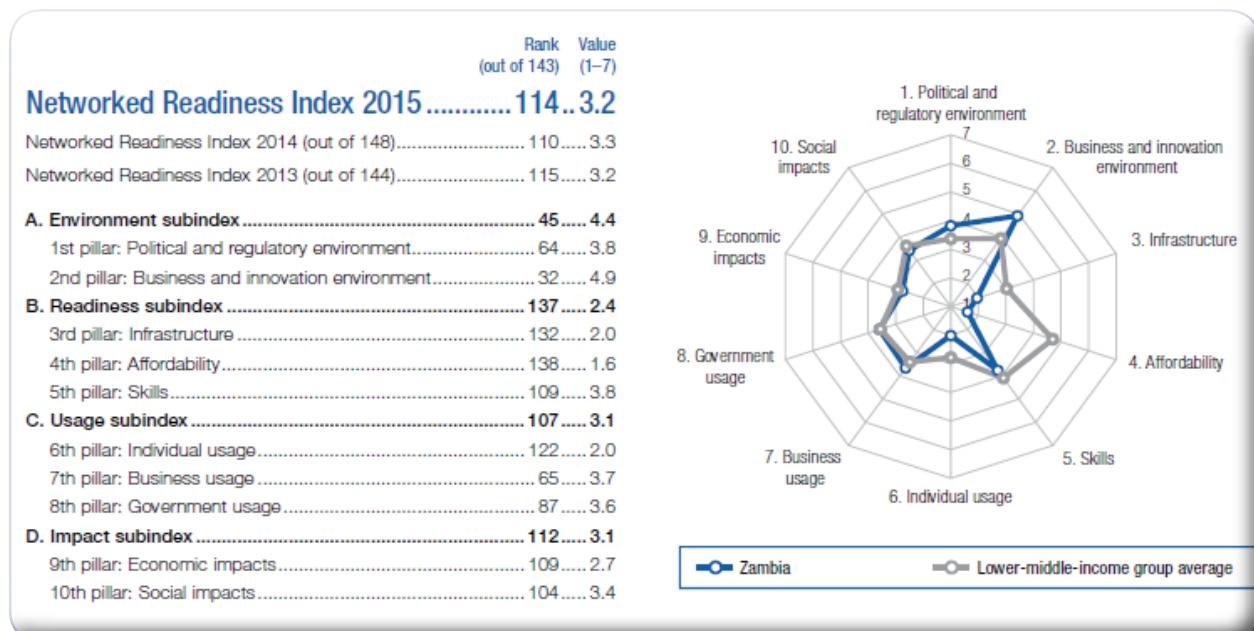
The United Nations' (UN) Sustainable Development Goals (SDGs) were adopted on 25<sup>th</sup> September, 2015 at the UN Summit on Sustainable Development held in New York. The SDGs form the basis of the post 2015 agenda on development for the UN following the lapse of the Millennium Development Goals. The SDGs recognise ICTs as a platform which can integrate and accelerate all three pillars of sustainable development - economic growth, social inclusion and environmental sustainability. ICTs are directly referenced in four targets related to the goals outlined below<sup>6</sup>:

- Goal 4: ensure inclusive and equitable quality education and promote life-long learning opportunities for all;
- Goal 5: achieve gender equality and empower all women and girls
- Goal 9: build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation; and
- Goal 17: strengthen the means of implementation and revitalize the global partnership for sustainable development.

## 1.6. 2015 Networked Readiness Index

The World Economic Forum (WEF) released global rankings for networked readiness in March 2015 based on a robust country level index<sup>7</sup>. A prominent feature for Africa in the report was Rwanda which ranked 1<sup>st</sup> globally on the pillar of Political and Regulatory Environment despite having an overall rank of 83<sup>rd</sup>. Zambia ranked 64<sup>th</sup> in the same pillar out of the 143 countries assessed and ranked 112<sup>th</sup> overall. The country's relatively poor overall score was mainly associated with inadequacies in infrastructure, affordability of ICTs and individual usage mostly relating to internet penetration (see figure 3).

**Figure 3: Zambia Networked Readiness Index**



Source: Global Information Technology Report, 2015

<sup>6</sup> <https://sustainabledevelopment.un.org/index.html>

<sup>7</sup> The index is based on 10 pillars: Political and Regulatory Environment; Business and Innovation Environment; Infrastructure; Affordability; Skills; Individual Usage; Business Usage; Government Usage; Economic Impacts and; Social Impacts

## 1. SELECTED RECENT NATIONAL DEVELOPMENTS IN THE ICT SECTOR

### 1.1. Southern African Development Community Home and Away Roaming

Zambia is among four countries, including Namibia, Botswana and Zimbabwe, identified as part of the pilot phase of the implementation of the Southern African Development Community (SADC) Home and Away Roaming initiative. The initiative comes following a directive by the SADC Ministers responsible for ICTs and Postal Services to reduce roaming tariffs in the region effective October, 2015. All the operators have engaged into negotiations with a number of their counterpart operators in the other countries to arrive at negotiated inter operator tariffs. This is expected to ultimately lead to a reduction in the transaction costs associated with communication in the region.

### 1.2. Approval of Access Guidelines and Model Offers

The ZICTA Board of Regulators approved the Access Guidelines and Model Offers for infrastructure sharing in 2015. The Access guidelines are meant to promote competitive market conduct among operators in infrastructure sharing negotiations and agreements. The guidelines will also assist in bridging any asymmetry of information on the shared access services such as leased capacity, interconnection and co-location. At the same time, model offers will ensure that dominant operators do not use their market position to limit accessibility to infrastructure through uncompetitive terms and conditions.



### 1.3. Implementation of Interconnection Rate Glide Path

In 2015, ZICTA reduced the termination rate for mobile voice services from ZMW0.20 to ZMW0.16. Further, the termination rate for SMS was reduced from ZMW0.03 to ZMW0.01. The reduction is part of the implementation of a glide path determined following the cost of service study undertaken in 2013 by the Authority (see table 1).

Table 1: Mobile Voice Interconnection Rate Glide Path

Financial Year	2014	2015	2016	2017
Mobile Voice Interconnect Rate	0.20	0.16	0.15	0.15
ZMW/Min				

Source: ZICTA 2013 Cost of Service Study

### 1.4. Implementation of the Telecommunication Traffic Monitoring System

In 2015, the Government through ZICTA established a Telecommunication and Traffic Monitoring system (TTMS) aimed at ensuring quality of service provision and assisting in compliance with the ICT Act of 2009. The system is also useful for tracking traffic outturns as well as detecting new mobile devices or other technology that connect onto the available networks in the country. The cost of termination for inbound international traffic is set at 20 US cents with the operator expected to retain 55 percent of this cost, while 20 percent is expected to be remitted to the Treasury and 25 percent allocated towards the operation and maintenance costs of implementing the system.



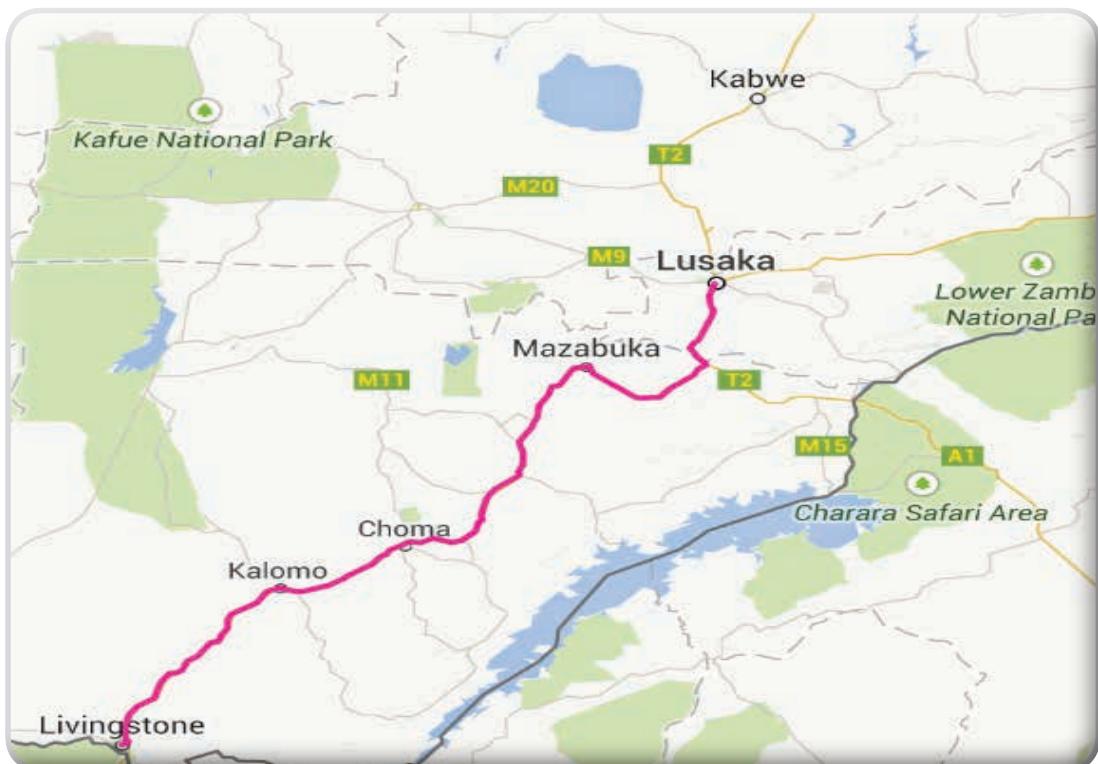
### 1.5. Acquisition of Zambian Towers Limited by IHS Holdings Limited

In 2015, IHS Holding Limited, the largest mobile telecommunications infrastructure provider in Africa, Europe and the Middle East, completed the sale and lease back of 949 towers in Zambia from Zambian Towers Limited a subsidiary of Airtel Zambia under long term renewable contracts announced in 2014. Outsourcing tower infrastructure to IHS holding Limited allows Airtel to focus on its core business and customers; enables it to deleverage through debt reduction, and will significantly reduce its ongoing capital expenditure on passive infrastructure.

### 1.6. Expansion of CEC Liquid Telecoms Fibre Network in Zambia

CEC Liquid Telecoms Zambia announced its intention to build a new fibre link between Lusaka and Livingstone that will provide both retail and wholesale customers with the most reliable, high-speed broadband connectivity in Southern Zambia. The estimated cost for the turnkey 500km fibre link build and terminal equipment is US\$5 million. The new link will start in Lusaka, transiting through eight southern circuit towns, including Kafue, Mazabuka, Monze, Choma and Kalomo, terminating at the Victoria Falls in Livingstone. At the Victoria Falls, the new link will interconnect with the Liquid Telecom Group's fibre network in Zimbabwe providing the company with its third active route into and out of Zambia (see figure 4).

**Figure 4: CEC Liquid Telecom's Southward Network Expansion**

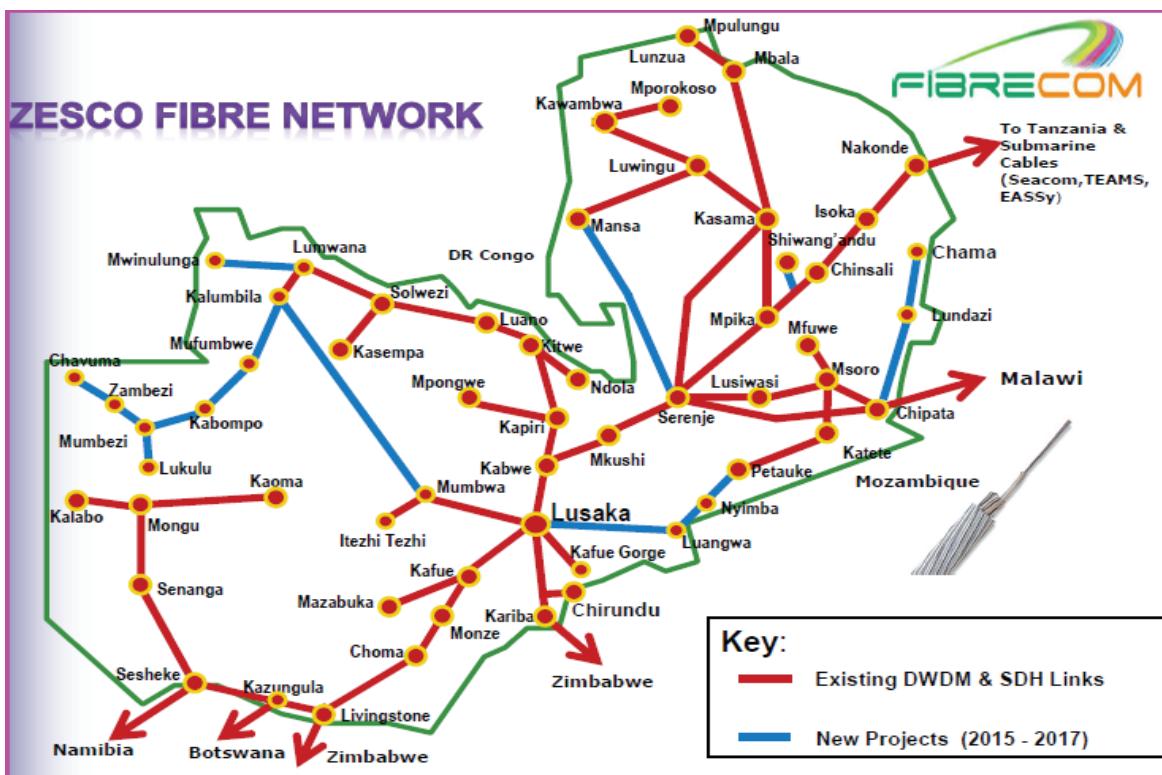


Source: CEC Liquid Telecom

### 1.7. Expansion of Fibrecom backbone Infrastructure Network

In 2015, Fibrecom Limited a subsidiary of ZESCO Limited continued with its expansion of the Fibre network across the country. As at December 2015, Fibrecom Limited had rolled out over 4,500km of fiber cable countrywide covering all the provinces in Zambia (See figure 5).

Figure 5: Fibrecom Limited Network Expansion Programme; 2015



Source: Fibrecom Limited

## 1.8. Licensing of Operators in the ICT Sector

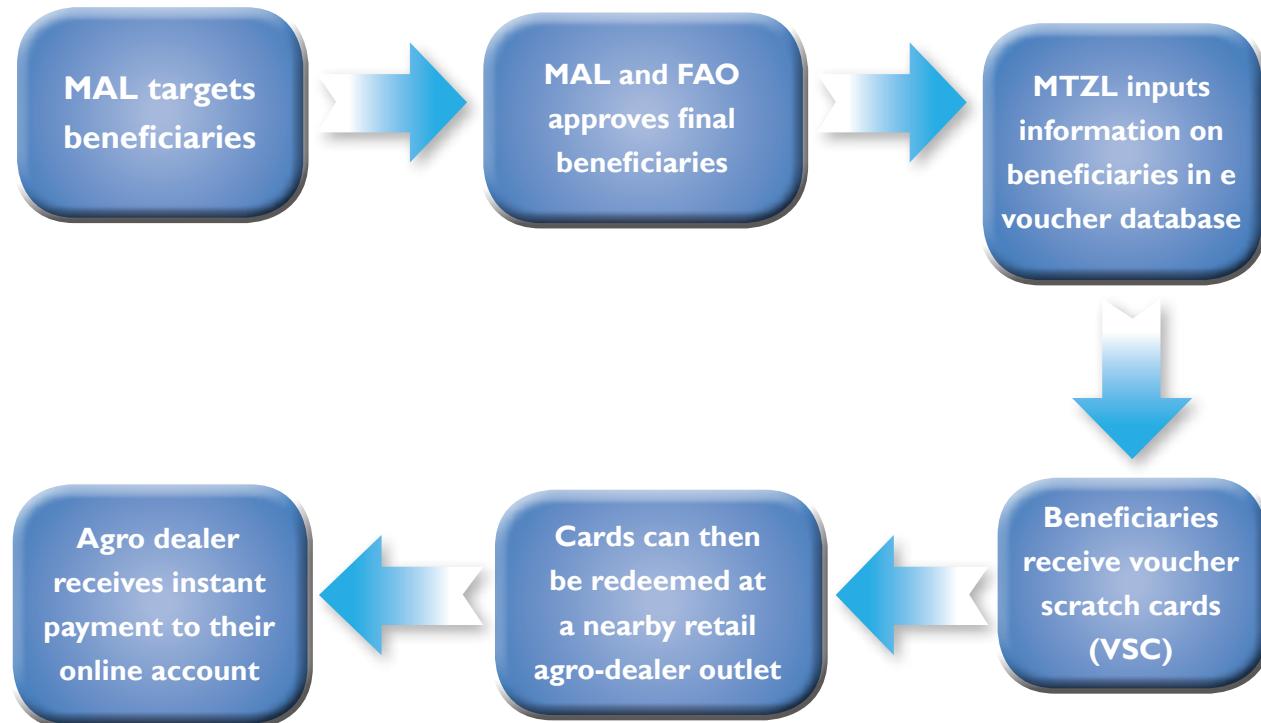
ZICTA continued to promote competition in the ICT sector through the licencing of new operators on the market. In 2015, the Authority issued a licence to the Zambia National Broadcasting Corporation (ZNBC) as the first public signal distributor and private signal distributor. The licence allows ZNBC to among other things provide network infrastructure that will receive content after aggregation by broadcasters for multiplexing, content signal distribution and a subscriber management system.

The Authority also issued a Licence to the first ever tower company on the market, IHS Holding Limited following its acquisition of towers from MTN Zambia. A total of nine (9) new licences were issued by the Authority while three (3) licences were closed in 2015. At the end of 2015 the Authority had 79 active licences constituting both individual and class licences.

#### **1.9. Introduction of E-voucher System in the Farmer Input Support Programme**

An electronic voucher system was introduced by the Government of the Republic of Zambia in 2015 to mitigate the challenges previously associated with the Farmer input Support Programme (FISP). The FISP is currently managed by the Ministry of Agriculture and Livestock (MAL) and targets a pre-determined list of beneficiaries from each district in Zambia. The Ministry has been working with the Food Agriculture Agency (FAO) and Mobile Transaction Zambia Limited (MTZL) to effectively implement the E-voucher system (see figure 6).

Figure 6: Operation of the E-Voucher System under FISP



Source: Zambia National Farmers Union

#### Launch of Electronic Visa Application System in Zambia

The Immigration department under the Ministry of Home Affairs launched the Electronic Visa application system in 2015. The system is aimed at providing an expedient and paperless platform when acquiring a visa. The benefits of implementing the e-visa facility will include but are not limited to efficient provision of public services, enhanced efficiency in monitoring of immigrants and improved security in visa issuance.<sup>8</sup>

#### 1.10. Survey on Access and Usage of ICTs among Households and Individuals

During the second half of 2015, ZICTA in collaboration with the Central Statistical Office and the Ministry of Transport and Communications conducted a nationally representative demand-side survey on access and usage of ICTs among households and individuals in Zambia. Survey findings revealed that 64.5 percent of the households had mobile phones while only 7.1 percent of the households owned computers. From these findings, it could be deduced that mobile phones would be the primary platform for internet connectivity in most households. However, only 13.5 percent of the phones owned by households were smart phones. In terms of internet access, 12.7 percent of the households had access regardless of the device used. The survey further revealed that a lack of knowledge on how to use the internet was the most significant hindrance to internet usage.

Overall, the survey sampled individuals that were 10 years and above, from a population of about 10,077,991. Ownership of phone usage at an individual level is as summarized below:

<sup>8</sup> <https://evisa.zambiaimmigration.gov.zm/#/about>

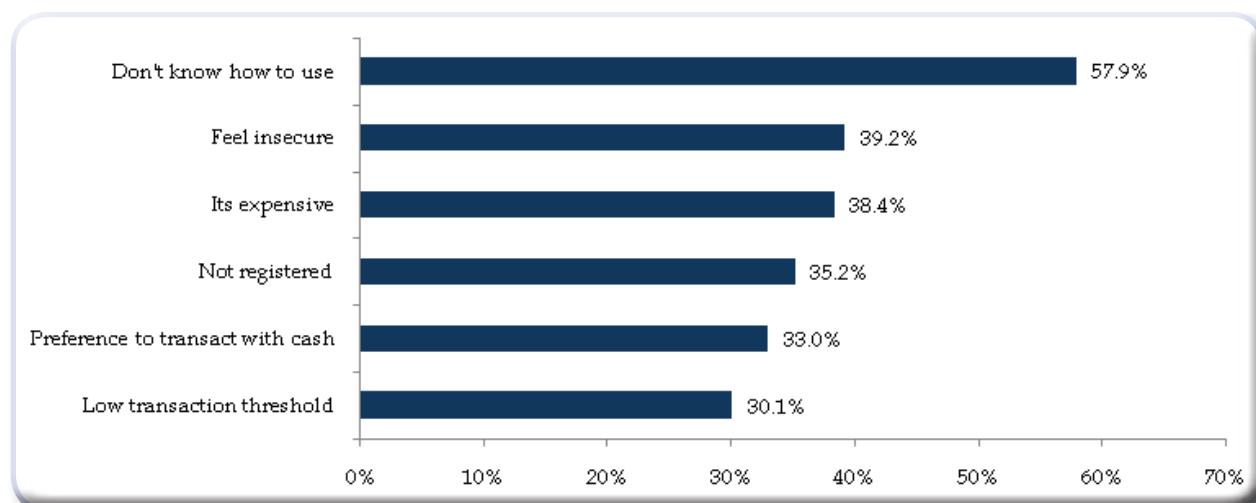
**Table 2: Access and Ownership of Mobile Phone by Individuals**

Indicator	2015
Proportion of active users of mobile phones in Zambia	51%
Proportion of active users of mobile phones in urban areas	68.3%
Proportion of active users of mobile phones in Rural areas	38.8%
Proportion of ownership of mobile phones among active users	83.8%
Proportion of ownership of mobile phones among active users in urban areas	89.2%
Proportion of ownership of mobile phones among active users in rural areas	77%

Source: ZICTA ICT Survey Report 2015

Individual usage of the internet was estimated at 8.8 percent according to the survey findings. Of this proportion, 78.9 percent of the users were urban based. The 2015 ICT Survey also investigated specific issues of online risks and mitigation measures as well as digital financial services. Findings revealed that 51 percent of individual internet users are aware of risks associated with usage of the internet. Exposure to obscene material emerged as the most prominent internet risk for internet users. With regards to digital financial services, 45.9 percent of the people aged above 10 years are aware of the existence of digital financial services. However, only 30 percent of the individuals aware of the existence of digital financial services have used the service to pay for goods and services or transfer funds. Knowledge on the operation or use of digital financial services was the biggest hindrance to the use of digital financial services (see figure 7).

**Figure 7: Barriers to the Use of Digital Financial Services by Individuals Aware of their Existence; 2015**



Source: 2015 ICT survey preliminary report

## **2. REVIEW OF RECENT DEVELOPMENTS IN THE MACRO-ECONOMIC ENVIRONMENT AND THEIR IMPLICATIONS FOR THE ICT SECTOR**

### **2.1. Economic Growth Performance**

The economy is projected to have grown by 3.6 percent in 2015, relatively slower than the projected real GDP growth rate of 7 percent for the year<sup>9</sup>. This is the lowest economic growth outturn in over a decade. The factors driving this dismal performance include heightened power rationing especially in the second half of the year, continued weaknesses in the global economy reflected in the decline in copper prices, exchange rate depreciation, rise in fuel prices leading to high cost of imported inputs and production costs as well as adverse weather conditions such affected the 2014/15 agriculture performance. The associated challenges in the broader economy in 2015 posed similar growth challenges and the business environment in the ICT sector.

### **2.2. Inflation Rate Performance**

The annual rate of inflation, as measured by the all items Consumer Price Index (CPI) increased from 7.9 percent recorded at the end of 2014 to 21.1 percent at the end of 2015. Communication contributed 0.1 percent to the overall change in annual inflation throughout the reference period. The annual rate of inflation has been on the rise since May, 2015 mainly explained by a persistent deterioration in the exchange rate which subsequently has had pass through effects on both food and non-food items. The implication of this development is a general rise in the cost of products and services including ICT related inputs. The cost of domestic credit is also closely linked to the inflation prevalence.

### **2.3. Performance of the Foreign Exchange Market**

The foreign exchange market experienced considerable pressure in 2015 with the Kwacha depreciating against most major trading currencies due to international and domestic factors. International factors included the general strengthening of the US dollar, low copper prices and a noticeable reduction in foreign portfolio investment inflows. On the other hand, the domestic factors included relatively low net supply of foreign exchange on the market, uncertainty over the performance of the mining sector and the widening fiscal deficit. Further, the reduction in electricity supply has had a negative impact on production and exports which have also contributed to the adverse performance of the Kwacha. The depreciation in the domestic currency has broadly affected operators in the ICT sector in two ways. Firstly, all imported inputs including international termination rates, international leased capacity as well as other international carriers' costs among others have increased in cost. At the same time, the domestic price of local inputs has increased following pass through effects of depreciation through inflation.

### **2.4. Challenges in the Energy Sector**

The country continued to face an energy crisis following a sustained poor rainfall pattern experienced in the last few seasons. According to the Energy Regulation Board, 95 percent of the

<sup>9</sup> Bank of Zambia(2016): Governor's Monetary Policy statement

energy used in Zambia is supplied through hydro power stations. Therefore, a poor rainfall pattern as experienced is expected to have a huge impact on power generation in the country. ZESCO, the largest power utility company in Zambia, is mitigating this shortage through “load shading” or rationed consumption. However, this has had negative consequences on production. In some instances, including in the provision of ICT services, alternative energy sources such as generators are being used to produce products and services. The downside to this strategy is the huge cost associated with procuring and maintaining these alternative energy sources.

### **2.5. Changes in the Tax Policy**

The ICT sector continued to face the highest corporate tax burden relative to other sectors in the economy. This is expected to continue in the subsequent year as the 2016 budget which was announced in October, 2015 maintained a corporate tax rate of 40 percent on income above K250 million in the telecommunication sector. In addition, the excise tax of 15 percent applied on talk time was maintained in the 2016 budget. These relatively high taxes applied on the ICT sector have adverse consequences on the cost of ICT services on the market and in turn the adoption of such services. Particularly, an excise tax which is designed to deter consumption is likely to limit any efforts aimed at increasing access to ICTs in the country.

### **2.6. Zambia’s Credit Ratings Downgrade**

Zambia’s credit rating was reduced by Standard and Poors, a global credit rating agency, from B+ to B in July, 2015. This came barely a week after Fitch Ratings, another global credit rating agency downgraded Zambia to the same level B. The downgrade in the country’s credit rating implies that any foreign debt contraction by either the private or public sectors is now more costly as the country risk profile has deteriorated.

Table 3: Selected Macro-Economic Indicators

	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Total GDP at Constant Prices ‘ZMW Millions’</b>	117,743.12	124,866.40	129,361.6*
<b>Percentage Share in GDP - Constant prices: Transport, Storage and Communications</b>	9.1%	9.7 %	**
<b>Real GDP Growth Rates</b>	6.7 %	6.0 %	3.6%*
<b>End Year Inflation Rates</b>	7.1%	7.9%	21.1%
<b>End Year Exchange Rates (ZMW/US\$)</b>	5.5	6.3	10.8
<b>Bank of Zambia Policy Rate</b>	9.75%	12.5%	15.5%
<b>Commercial Banks’Average Lending Rates</b>	16.3%	19.3%	23.8%

\*Preliminary CSO estimates

\*\*Data not yet released by CSO

Source: various Bank of Zambia and Central Statistical Office publications

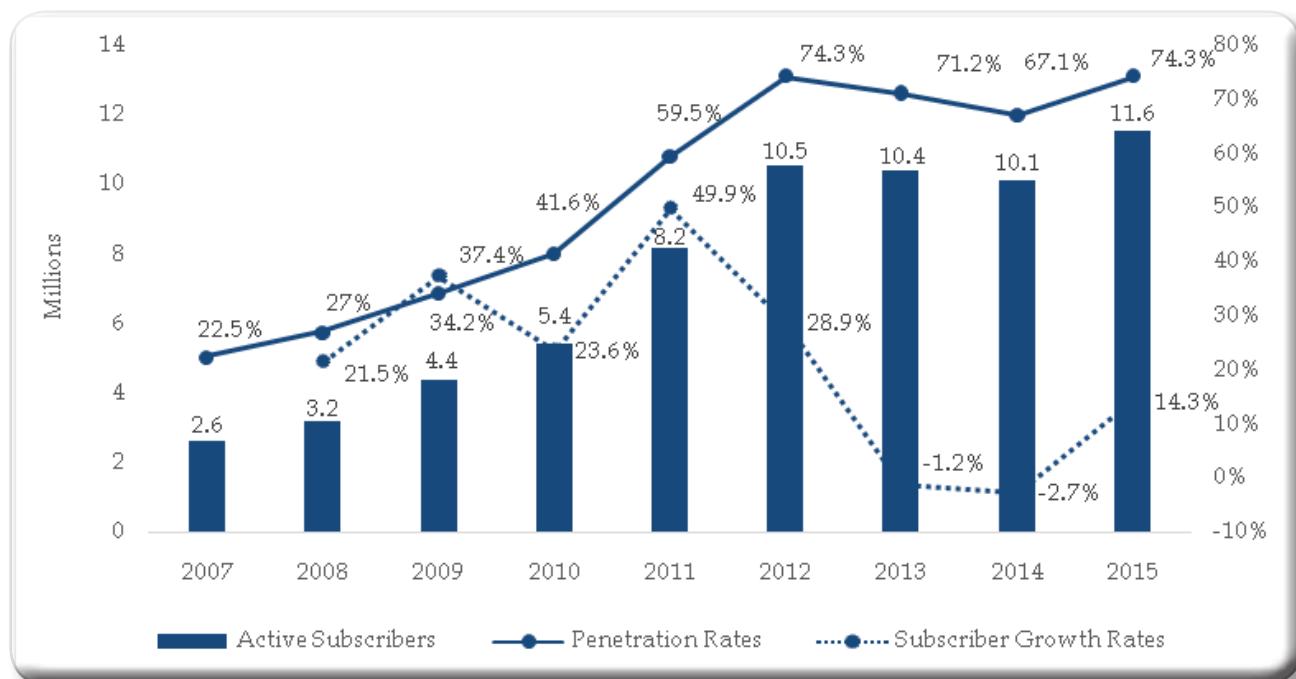
### 3. PERFORMANCE OF THE ICT SECTOR

#### 3.1. Mobile Telephony Market

##### 3.1.1. Mobile Telephone Subscription

The total number of active mobile telephone subscribers increased by 14.3 percent between 2014 and 2015 to reach 11.6 million representing a penetration rate of 74.3 percent<sup>10</sup>. This is the first positive growth rate recorded in three successive years following negative growth rates recorded in both 2014 and 2013 (see figure 8). The surge in subscription was partly on account of increased accessibility to the mobile phone services following continued investments into the network by operators as well as the regulator through the universal access programme. In addition, heightened competition among the operators, evident from the numerous promotions on the market, provided an incentive for multiple subscription across operators.

**Figure 8: Trends in Mobile Telephone Subscription, Growth and Penetration Rates; 2007- 2015**



Source: Submissions by operators

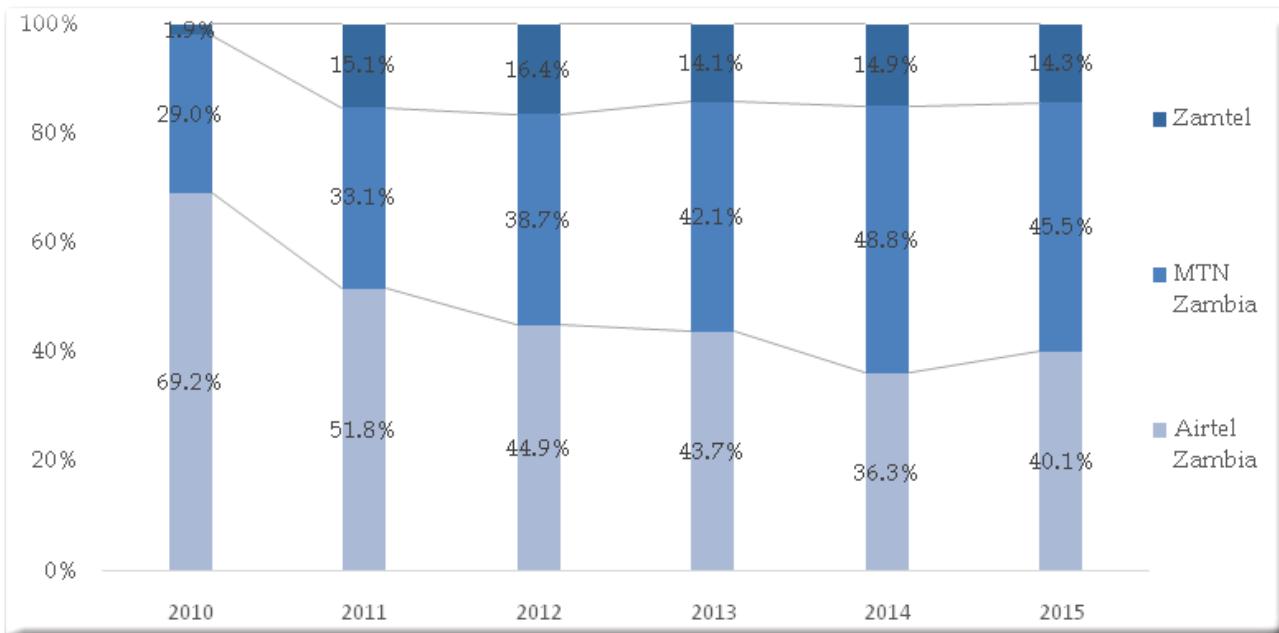
##### 3.1.2. Market Shares of Mobile Network Subscription

MTN Zambia Limited and Airtel Zambia Limited continued to have relative dominance over Zamtel in terms of subscription numbers. At the end of 2015, MTN Zambia Limited had the largest market share of 45.5 percent while Airtel Zambia had a market share of 40.1 percent. Zamtel had the least market share in mobile subscribers of 14.3 percent (see figure 9).

<sup>10</sup> Mobile Penetration is calculated as: (number of mobile subscriptions / total population) \*100. The Population estimates are based on the Central Statistical Office's 2013 Population and demographic projections 2011-2035 report.

## PERFORMANCE OF THE ICT SECTOR

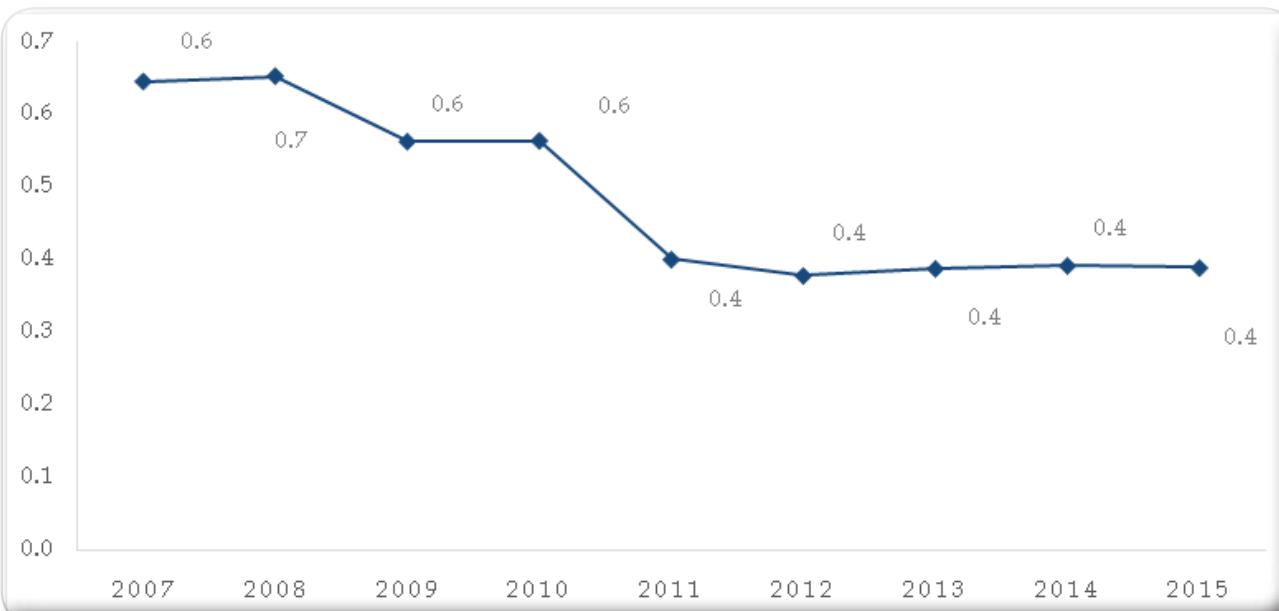
**Figure 8: Trend in Shares of Mobile Network Subscription; 2010-2015**



*Source: Submissions by operators*

Overtime, the market has experienced some notable improvements in competition among the three mobile network operators, although with very little marginal improvements after 2011. The Herfindahl-Hirschman Index<sup>11</sup> (HHI) reduced from 0.6 in 2007 to 0.4 in 2011 and has revealed inertia around this performance after 2011. This is evident in the sustained concentration of market power among two operators in the last five years (see figure 10).

**Figure 10: Trend in the Herfindahl-Hirschman Index in Subscription; 2007-2015**



*Source: ZICTAs' own computation based on submissions by operators*

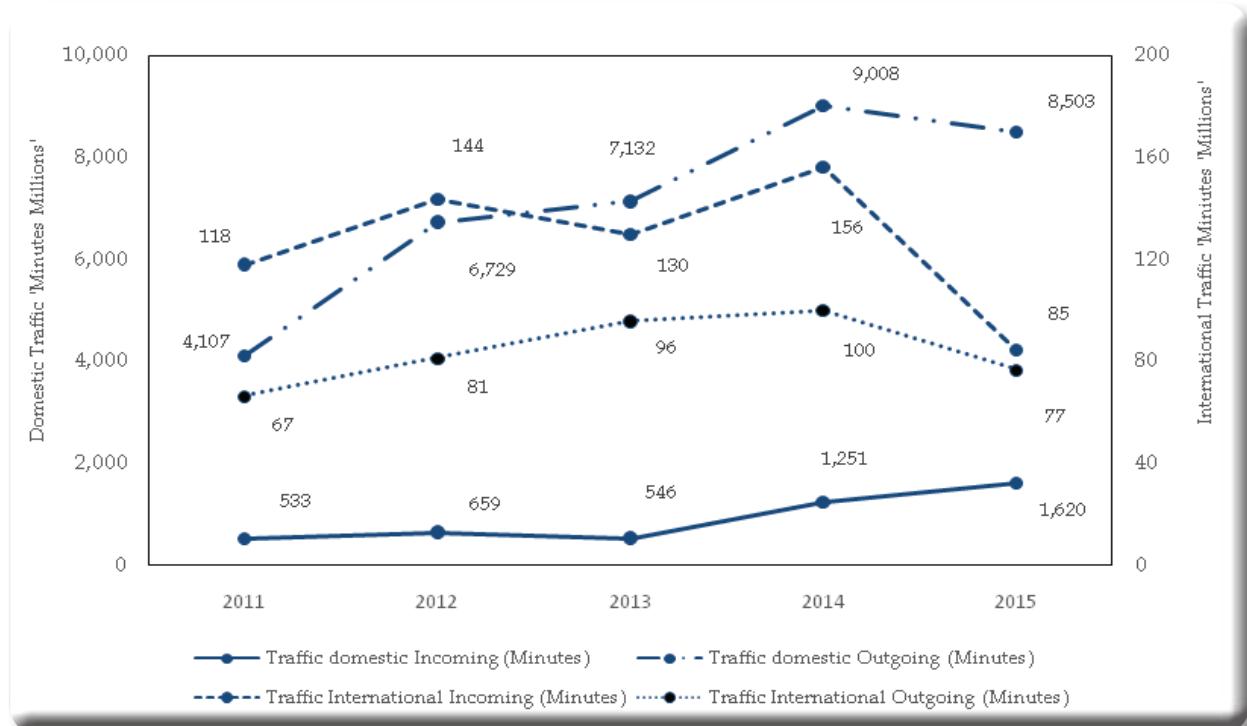
<sup>11</sup> The Herfindahl-Hirschman Index is a composite measure of concentration computed as the sum of squared shares firm in total subscription. Its value lies between 0 and 1 with magnitude signaling a decrease in competition or concentration of market power in a few firms.

### 3.1.3. Mobile Voice call Traffic Volumes

Domestic incoming mobile voice traffic, defined as the number of minutes originating on domestic mobile networks, increased from 1.2 billion minutes recorded in 2014 to 1.6 billion minutes in 2015 reflecting an improvement of 27.4 percent. The average traffic per user for domestic incoming voice traffic increased by 11.5 percent from 124 minutes per subscriber in 2014 to 138 minutes per subscriber in 2015. The improvement could partly be explained by the increased adoption of bundled packages in 2015 that offer voice minutes at a discount. On the other hand, the total domestic outgoing minutes reduced by 6.1 percent from 9.0 billion minutes in 2014 to 8.5 million minutes in 2015.

Both incoming and outgoing international traffic slowed down in 2015 relative to 2014. Incoming international traffic declined by 45.8 percent from 156 million minutes reported in 2014 to 85 million minutes in 2015. At the same time, outgoing international traffic reduced by 23.1 percent from 99.9 million minutes reported in 2014 to 76.8 million minutes in 2015 (see figure 11). This performance could partly be explained by the increasing adoption of internet-based applications like WhatsApp, Skype and Viber among others to make international voice calls.

**Figure 11: Trends in Volumes of Mobile Voice call Traffic in Minutes; 2011-2015**



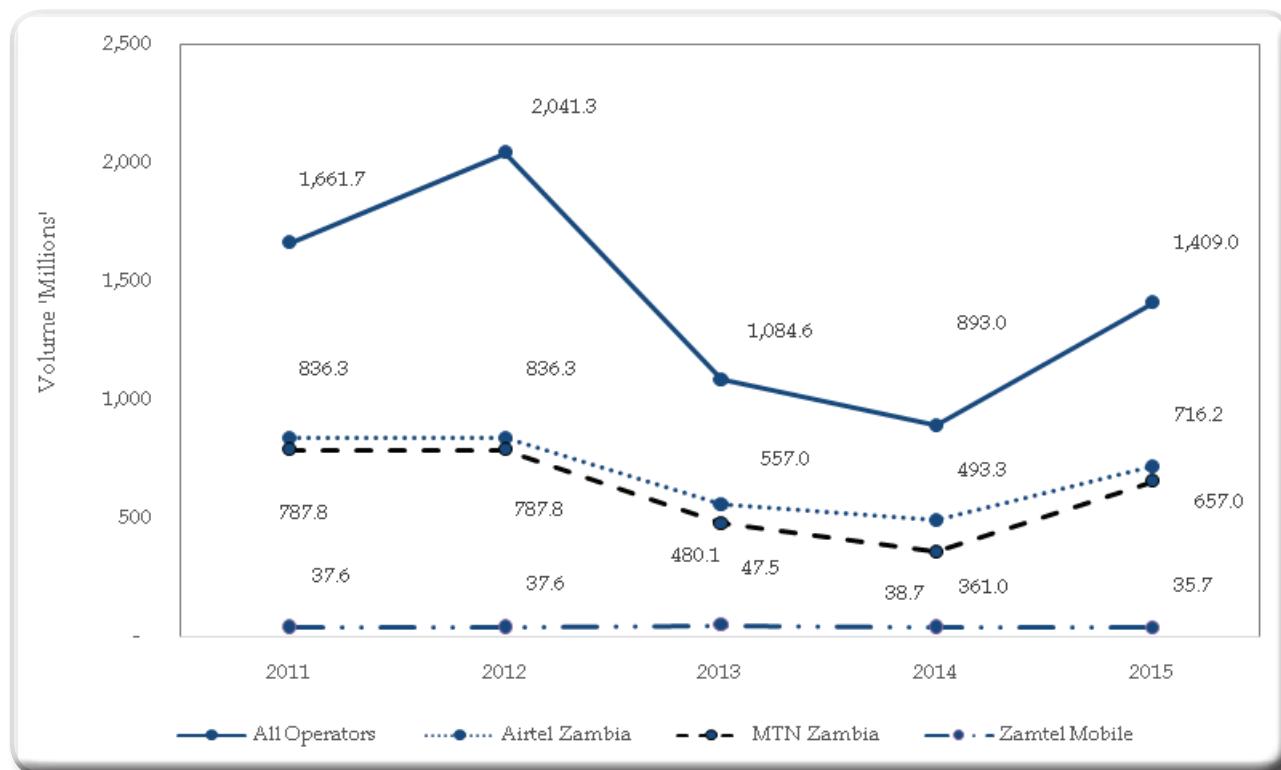
Source: Submissions by operators

### 3.1.4. SMS and MMS Traffic

SMS and MMS traffic increased from 893 million SMS and MMS to 1,408 million in 2014. SMS and MMS reported in 2015 represented an improvement of 57.8 percent. MTN Zambia Limited and Airtel Zambia Limited experienced the largest improvements in SMS and MMS traffic of 82 percent and 45 percent respectively. On the other hand, Zamtel reported a decline of 8 percent in SMS and MMS

traffic (see figure 12). The general improvement in SMS and MMS volumes could partly be explained by the increasing practice by corporates to use SMS in communicating with their clients on service updates, subscription status and payment confirmations among other notifications. In addition, the use of bundled tariff plans packaged with discounted SMS has positively influenced usage.

**Figure 12: SMS and MMS Traffic by Operator; 2011- 2015**



Source: Submissions by operators

### 3.1.5. Revenue and Tax Performance

The mobile telephone sub sector is estimated to have recorded an improvement in revenue performance from ZMW 3.9 billion recorded in 2014 to ZMW 4.5 billion in 2015 representing an increase of 14.8 percent. All the three mobile network operators reported positive improvements in their revenue performance in 2015. MTN Zambia and Airtel Zambia had equal market share in total revenue constituting 46.5 percent each while Zamtel mobile had a market share of 7.1 percent in revenue.

However, there was a noted decline in tax revenue performance in the mobile telecommunication sub sector of 14 percent between 2014 and 2015. The total contribution to the treasury through taxes declined from ZMW 1.2 billion in 2014 to ZMW 1.0 billion in 2015. MTN Zambia contributed the largest proportion of 54 percent of the total to the government revenue followed by Airtel Zambia which accounted for 25 percent. Zamtel accounted for the remaining 21 percent of the tax revenue from the subsector (see table 4).

**Table 4: Tax and Revenue Performance of Mobile Telecommunication Operators; 2014 and 2015**

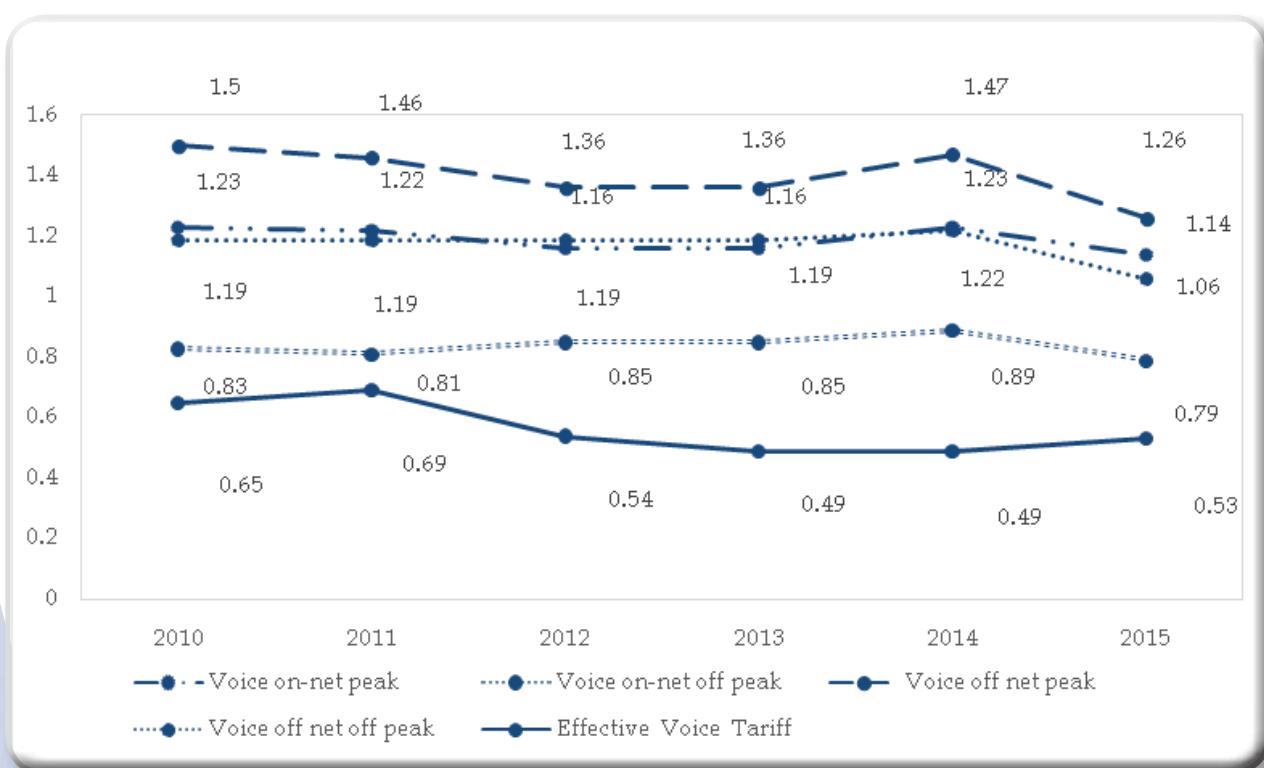
Indicator	Operator	2014	2015	Rate of Change
Revenue - ZMW'000	Airtel Zambia	1,747,443	2,103,051	20.4%
	MTN Zambia	1,915,861	2,103,178	9.8%
	Zamtel Mobile	280,294	320,801	14.5%
<b>Total Revenue - ZMW'000</b>		<b>3,943,598</b>	<b>4,527,030</b>	<b>14.8%</b>
Taxes - ZMW'000	Airtel Zambia	559,641	253,042	-54.8%
	MTN Zambia	539,542	547,810	1.5%
	Zamtel Mobile	87,565	215,993	146.7%
<b>Total Taxes - ZMW'000</b>		<b>1,186,748</b>	<b>1,016,845</b>	<b>-14.3%</b>

Source: Submissions by Operators

### 3.1.6. Mobile Network Operators' Tariffs

There was a marginal reduction in the average headline tariffs between 2014 and 2015 across all mobile voice call tariff categories among the operators. The effective tariffs remained the lowest relative to other tariffs categories owing to the continued practice by operators of offering discounted minutes through promotions. However, the average effective tariffs increased marginally between 2014 and 2015 partly explained by a reduction in international outgoing traffic as well as the differences in the rates of change between revenues and traffic (see figure 13).

**Figure 13: Trends in Mobile Voice Tariffs; 2010 - 2015**



Source: Submissions by operators

### 3.2. Fixed Telephony Market

#### 3.2.1. Fixed Telephony Subscription and Penetration

There was a marginal improvement of 1.5 percent in the number of fixed telephone (PSTN) subscribers between 2014 and 2015. A total of 116 thousand active PSTN subscribers were reported in 2015 relative to 114 thousand reported in 2014. This performance reflects a deterioration in fixed telephone penetration from 0.8 percent reported in 2014 to 0.7 percent in 2015 (see table 5). The slow growth in PSTN subscription and dwindling penetration rates are partly on account of the fixed- mobile substitution among consumers.

**Table 5: Selected Indicators in the PSTN Subsector; 2013-2015**

	2013	2014	2015
<b>Population</b>	14,605,555	15,068,729	5,545,778
<b>Active PSTN Subscriptions</b>	115,762	114,420	116,165
<b>Growth in Subscription</b>	40.2%	-1.2%	1.5%
<b>Penetration Rates</b>	0.8%	0.8%	0.7%

Source: Submissions by Operators

#### 3.2.2. PSTN Revenue and Tax Contribution

Total Revenue in the PSTN market segment declined by 25.8 percent to reach ZMW156 million from ZMW210 million between 2014 and 2015. Correspondingly, the total tax contribution to the treasury from PSTN services also reduced from ZMW 27.1 million to ZMW22.0 million between 2014 and 2015 representing a reduction of 18.9 percent.

### 3.3. Internet Services Market

#### 3.3.1. Fixed and Mobile Internet Subscription

Access to Internet services in the country continued to improve increasing to a total of 6.1 million internet users in 2015 from 3.8 million users reported in 2014. This exponential increase reflects an improvement in the number of internet users of 61.7 percent and enhanced internet penetration from 24.2 percent in 2014 to 39.0 percent in 2015. However, about 99 percent of the internet users are mobile internet users (see table 6). They access internet services through mobile cellular networks using mobile devices such as smartphones, SIM based wireless modems (dongos) or any other SIM based portable devices. This performance could partly be explained by the ease of accessing mobile internet services and the relatively lower cost of accessing the services over fixed internet services.

**Table 6: Internet Usage 2013- 2015**

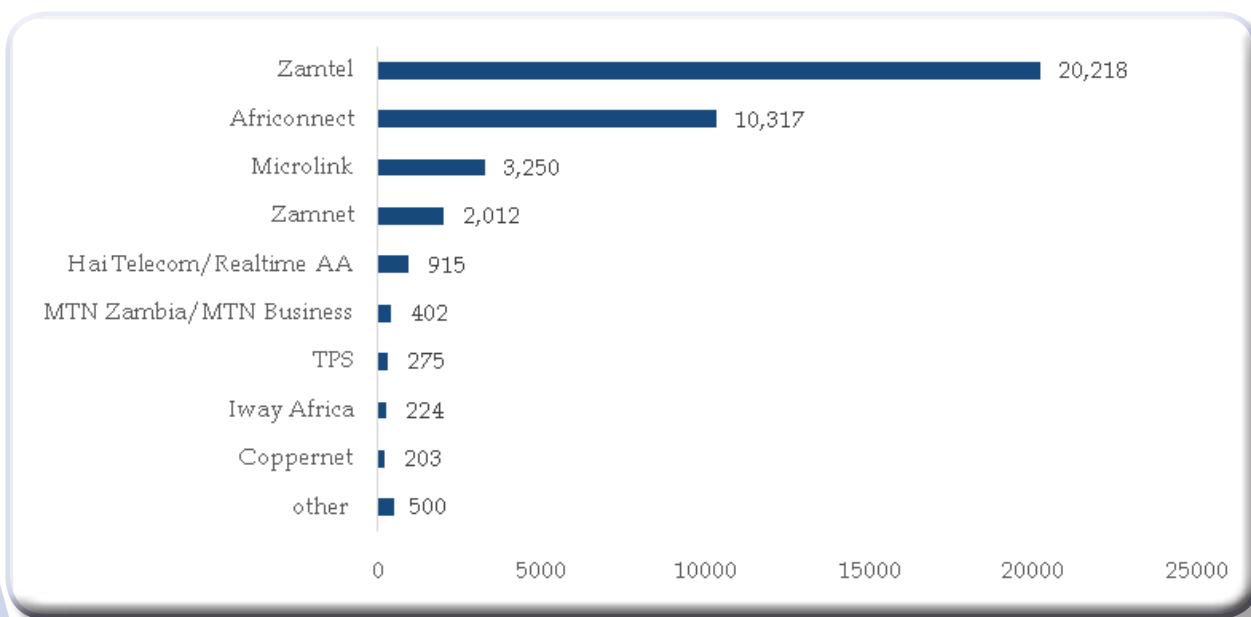
<b>Internet Usage</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Internet Subscription – Fixed Wireless</b>	17,231	27,882	<b>38,316</b>
<b>Internet users Per 100 Inhabitants</b>	0.13	0.18	0.25
<b>Mobile Internet Users - Smartphones/Blackberry/Dongos</b>	2,517,132	3,741,615	6,057,229
<b>Mobile Internet users Per 100 Inhabitants</b>	18.4	24.1	39.0
<b>Internet Usage – fixed wireless &amp; Mobile Internet Usage</b>	2,534,363	3,769,497	6095545
<b>Internet Usage Per 100 Inhabitants</b>	18.5	24.2	39.3

Source: Submissions by Operators

### 3.3.2. Internet Services Market Shares

Zamtel and Africonnect account for over 80 percent of the market share for fixed internet services subscribers. This is despite the existence of 16 active fixed Internet Service Providers (ISPs) on the market (see figure 14). The focus of most ISPs is corporate clients as opposed to individuals given strong competition from substitutes such as mobile internet services among individuals. Particularly, mobile internet services have a competitive advantage over fixed line services. In addition, consumers are able to leverage on fixed internet services at their places of work and switch to mobile internet services at home.

**Figure 14: Number of Fixed Internet Service Subscribers by Internet Service Provider; 2015**

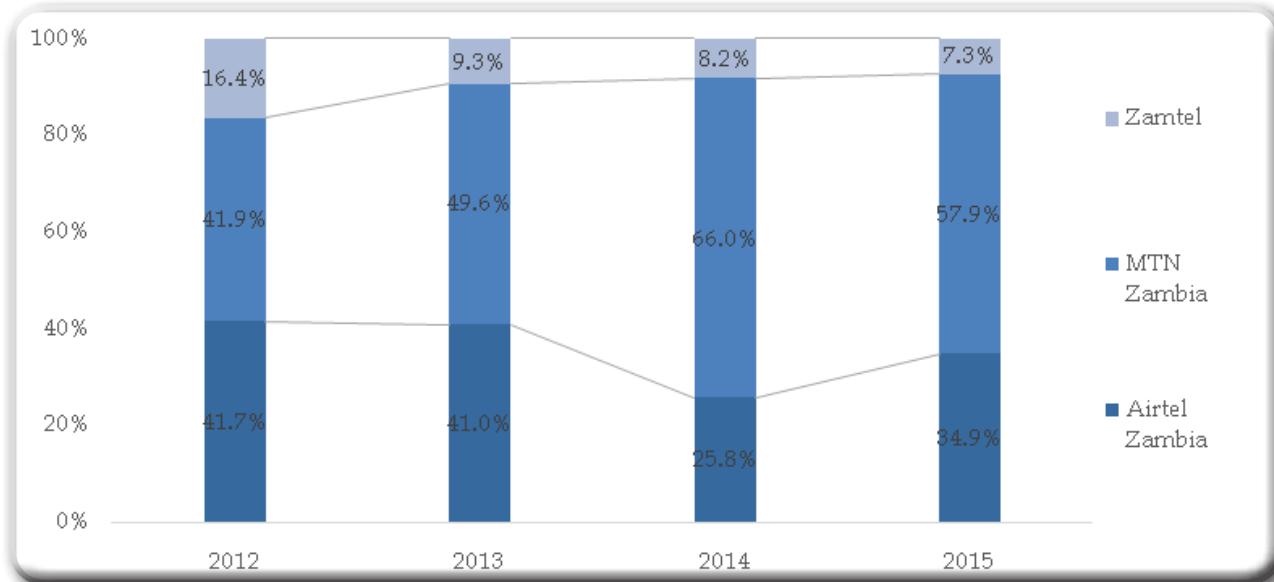


Source: Submissions by Operators

MTN Zambia and Airtel Zambia continued to have relative dominance in the shares of mobile internet users accounting for more than 90 percent of the mobile internet users on the market.

MTN had the largest market share of 57.9 percent in 2015, a reduction from 66 percent in 2014 while Airtel Zambia recorded an improvement in its market share of mobile internet users from 25.8 percent in 2014 to 34.9 percent in 2015 (see figure 15).

**Figure 15: Trend in Shares of Market Internet Users among the Mobile Network Operators; 2012- 2015**



Source: Submissions by Operators

### 3.3.3. Revenue and Taxation from the Internet Services Market

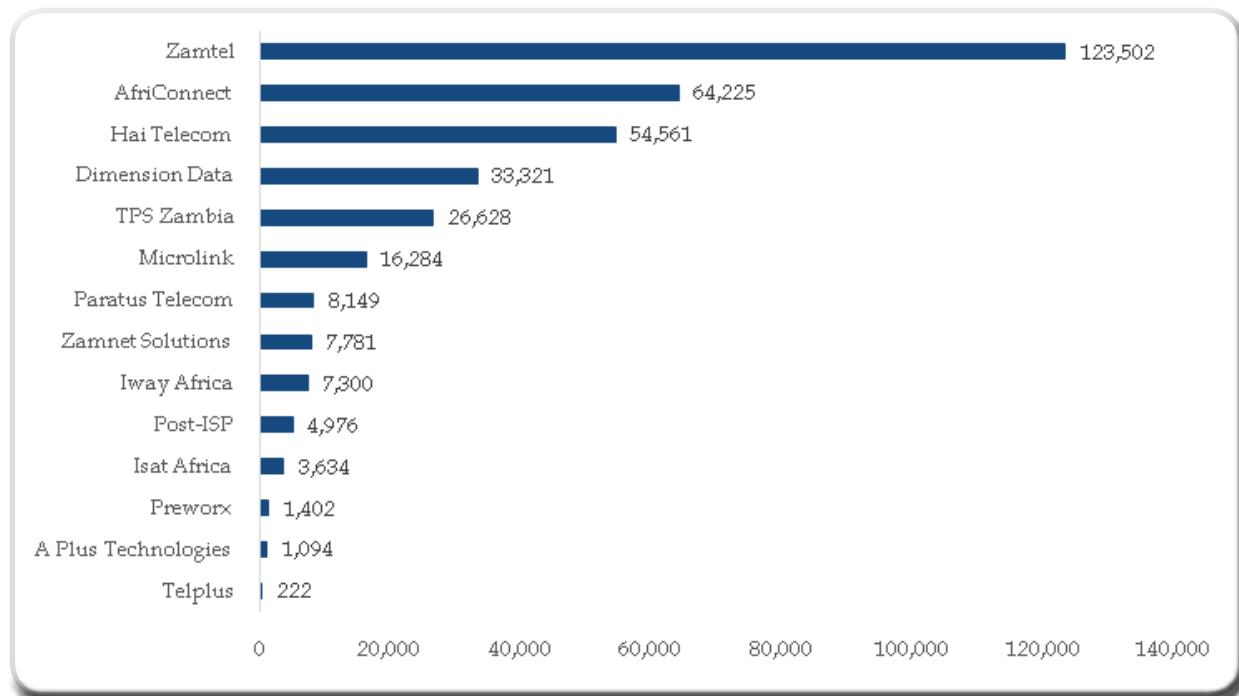
Total revenue from the internet service providers market amounted ZMW353 million in 2015.<sup>12</sup> Zamtel accounted for the largest proportion of the revenue followed by Africonnect and Hai Telecom constituting 35percent, 18.2 percent and 15.5 percent respectively (see figure 16).

12

This amount constitutes revenue from fourteen (14) internet service providers on the market.

## PERFORMANCE OF THE ICT SECTOR

**Figure 16: Revenue '000' Performance by Internet Service Provider; 2015**

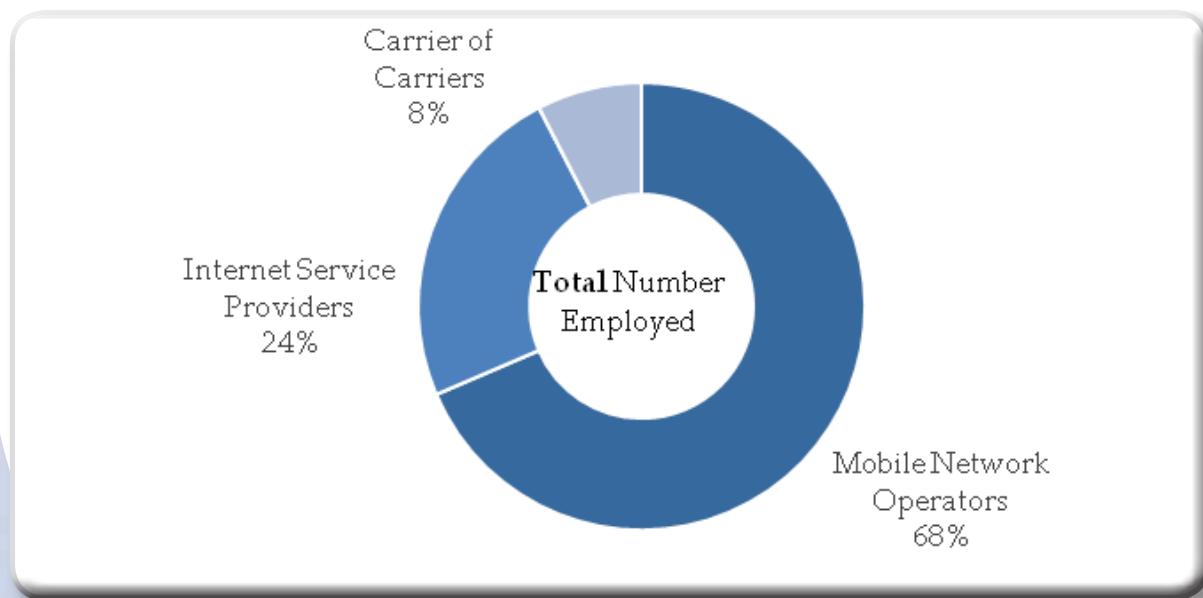


Source: Submissions by Operators

### 3.4. Contribution of the ICT Sector to Employment

In 2015, a total of 2,093 people were employed on a full-time basis by Mobile Network Operators, Wholesale Carriers of Data and ISPs. This performance represents an improvement of 1 percent relative to the performance in 2014. Mobile Network Operators employed the largest proportion among the listed categories accounting for 68.6 percent followed by ISPs and wholesale carriers who accounted for 23.8 percent and 7.6 percent respectively (see figure 17).

**Figure 17: Total Number of Employees by Subsector; 2015**



Source: Submissions by Operators

## 4. OUTLOOK FOR THE ICT SECTOR IN 2016

The ICT sector is expected to continue on its positive growth trajectory in the subsequent year amidst some notable risks. The uptake of mobile telephone services that include voice, data and SMS is projected to continue improving despite the presence of over the top applications like WhatsApp and Skype. The existence of market promotions that provide bundled tariff packages is an innovative response by the market to maintain demand for all the services. Mobile network operators will have to remain innovative in their business models to maintain their revenue gauge. The growing demand for data is also expected to minimize any adverse revenue implications from the proliferation of OTT applications.

PSTN services are likely to stagnate around the current performance as uptake for the technology is expected to remain relatively moderate with a negative outlook following the fixed-mobile substitution effect. Similarly, very little variation in the uptake of fixed internet services among individuals is expected in the subsequent year as the focus of most providers continues to be on corporate clients. A persistent key limitation to the uptake of terrestrial broadband services is the relatively high cost of the services. Consequently, penetration rates are expected to remain low despite notable investments in backbone infrastructure particularly in urban residential areas. Interventions aimed at reducing the cost of fixed internet services based on different stages of the value chain could assist in increasing usage and accessibility. However, the uptake of mobile internet services is expected to continue to grow at an exponential rate mainly on account of their convenience and affordability.

Challenges associated with the depreciation of the Kwacha, rising inflation, rising cost of credit and the energy crisis if sustained are likely to stifle the business environment. These challenges coupled with an uncompetitive domestic tax regime are ultimately expected to translate into a rising cost of providing ICT services on the market which may entirely be passed on to consumers. Effective Fiscal and Monetary policies coupled with improvements in the global economy in 2016 could curb these risks.

That notwithstanding, roaming charges in the region are expected to reduce in the subsequent year, following the commencement of the implementation of the SADC Home and Away Roaming project. Further, the approval of the access guidelines will provide an opportunity for operators to extend their coverage at a lower cost in areas where they may not have private infrastructure.

ZICTA will continue to independently monitor the quality of ICT services on the market in the subsequent year. The Authority will also continue to bring redress to any noted escalated cases on violation of consumer welfare through its toll free call center as well as other surveillance initiatives.

## 5. TECHNOLOGY AND ENGINEERING DEPARTMENT IN 2015

### 5.1. Standards and Type Approval

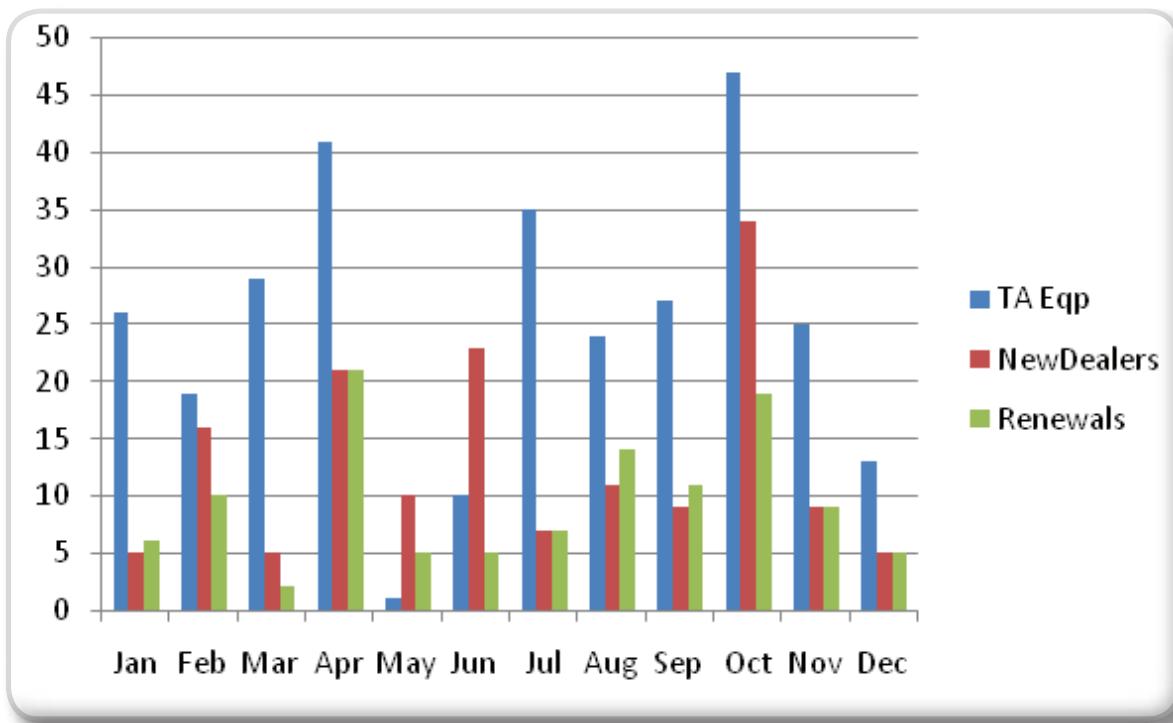
#### 5.1.1. Dealers

A total of One hundred fifty five (155) new dealers where registered while One hundred fourteen (114) Dealers had their certificate renewed in 2015. There are no fees charged for registration or renewal of Dealers Certificates.

#### 5.1.2. Type Approval

A total Two Hundred Seventy Two (272) models of electronic communications equipment were type approved in 2015 resulting into a revenue gain of ZMW 895,970.00.

The graph below shows monthly performance for 2015 as regards Type Approvals, New Dealers and Dealers Renewals.



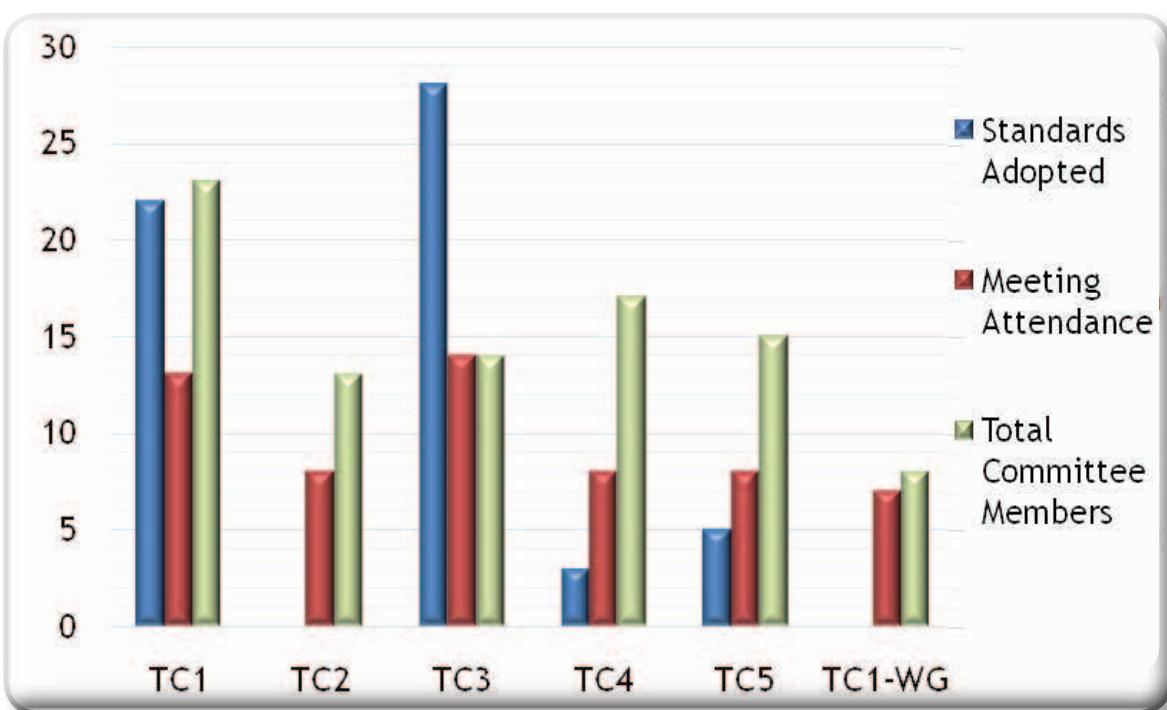
### 5.2. Technical Committees (TCs) Activity

The 5 TCs held a combined total of 8 meetings churning out 58 standards for consideration by ICT Steering Committee (ISC). The ISC approved all of the 58 standards. The table and related graph below shows the number of standards churned out per TC, membership status and average attendance per meeting.

Table 1: Performance per TC

TC	Adopted Standards	Total Members	Number of Meetings	Average attendance/meeting
TC1	22	23	2	15
TC2	0	13	2	8
TC3	28	14	1	14
TC4	3	17	1	8
TC5	5	15	1	12
TC1-WG	0	8	1	7
<b>TOTAL</b>	<b>58</b>	<b>82</b>	<b>8</b>	<b>11</b>

Graph 1: TC performance

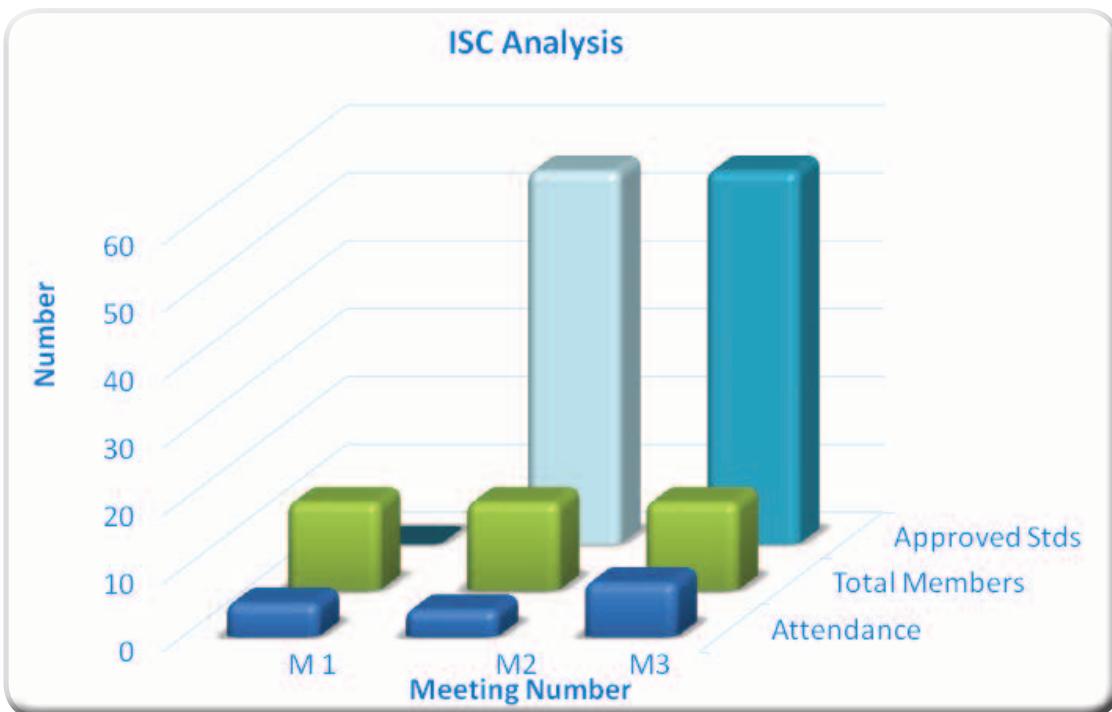


Among the notable standards looked at are DVB-S2 for satellite decoder and IMT mobile phone standard developed from scratch.

### 5.3. ISC Activity

The ISC held three meetings in which the 58 adopted standards were approved. The last meeting also approved the budget for 2016. The chat below summarises the performance of the ISC

Graph 2: ISC performance



#### 5.4. Projects

As of October 2015, the University of Zambia had not issued the letter of offer to ZICTA. This among other things prompted ZICTA to source alternative land at Multi Facility Economic Zone (MFEZ).

## 6. SPECTRUM MONITORING AND COMPLIANCE

### 6.1. Role of the Section in the ICT Sector

Zambia Information and Communications Technology Authority (ZICTA) under the ICT ACT No. 15 of 2009 of the Laws of Zambia is mandated to supervise and administer provision of radio communication services and products in Zambia. The Authority accomplishes the stated mandate by applying standard principles of Spectrum Management in order to ensure no illegal use of spectrum and that licensed equipment operate within regulatory bounds of licenses to avoid interference. This includes activities of the Technology and Engineering Department through Spectrum Monitoring & Compliance section such as physical inspections, Enforcements, Spectrum Monitoring and other related tasks.

### 6.2. Goals for 2015

- Conduct routine station physical inspections in the selected provinces of Zambia and conduct enforcement activities in line with the compliance status of the spectrum users
- Conduct spectrum occupancy tests as per requests for Spectrum Planning and Licensing
- Investigate and resolve reported cases of interference in order to protect the licensed users from harmful interference.
- Upgrade the 2<sup>nd</sup> mobile monitoring system to expand operating frequency and enable the Authority to effectively monitor, enforce compliance and resolve interference cases for broadband frequencies above 3 GHz that are currently in high demand.

### 6.3. Achievements in 2015

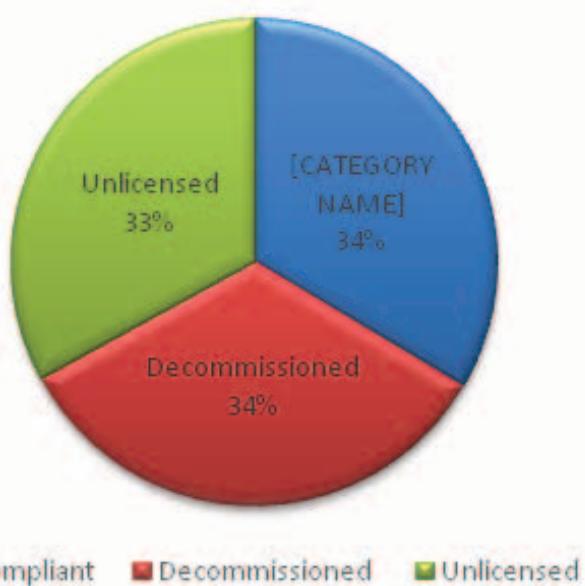
#### 6.3.1. Countrywide Spectrum Station Inspections and Enforcement

##### 6.3.1.1. 2015 Inspection Results and Performance

Table 1: Spectrum Compliance Inspections

Province	Compliant	Decommissioned	Unlicensed
Luapula	7	11	16
Copperbelt	26	16	9
N/Western	8	8	15
Western	6	5	1
Central	5	11	18
Northern/Muchinga	11	12	3
Overall Performance	63	63	62

## Overall Performance



### Overall Performance Trends 2012-2015

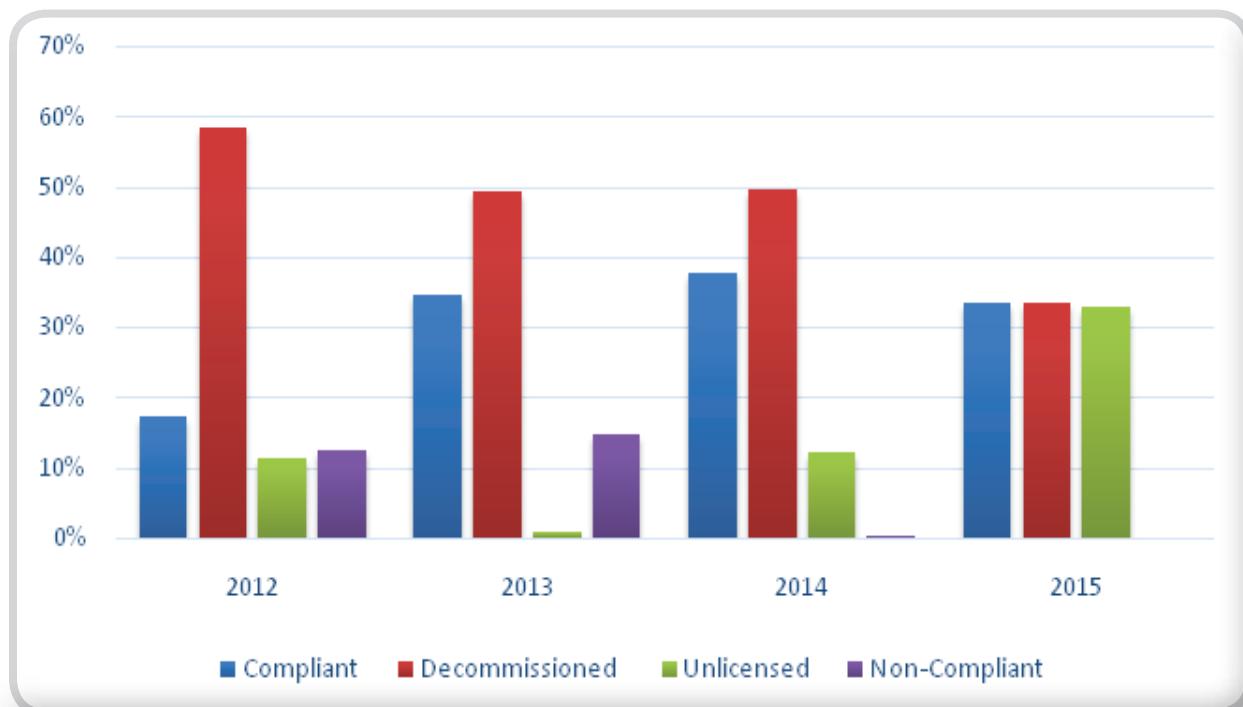


Figure 3.1: Spectrum Compliance 2012-2015

### 6.3.1.2. Performance Trends 2012 to 2015

- The number of non-operational stations has dropped from almost 60% in 2012 to 30% in 2015.
- The compliance levels have dropped slightly to 34% in 2015 from 38% in 2014. This is the first time in four years that this trend has changed.

### 6.3.1.3. Inspection and Enforcement Results

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

### 6.3.1.4. Spectrum occupancy tests as per requests for Spectrum Planning and Licensing

Occupancy measurements were focused on broadband frequency bands, including some critical bands that were discussed at WRC-15 under agenda items 1.1 and 1.2 and both digital dividend spectrum as follows:

- a) TV broadcast spectrum 470-694 MHz
- b) 694-790 MHz - Agenda item 1.2 regarding allocation of this spectrum to mobile services in Region 1 to be harmonized and available for allocation after the WRC-15 conference.
- c) Digital Dividend 1 spectrum 790-862 MHz
- d) Additional IMT spectrum to be supported by Zambia at WRC-15 under Agenda 1.1
  - 1350-1400 MHz
  - 1427-1452 MHz
  - 1452-1492 MHz
  - 3400-3600 MHz
  - 3600-3800 MHz
  - 2300-2400 MHz
  - 2500-2690 MHz
  - 5470-5720 MHz

The occupancy measurement campaigns were successful and gathered useful occupancy status for key broadband spectrum bands in following provinces and towns

- a) Lusaka Province

The occupancy tests were carried out from 28th August to 3rd September 2015 in Lusaka.

- a) Southern Province

The occupancy tests were carried out between 10<sup>th</sup> to 24<sup>th</sup> August, 2015 and covered Mazabuka, Monze, Choma, Kalomo, Livingstone and Siavonga towns.

### a) North-Western Province

The occupancy surveys were carried out from 29<sup>th</sup> November to 9<sup>th</sup> December 2015 and covered Solwezi, Kasempa, Kapombo, Mufumbwe and Zambezi.

### a) Central Province

The occupancy tests were carried out from 11<sup>th</sup> to 19<sup>th</sup> September 2015 in Central Province and covered Kabwe, Kapiri, Mkushi and Serenje.

### a) Luapula Province

The occupancy tests were carried out from 19<sup>th</sup> to 27<sup>th</sup> September 2015 in Luapula Province and covered Mansa and Samfya.

This data was submitted to Spectrum Planning and Licensing to be used for identifying spectrum usage trends and spectrum re-farming activities.

#### 6.3.1.5. Inadvertent Roaming Meeting with MACRA

A meeting was successfully held between ZICTA and MACRA (with mobile network operators from Zambia and Malawi) on 1<sup>st</sup> June 2015. The meeting agreed on resolutions to mitigate inadvertent cross-border roaming.

#### 6.3.1.6. Universal Access Project Technical Audits and Site Surveys

The Unit worked with Projects Section in completion of the following key tasks:

#### 6.3.1.7. Technical Audits

Successfully completed coverage assessment of selected Phase I Universal Access Project (UA) sites.

#### 6.3.1.8. Surveys for Identification of new sites

Conducted successful countrywide RF surveys for the identification of new UA Phase II sites. This was successfully done with 403 sites identified.

#### 6.3.1.9. Monitoring Station Upgrades - Mobile 1(Land Rover)

Following successful upgrade of Mobile monitoring station ‘Mobile 2’ in 2014, a similar upgrade was initiated for ‘Mobile 1’ in 2015. The equipment was procured from TCI International of USA and the upgrade was conducted primarily to address dynamic spectrum monitoring requirements as follows:

- Frequency range extension - from 20MHz-3GHz to 20MHz - 8GHz. This enables monitoring in higher frequency bands such as microwave signals.
- Instantaneous bandwidth Increase - from 2MHz/ 20MHz to 4MHz/ 40MHz. Increased instantaneous bandwidth enables monitoring of large bandwidth signals such as 3G/ LTE.
- Antenna dual polarization for monitoring both vertically and horizontally polarized signals.
- Fast spectrum processor for enhanced client software monitoring features. These include Field strength mapping (illustrated below), Alarm, Real time direction finding and a Spectrum analyser screen module.

## SPECTRUM MONITORING AND COMPLIANCE

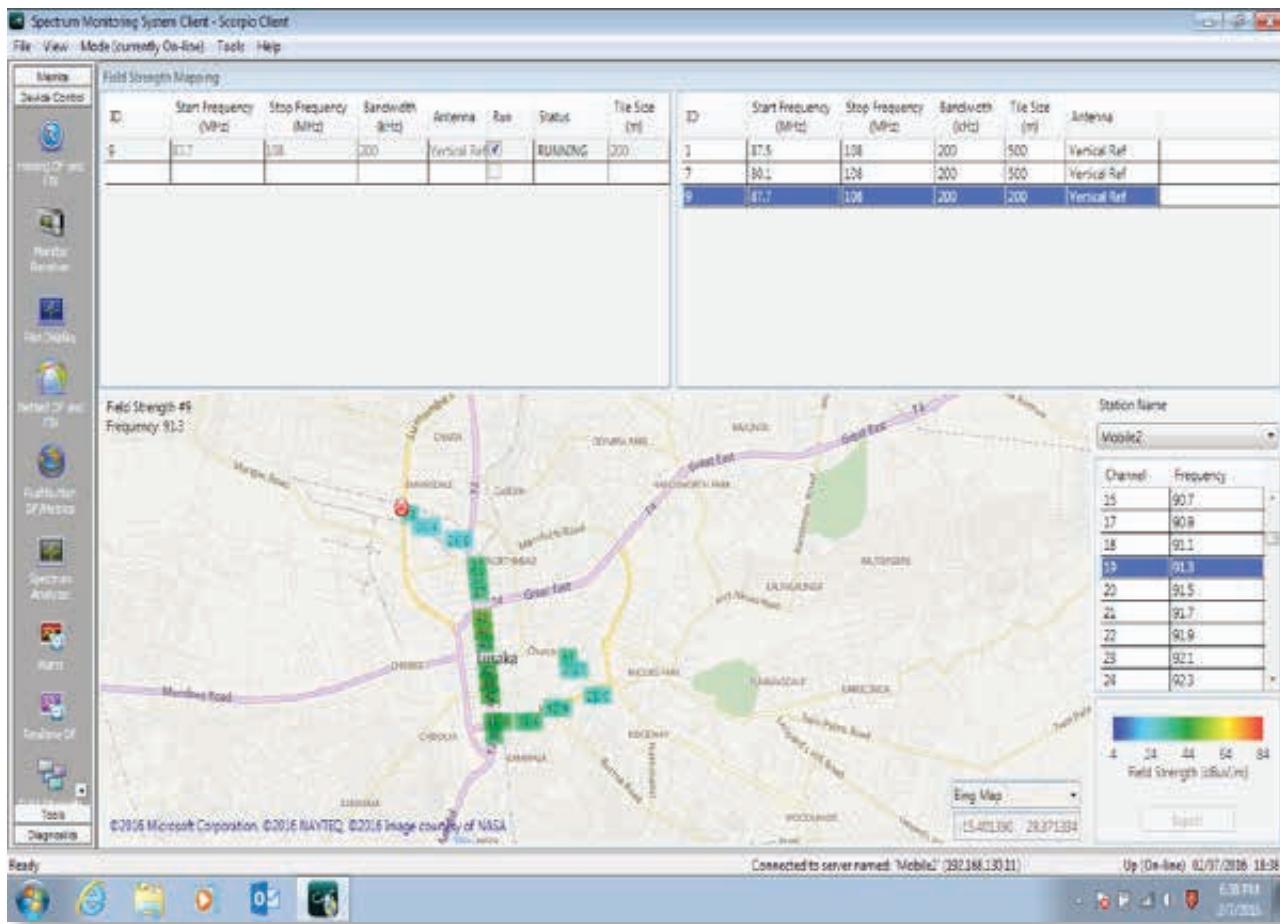


Figure 3.2: Scorpio Client feature - Field strength mapping in the FM band

### 6.4. Plans for 2016

Eliminate or at least minimize the spillage of mobile network signals from across Zambia's borders to resolve inadvertent roaming.

Provide two pilot sites for natural disaster early warning systems for the Republic of Zambia to be used in disseminating alerts for flooding and impending disasters, for public safety and for enhancing information dissemination.

Conduct routine station physical inspections in selected provinces in Zambia and conduct enforcement activities in line with the compliance status of the spectrum users.

### 6.5. Spectrum Planning and Licensing

#### 6.5.1. Licenses issued

The departments issued mainly renewed license and a few new licenses as indicated in the table below.

## SPECTRUM MONITORING AND COMPLIANCE

RADIO SERVICE	NO. OF LICENSES		
	NEW	RENEWED	CANCELLED
LAND MOBILE	5	24	0
BROADCASTING (TV & RADIO)	3	9	0
WIRELESS BROADBAND	0	0	0
SATELITE (VSAT)	0	12	2
AMATEUR	1	1	0
FIXED (MICROWAVES)	0	0	0
MOBILE CELLULAR (GSM,3G)	0	1	0
AERONAUTICAL	1	7	0

The demand for spectrum continues to grow and therefore, the Authority needs to encourage technologies that are spectral efficiency and hence encouraging spectrum sharing. The table below summaries the number of licenses that were issued and cancelled.

SERVICE	NO. OF LICENSES		
	NEW	RENEWED	CANCELLED
LAND MOBILE	9	54	0
BROADCASTING (TV & RADIO)	3	15	0
WIRELESS BROADBAND	0	4	0
SATELLITE	37	121	14
AMATEUR	0	1	0
FIXED (MICROWAVES)	0	3	0
GSM	0	2	0
AERONAUTICAL	3	34	0

### 6.6. ITU Notifications

The ITU-R requires that each fixed radio transmitter be coordinated and entered in the ITU registered. In view of the above, the department was engaged in compiling notices of over 1500 fixed sites for Mobile Cellular base transmitters in readiness for submission to the ITU.

### 6.7. IBA Inspection

A combined inspectors with the Independent Broadcasting Authority (IBA) was conducted to carry out broadcasting inspections at proposed Modern Voice radio in Chirundu, proposed Luswempo Community Radio in Mbala and proposed QTV in Lusaka. The main objective of the inspection was to ascertain whether the proposed broadcasters have met the test broadcasting requirements.

### 6.8. World Radio Conference 2015

In preparing for WRC-15, a lot of national preparatory works were made towards positioning ourselves as a country on all agenda items. The National Radio Advisory Group which was formulated in 2013 met four times to discuss the agenda items, consider the proposed methods and come up with country positions. The department attended the conference with other RAG members from Zambia Air Force and the ministry of defence.

The main outcomes of the conference is allocation of more spectrum to the Mobile services, Global flight tracking spectrum, spectrum to the maritime, spectrum for unmanned aircraft to mention but a few. These changes shall be implemented in the reviewed national Radio spectrum band plan.

### 6.9. Digital Audio Broadcasting Study Tour

The department conducted a Digital Audio Broadcasting study tour in Oslo, Norway. The objective of study tour was to learn more about the experience concerning the transition from analogue radio (FM) to digital radio (DAB) and how Norway has successfully managed to implement digital radio so that we can also implement the technology as we are getting closer to the Digital sound broadcasting migration deadline.

### 6.10. Trial Licence for Television White Space (TVWS)

In November 2015, the Authority granted the first ever trial license for Television White Space (TVWS) to Connect Africa Logistics Limited (CALL) who will deploy TVWS to provide wireless broadband internet to schools along the line of rail. The trial license is valid for 6 months starting from December 2015. CALL will ride on the Microsoft geolocation database to ensure that TVWS do not cause interference to licensed services. The TVWS license is based on the license exempt basis.

### 6.11. Numbering and Naming

#### 6.11.1 Quality of Service Monitoring

QoS reports for the third quarter of 2015 were generated indicating that MTN only performed in three out of five of the performance requirements measured. Airtel also

scored three out of five while Zamtel did fairly well with an average of four out of five. QoS reports for the fourth quarter of 2015 on all the fixed monitors indicate very poor performance on all three networks obtaining a two out of the seven of the set performance indicators.

### 6.13. Number Allocation and Number Portability

The Number Allocation and Number Portability Documents were drafted with the aim of facilitating access to telecommunications services and subsequently promote fair and equitable access to numbers .while the Number Portability working document will establish the principles and procedures of Number Portability which will enable consumers to switch provider or service and change location without changing their telephone numbers. This could consequently be a key factor in enhancing competition in the Zambian multi-operator ICT environment.

### 6.14. DNSSEC Implementation for .zm ccTLD

DNSSEC was finally implemented for the .zm ccTLD, starting with the smallest to the largest second level domains, and finally the .zm Top Level Domain. The implementation uses open dnssec to sign zones that are generated by the CoCCA Registry Software, and the signed zones are then served to the secondary DNS servers using bind9.

### 6.15. Workshop: Train the Trainer / Child Online Protection

The Unit conducted a workshop for teachers in conjunction with Ministry of Education, primarily intended to build capacity within the teaching fraternity; to allow them better address the cybersecurity needs of the Children. The workshop was a great success, with attendance exceeding 160 teachers.

### 6.16. BOZ Penetration Testing

ZICTA was requested by the Bank of Zambia, to carry out a vulnerability assessment and Penetration test on their infrastructure.

### 6.17. Security Awareness

ZICTA conducted a security awareness workshop with the Electoral Commission of Zambia (ECZ).

### 6.18. AfTLD Secure Registry Operations Course (SROC)

ZICTA hosted the African Top Level Domains(AfTLD) Secure Registry Operations Course (SROC) in Livingstone. There were about twelve (12) countries represented, Zambia included. The workshop was focussed on building capacity amongst registry operators in securing the DNS infrastructure.

### 6.19. Internet Exchange Point (IXP) Upgrade

The equipment that was purchased for the upgrade of the Zambian Internet Exchange point (ZIXP) was delivered to the IXP.

## 7. CONSUMER PROTECTION

The Authority is responsible for the execution of the mandate of the Authority in as far as issues of Consumer Affairs, Protection and Information Management. It is mandated to identify, breakdown and implement emerging issues at a global, regional and country level on matters affecting the consumer in the ICT sector. The Authority provides expert advice and guidance on policy, legal and regulatory interventions aimed at consumer protection and education.

The following highlighted activities were undertaken by the Consumer Protection Unit in the year 2015.

### 7.1. Complaints Management

#### 7.1.1 Case Distribution by Service Provider

The Authority recorded a total number of 907 complaints during the period under review. MTN had the highest number of complaints recorded, followed by Airtel and then ZAMTEL. The distribution of the complaints is as shown in Chart I and Table I below:

Chart I

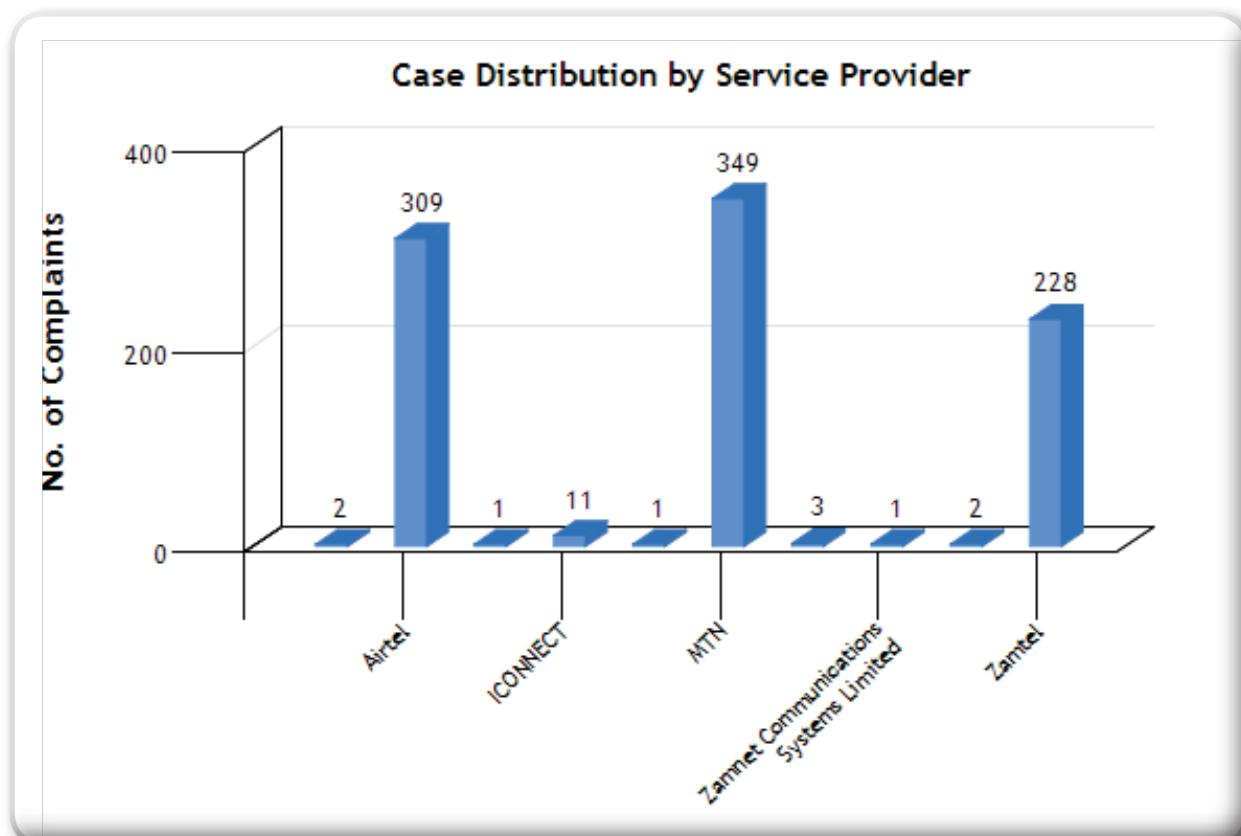
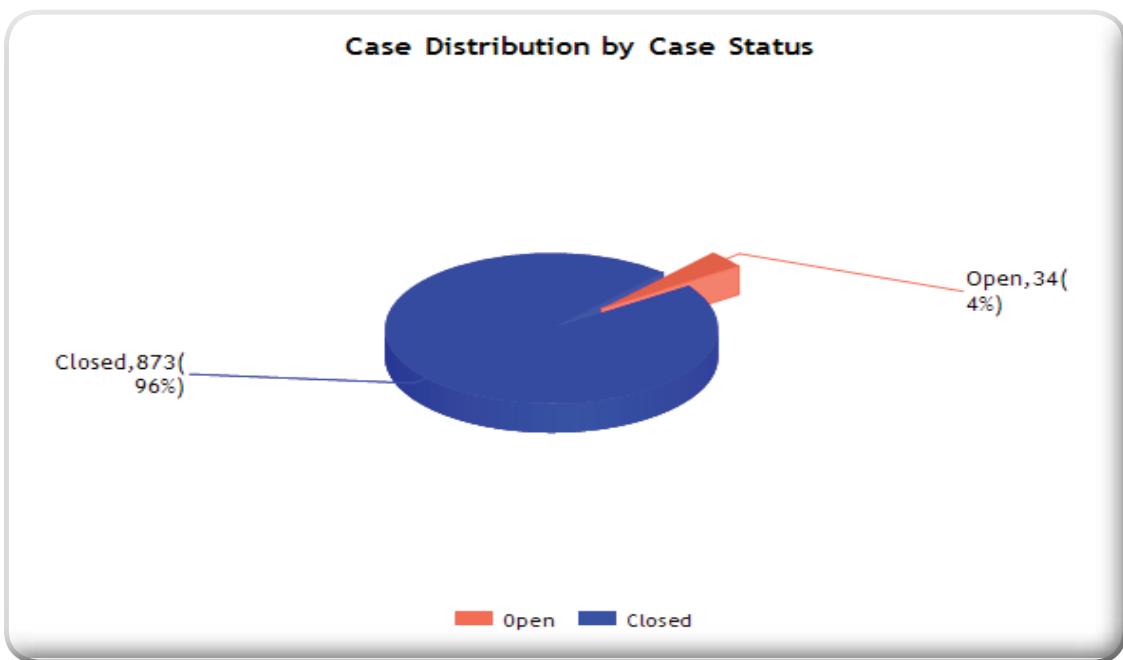


Table 1

<b>Summary - Case Distribution by Service Provider</b>	
<b>Africonnect Zambia Limited</b>	2
<b>Airtel</b>	309
<b>Coppernet solutions Limited</b>	1
<b>ICONNECT</b>	11
<b>IWAY Africa Zambia Limited</b>	1
<b>MTN</b>	349
<b>POSTAL COURIER</b>	3
<b>Zamnet Communications Systems Limited</b>	1
<b>ZAMPOST</b>	2
<b>ZAMTEL</b>	228
	907

#### 7.1.2 Complaint by Status

During the period under review, out of a total number of 907 complaints recorded, 873 cases were resolved while 34 were unresolved.



#### 7.1.3 Distribution by Complaints Type

The Authority recorded the highest number of complaints under loss of airtime with 335 complaints representing 37%. The other complaint categories are depicted in the pie chart III and table III below:

Chart III

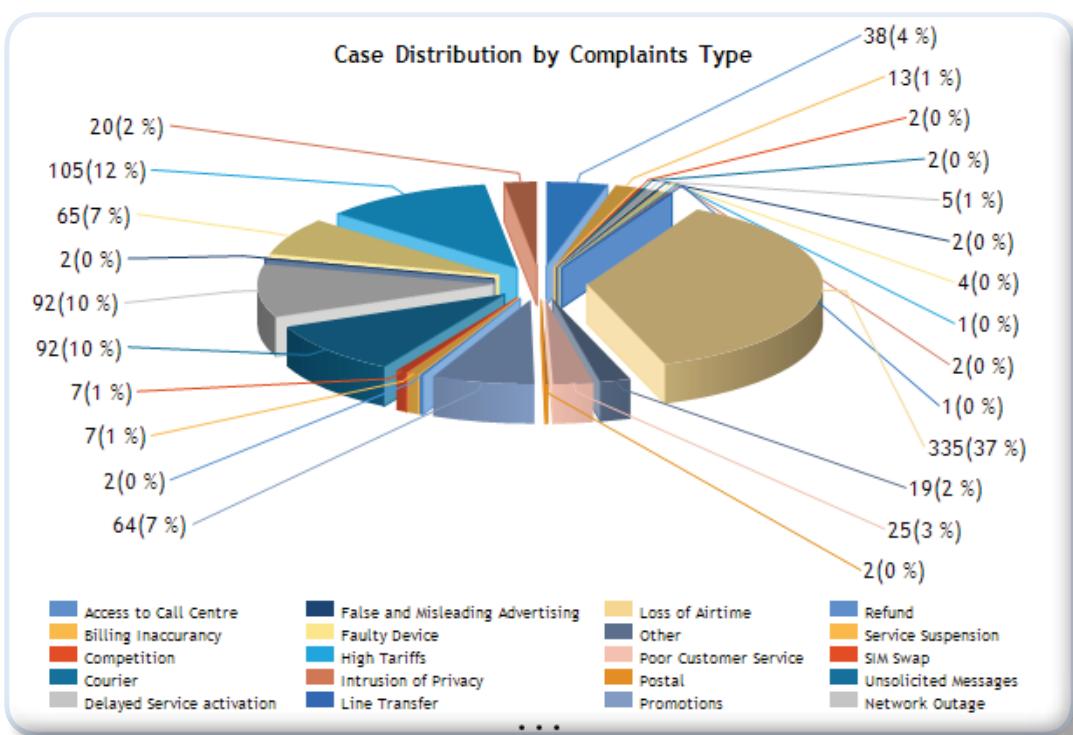
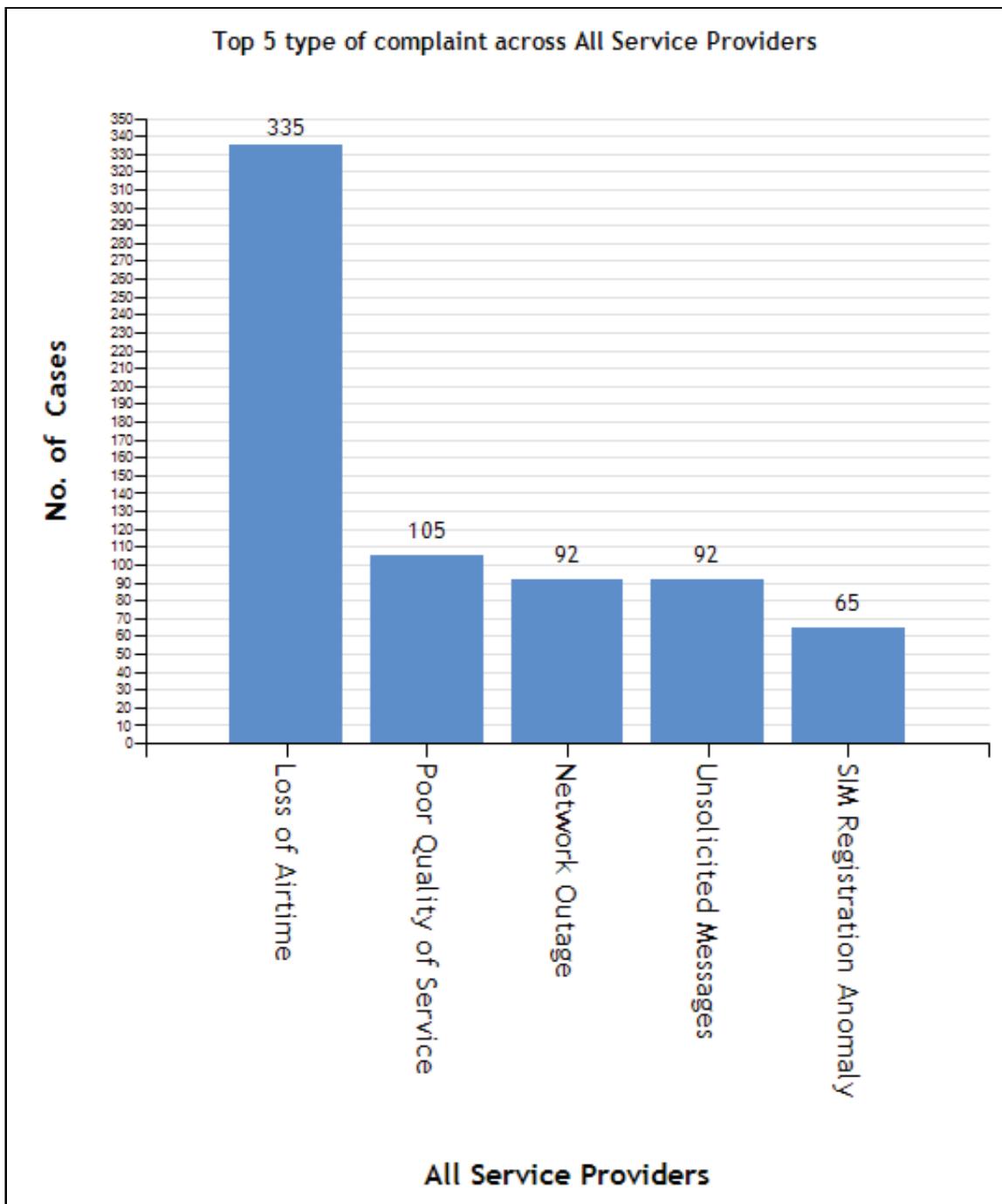


Table III

Summary - Case Distribution by Complaints Type	
Access to Call Centre	38
Accidental Roaming	2
Billing Inaccuracy	13
Competition	2
Courier	2
Delayed Service activation	5
False and Misleading Advertising	2
Faulty Device	4
High Tariffs	1
Intrusion of Privacy	2
Line Transfer	1
Loss of Airtime	335
Mobile Money Complaint	20
Network Outage	92
Other	19
Poor Customer Service	25
Poor Quality of Service	105
Postal	2
Promotions	64
Refund	2
Service Suspension	7
SIM Registration Anomaly	65
SIM Swap	7
Unsolicited Messages	92
	907

#### 7.1.4 Top Five Complaints

The bar chart below depicts the details of the leading top 5 complaints that were received across all the service providers during quarter 4 of 2015. The highest number of complaints was under the category of loss of airtime followed by unsolicited messages.



## 7.2 Consumer Protection Focus Activities For 2015

### 7.2.1 Social Media

The Authority recognized Social Media (Facebook) as an important tool for information dissemination and obtaining consumer feedback. The number of Facebook users continued to increase. During the year under review, the Authority posted consumer alerts on different topics like unsolicited messages, loss of airtime, career opportunities, security tips, online bullying and SIM card verification.

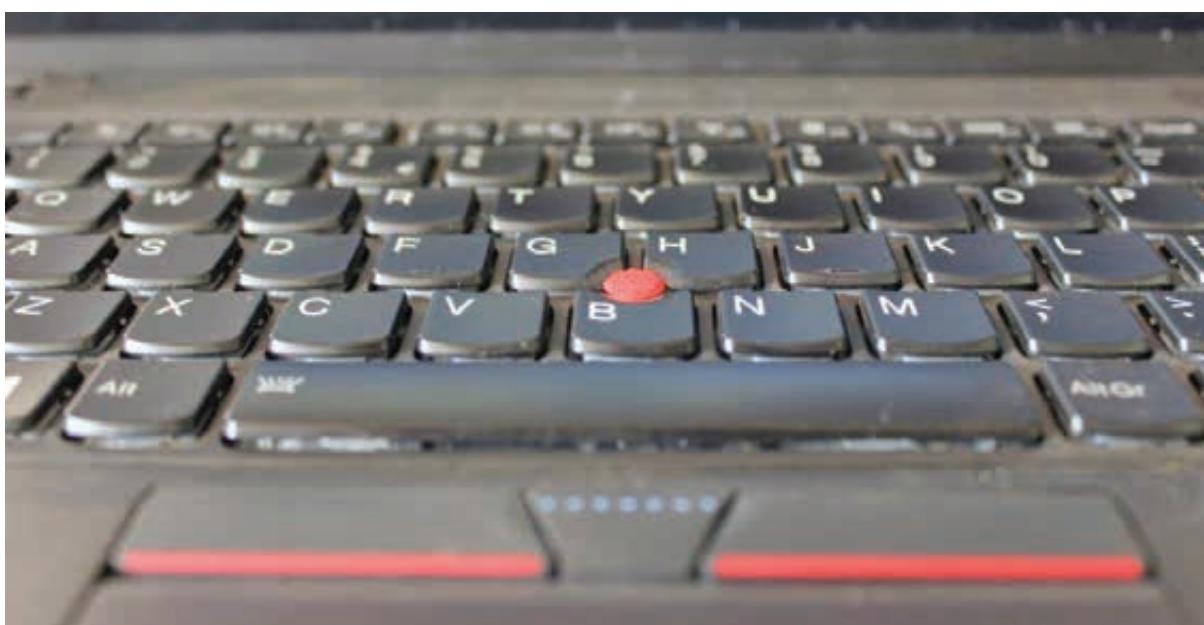
### 7.2.2 Rural Consumer Outreach Programmes

The unit undertook rural consumer outreach programmes with the view of sensitizing consumers in the rural towns on ZICTA's mandate, its effectiveness and to raise awareness of their rights and obligations as consumers of ICT users. Additionally, the programmes were intended to also obtain feedback on the public's perceptions of the quality of services they receive from operators and the effectiveness of the Authority. The sensitisation was done through public fora, radio programmes in English/vernacular, traditional ceremonies and musical performances (road shows). The consumer outreach programmes were conducted in the following Provinces; Eastern in February, Western in May and North-western in August 2015.

### 7.2.3 Meeting with Service Providers

The Authority held a meeting in March with mobile and internet service providers for the purpose of enhancing communication and to avail an annual consumer plan so as to align their plans with that of the Authority.

**Levels of Compliance Inspections** - The unit conducted inspections of service providers with the objective of establishing levels of compliance of the Consumer Protection Guidelines and the Code of Conduct. The inspections were conducted in March 2015.



#### **7.2.4 SIM Card Registration Processes**

In March 2015, the compliance team which comprised of officers from Technical, IT, MCL, Legal and CP conducted random inspections of service providers' SIM card distributors and dealers in Eastern, Lusaka and Copperbelt Provinces after receiving a number of complaints through the toll free line 7070 regarding sell of activated SIM cards. Additionally, the inspections were done as a pre-post implementation review of the SIM card registration process and to ascertain compliance of Statutory Instrument No. 65 on the registration of electronic communication apparatus and SIM card registration business rules.

#### **7.2.5 Customer Care Facilities**

During the months of February and March 2015, the compliance team conducted inspections of customer care facilities in accordance with Section 6 of the Information and Communication Technologies Act No. 15 of 2009 which empowers the Authority to regulate the provision of electronic communications services and products and monitor the performance of the sector. The purpose of the inspections was to ensure that service providers were compliant with the Consumer Protection Guidelines, ICT Code of Conduct and Quality of Service Guideline. It was observed that all the three mobile service providers had violated various provisions of the Guidelines.

#### **7.2.6 World Consumer Rights Day**

The Authority participated in the commemoration of the World Consumer Rights Day on 16 March 2015.

#### **7.2.7 Quality of Service Educational Workshop**

A Quality of Service Educational workshop was conducted in February 2015.

#### **7.2.8 2014 Quality of Service Name and Shame Report**

The unit prepared the Report and published the 2014 QoS Name and Shame Report in the month of April. The Report was published in the Times of Zambia and Daily Mail.

#### **7.2.9 Child Online Protection**

The Authority participated in the Annual Baby and Kids Expo Exhibition that took place from 30-31 May 2015 at the East Park Mall. One of the Authority's focus areas was to implement the Child Online Protection strategy framework that was developed 2015, therefore, the Authority's participation actualized one of its key objectives regarding child online protection. ZICTA's Child Online Protection Ambassador, Catherine Phiri, was present throughout the two day exhibition period.

#### **7.2.7 National Child Online Protection Framework**

In May, the Authority circulated the draft National Child Online Protection Strategy for comments from stakeholders for the purpose of validating the COP strategy.

#### **7.2.7 Children and Mobile Phone Workshop in Botswana**

The Communications Regulators' Association of Southern Africa (CRASA), in conjunction with the GSM Association (GSMA) convened a Children and Mobile Phone workshop in Gaborone, Botswana. The workshop was hosted by the Botswana Communications

Regulatory Authority (BOCRA) from 27 - 28 May 2015. 20 delegates attended the workshop emanating from Southern African Development Community (SADC) countries, namely Botswana, Lesotho, Malawi, Namibia, South Africa, Tanzania, Zambia and Zimbabwe. The Ministry of Communications & Transport of Botswana, SOS Children's Village and a Non-governmental Organisation were in attendance. The workshop among other issues, focused on the United Nations Convention on the Rights of the Child, increase in risks being encountered by children online and inappropriate behaviours and reputational damage. The Workshop was represented by Mr Edgar Mlauzi, Consumer Protection Manager and Mrs Maimbo S Chimwala, Assistant Consumer Protection Officer.

#### **7.2.8 Zambia Agency for Persons with Disabilities**

The Authority proposed entering into a Memorandum of Understanding to address the following objectives:

- To create a platform where issues and challenges around provision of communication services to persons with disabilities will be raised and efforts to resolve them initiated;
- To encourage the design of accessible ICT products and services;
- To jointly monitor and enforce violations against laws and regulations in the ICT sector;
- To encourage research on ways for PWDs to access information and use of ICT products and services

The Authority engaged the Zambia Agency for Persons with Disabilities and to work closely with them in ensuring that PwDs are not marginalised when accessing ICTs and on Child Online Protection matters respectively.

#### **7.2.9 Persons With Disabilities Radio Programme PwDs**

The unit engaged a consultant to air PwDs Awareness Radio programmes on Radio Christian Voice, whose main objective was to sensitize the public and persons with disabilities on the Disability Act No. 6 of 2012 and to enable stakeholders understand the constraints and challenges in implementing the Act. This was a 13 weeks series programme which started being aired from 16 June 2015.

#### **7.2.10 Input To The National Child Policy**

Following review of the draft National Child Policy, it was observed that some vital aspects concerning children and ICTs were not included in the National Child Policy. Most of the issues on ICTs which were in the draft policy focused on infrastructure development only as opposed to emerging issues affecting children in the information age. Considering that the young are the biggest users of ICTs, a fact which was confirmed by the ZICTA research which was undertaken in 2013, it deemed to be relevant that the aspect of the National Child Online Protection strategy document be considered for inclusion in Zambia's Child Policy. The submissions were made to Ministry of Gender and Child development.

#### 7.2.11 Pre-Registered SIM Card Audit/Inspections

The compliance team conducted a SIM card inspection on the Copperbelt from 19<sup>th</sup> to 24 July 2015.

#### 7.2.12 Consumer Education Activity

During the month of July, adverts on 7070 jingles on some radio community stations in all Provinces were aired to raise awareness of the ZICTA Contact Center and to educate consumers on their rights to complain.

#### 7.2.13 Consumer Feedback

The Authority featured on the Hot FM Radio Programme Consumer Feedback on 27th July 2015, whose topic was pre-registered SIM cards.

#### 7.2.14 SIM Registration Consumer Awareness

In July, the Authority directed the three mobile service providers to send messages to consumers to sensitise them on illegal purchasing of pre-registered SIM cards based on the SI 65 of 2011. MTN was the first to comply in the month of August 2015.

#### 7.2.15 SIM Registration Challenges - Roadmap

The Department met with the three mobile service providers on 8<sup>th</sup> September 2015 to present findings on post SIM card implementation.

#### 7.2.15 Directive and Public Alert on the Sale of Pre-registered SIM Cards

The Authority issued a press statement in the print media in October to all service providers and members of the public warning any person engaged on illegal activation of selling and buying of pre-registered SIM cards on the market. Among other things, members of the public were advised to check in whose name their SIM card was registered by dialling \*101# and report anyone selling pre-registered SIM cards to ZICTA by calling 7070.

#### 7.2.16 SIM Card Registration

In November, the mobile service providers submitted to the Authority practical proposals on how they were going to address the post-SIM card challenges. Upon perusal of the proposals, the Authority has put on hold third-party registration as it was being abused by dealers/distributors to pre-register SIM cards. The Authority further requested service providers to provide additional information on all non-compliant SIM cards on their respective networks. The Authority also issued a directive that going forward, the Authority shall fine service providers for any pre-registered SIM cards found on the market.

#### 7.2.17 ZICTA and Lifeline/Childline Zambia Memorandum of Understanding (MoU)

The two organisations signed a MoU on 20 August 2015. The MoU establishes the manner in which both parties will team up in advancing the interests of children in the ICY industry.

#### 7.2.18 ZICTA and Bank of Zambia (BoZ) MoU

The Authority met with the Bank of Zambia on 04 November 2015 to discuss the revision of the performance of the MoU. Among issues discussed were that most of the areas of collaboration needed to be operationalised in order for the MoU to achieve its intended objectives. In line with Section 5 of the MoU, it was proposed to come up with names for the two tier Joint Working Committees which comprised of a steering Committee composed of selected senior management members of both Institutions and a technical committee composed of selected operational staff members of the two Institutions. The proposed members of the Steering Committee and the proposed Technical Sub-Committee were proposed. Additionally, proposals for the meeting schedules for both Committees were tabled where it was decided that the Steering Committee would meet bi-annually while the Technical Committee would meet quarterly. The Authority approved the nomination of the Technical Committee.

#### 7.2.19 ZICTA and Competition and Consumer Protection Commission (CCPC) MoU

A meeting was held between ZICTA and the CCPC on 06 November 2015 regarding the revision of the performance of the MoU. Among issues discussed were that it was observed that the absence of a Joint Working Committee had contributed to poor communication and performance of the MoU. CCPC was tasked to develop the 2016 Action Plan which will be circulated to the Authority for discussions and finalisation. The Committee proposed a team of members of staff from the Authority to be included in the Joint Working Committee.

#### 7.2.20 ZICTA and UNICEF MoU

ZICTA and UNICEF met on 24 November 2015 to review the performance of the MoU. UNICEF was tasked to develop the 2016-2018 action plan.

#### 7.2.21 ZICTA and ZAMPOST MoU

The Authority wrote to ZAMPOST with a view to having a meeting to discuss the review of the performance of the MoU. ZICTA received no feedback.



## 8. PUBLIC AND INTERNATIONAL RELATIONS

### 8.1 International Collaboration

In meeting its regulatory obligations in both the ICT and Postal sectors, Zambia Information and Communications Technology Authority (ZICTA) has to collaborate with regional and international Organizations for purposes of sharing best practice and agreeing on strategic resolutions for the development of the Postal and ICT sectors respectively.

The Authority subscribes to a number of organizations, in most cases on behalf of the Zambian government which is a member state and in some circumstances in its capacity as a regulatory body. Collaboration with and active participation in the activities of the international bodies which are ZICTA's key Stakeholders gives the Authority the opportunity to share relevant information regarding ZICTA's operations and government policy on issues with regards to the ICT and Postal industries respectively.

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

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

- i. Communication Regulators Association of Southern Africa (CRASA) responsible for the both the ICT and Postal sectors
- ii. Association of Regulators for Information and Communications for Eastern and Southern Africa (ARICEA) is an association of regulators in the ICT sector in the COMESA region
- iii. African Telecommunications Union (ATU)
- iv. International Telecommunications Union (ITU)
- v. Pan African Postal Union (PAPU)
- vi. Universal Postal Union (UPU)
- vii. Commonwealth Telecommunications Organization (CTO)

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

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

#### 8.1.1 International Telecommunications Union (ITU) World Summit on the Information Society WSIS Forum 2015

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

through a structured and inclusive approach at the national, regional and international levels.

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

WSIS Forum 2015 also provided structured opportunities to network, learn and to participate in multi-stakeholder discussions and consultations on WSIS implementation.

### 8.1.2 African Telecommunications Union (ATU) Administration Council Meeting

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

Zambia as a Member of the Admin Council of the organization participated in the Admin Council Meeting which succeeded in getting the African states together in making joint decisions on ICT issues affecting the region in relation to the ITU. Decisions made at this level are up scaled to the ITU body as a united voice for the region.

### 8.1.3 Universal Postal Union (UPU) Council Administration Meetings

The UPU Council Administration Meetings are held annually to look at the running of the organization as well as make proposals to standards and regulations (for consideration during the Congress) which facilitate and increase the security of international exchanges of mail and parcels, as well as the delivery of a broad range of secure and affordable electronic and financial services. As a subscribing member State and with the recent introduction of legislation (Postal Services Act) which gives ZICTA the mandate to regulate the Postal sector for the first time, it was important that the policy makers in government and the regulator attend this meeting. The Congress provided a platform for discussion of policy direction regarding the regulation of postal and courier services globally and provides a platform of sharing best practices.

### 8.1.4 CTO Annual Forum & Council Meeting

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

### 8.1.5 CRASA Annual General Meeting

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

### 8.1.6 ITU Telecoms World Forum 2015

The ITU Telecom World Forum was held in Budapest from October 12- 15 2015 from under the theme “Accelerating Innovation for social good”. It offered participants an opportunity to connect, network and enter into partnerships. As major new trends redefine the ICT sector - from the development of 5G standards shaping future mobile communications to the growth of the internet of things, the forum creates an opportunity for all industry players to have a futuristic overview of the growth and development of the ICT sector.

### 8.1.7 Global Symposium for Regulators 2015

The GSR 2015's theme was “Mind the Digital Gap” and took place in Libreville, Gabon from June 9 to 11, 2015. The GSR allowed participants to examine and explore ways to ensure that all citizens can benefit from the social and economic opportunities to fully materialise in today's increasingly complex and pervasive environment. The other Meetings attended include the following;

- I. ARICEA Meeting
- II. SADC Ministers meeting
- III. World Telecommunication Standardization Assembly
- IV. ITU Annual Regional Development Forum
- V. ITSO Meetings

## 8.2 Publicity

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

### 8.2.1 Zambia International Trade Fair (ZITF) and Agricultural and Commercial Show

ZICTA participated in both the ZITF and ACSZ in 2015. Both events created a great platform for information dissemination with regards what the authority does in line with its mandate.



## 9. HUMAN CAPITAL DEVELOPMENT AND ADMINISTRATION (HCDA) DEPARTMENT

### 9.1 Human Capital and Development

#### 9.1.1 Labour compliment

The total labour strength as at December 31, 2015 was at one hundred and twenty six (126) comprising of twenty-seven (27) in Management while ninety nine (99) were non-Management staff. In gender terms and numbers, female staff were forty-three (43) and male staff were eighty three (83). While retention on staff was recorded at 100%.

The labour compliment is detailed as follows:-

DETAILS	MALE	FEMALE	TOTAL
Labour Strength as at 01.01.2015	79	41	120
Recruitments	4	2	6
Resignations	0	0	0
End of contract	0	0	0
Non-renewal of contract	0	0	0
Dismissals	0	0	0
Termination of contract	0	0	0
Early Retirement	0	0	0
Death	0	0	0
Labour Strength as at 31.12.2015	83	43	126

#### 10.1.2 Staff Wellness

During the period the Authority continued to meet staff and registered depends wellness through the Managed Fund Scheme under Professional Insurance.

### 9.1.3 Capacity Building

During the year end 2015, the Authority continued to sponsor staff for part-time studies under different programs in disciplines associated with their roles, aspirations and career path. Twenty one (21) staff were sponsored for part time studies. Of the total number, ten (10) were pursuing undergraduate programs while eleven (11) were pursuing Post graduate programs.

### 9.1.4 Employees Activities

The Authority successfully hosted the 2nd Annual Intra ministerial sports festival under the line Ministry of Communications and Transport (MCT). Zambia Railways emerged the top best team while ZICTA emerged as second best team.

### 9.1.5 End of year event

To close up the year, Authority staff extended their hands to help the needy in society by donating assorted items to an orphanage, Home of David and Faith. Staff donated assorted items such as clothes, footwear and toys from their own resources while the Authority provided educational materials, toiletries and foodstuff.

### 9.1.6 Industrial Relations

In the year under review, a Conciliator was appointed to mediate between Management and the Union on the non-conclusion of the Collective Agreement and salary increase negotiations. Notwithstanding this development, industrial harmony continued to prevail and an agreement was reached, the 2015 -2016 Collective Agreement was signed and a salary increase of 7% on basic salary awarded to unionized staff.



## 9.2 Administration and Logistics Unit

### 9.2.1 Main Building Renovation Construction Works

Renovations of the ZICTA main building (former USA Chancery building) commenced on March 31, 2015 following the award of the contract to African Contractors. The proposed modifications were expected to transform the one story building into a two story modern building.

### 9.2.2 Construction of Guard Shelter-Solwezi and Livingstone Monitoring Sites

Construction of guard shelters for two monitoring sites commenced in January 2015 and were completed in February 2015, these works were undertaken by G.E.S Architects as Project Managers. The guard shelters at the sites in Solwezi and Livingstone were constructed by Brick World and Dockland Construction Limited respectively.



*One of the Guard shelters constructed in 2015.*

## 9.3 Corporate Governance

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

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

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

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

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

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

Mr. Emmanuel M. Musonda - Chairperson
Mr. Charles K. Sipanje (retired November 2015)
Mrs. Mbololwa W. Muyaba (from November 2015)
Mrs. Patricia Jere
Brig. Gen. Emelda Chola
Ms. Daisy Nkhata Ng'ambi (from June 2015)
Mr. Keith Asherwood
Mr. Vestus Chungu
Mr. Patrick Chisanga
Eng. Bernard Chiwala (retired October 2015)
Mrs. Margaret K. Chalwe - Mudenda

### **Role of the Board**

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

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

- Provide strategic direction by approving management strategies and plans including financial budgets, and monitor the Authority's performance against such strategies and plans;
- Determine employee remuneration and conditions of service to ensure that they are consistent with sustainable achievement of the Authority's objectives and prudent management of operations;
- Approve and regularly review the performance and effectiveness of the Authority's corporate governance policies and procedures;

- Approve and monitor the effectiveness of the Authority's risk management and control framework; ensure that management takes actions to mitigate identified risks; and
- Appoint the Director General and the Board Secretary as well as approve the appointment of senior staff of the Authority as recommended by the Director General.

## Board Committees

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

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

### 9.4 Major Developments Under Legal & Regulatory Affairs

#### Statutory Instrument No. 21 of 2015 - ICT (Administration of Authority) Regulations, 2015

On 20 April 2015, the Minister of Transport, Works, Supply & Communications issued S.I No. 21 of 2015, which amended the First Schedule to the ICT Act No. 15 of 2009.

The implications of the statutory instrument were as follows:

- ✓ The functions of the "Secretary to the Authority" were taken away from the Director General.
- ✓ The Board of the Authority was empowered to approve the terms and conditions of all staff of the Authority.
- ✓ The Board has been empowered to appoint the Secretary to the Authority on such terms as it may determine. The Secretary is required to carry out the corporate secretarial duties of the Board under the supervision of the Director General.

#### Statutory instrument No. 80 of 2015 - ICT (Telecommunications Traffic Monitoring) Regulations, 2015

On October 30, 2015, the Minister of Transport and Communications issued S.I No. 80 of 2015 to facilitate the validation of traffic data from the mobile network operators through the implementation of a Telecommunications Traffic Monitoring System.

Regulation 6 (Collection of revenue generated), states that:

1. *A licensee shall charge the rate for international incoming telecommunication traffic as prescribed in the Schedule (shown below).*
2. *The Revenue collected from international incoming telecommunication traffic shall be distributed in the manner prescribed in the schedule.*
3. *The Authority may collect any revenue on international telecommunication traffic of a licensee originating from a country with which Zambia has a bilateral agreement governing telecommunication traffic rates between Zambia and that country.*
4. *A licensee shall settle an invoice in full and payment shall be made to the Authority within 30 days from the date of the invoice issued by the Authority.*

## SCHEDULE

	Item	Rate per Minute (US Cent)	Percentage Rate
1.	Rate for international incoming telecommunication traffic	20	100
2.	The operators' share of per minute of incoming call	11	55
3.	Revenue to be collected by ZICTA and payable to the Treasury	3	20
4.	Service Fees	6	25

### The Fees and Fines (Fee and Penalty Unit Value) (Amendment) Regulations, 2015

On June 19, 2015, the Minister of Finance issued Statutory Instrument No. 41 of 2015 to increase the value of a penalty and fee unit from twenty ngwee to thirty ngwee.

The effect of this development was that any fee or fine that is required to be paid to ZICTA is to be multiplied by 30 ngwee rather than 20 ngwee

During the period under review, the Authority had 20 Procurement Committee meetings and approved contract award recommendations amounting to K52, 468,220. The Authority procured a Unified Threat Management System and a Virtualization Server for the enhancement of storage and security of Information Technology. The Authority also upgraded the contact centre in order to enhance customer experience. Further, the Authority procured house number plaques for the national addressing and post code project. During the period under review, the Authority procured appropriate equipment and services for the enhancement of operational efficiency.



# **Zambia Information and Communications Technology Authority**

Financial Statements for the year ended 31 December 2015

## **Zambia Information and Communications Technology Authority**

Financial Statements for the year ended  
31 December 2015

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

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# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Report of the Board to the members

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The members of the Board submit their report on the activities for the year ended December 31, 2015.

### 1. The Authority

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

### 2. Review of activities

#### *Main business and operations*

The principal functions of the Authority are to:

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

The Authority received grant income of K106,237,885 for the year ended 31 December 2015 (2014: K105,803,253). The deficit of expenditure over income for the year ended 31 December 2015 amounted to K46,965,030 (2014: K39,609,516).

#### Business address

Plot No. 4909,  
Corner of Independence and United Nations Avenues  
Lusaka

#### Postal address

P.O Box 36871  
Lusaka  
Zambia

### 3. Events after the reporting date

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

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Report of the Board to the members (continued)

### **4. The Board and Secretary**

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

Mr. Emmanuel Musonda Mpankata	-	Chairman
Mr. Charles K. Sipanje	-	Member (Retired in November 2015)
Mr. Patrick Chisanga	-	Member
Ms. Daisy N. Ng'ambi	-	Member (Appointed in June 2015)
Mrs. Patricia Jere	-	Member
Mr. Vestus Chungu	-	Member
Mr. Keith Asherwood	-	Member
Eng. Bernard Chiwala	-	Member (Retired in November 2015)
Brig. Gen Emelda Chola	-	Member
Mrs. Margaret K. Chalwe-Mudenda	-	Member
Mr. Thomas Malama	-	Secretary

### **5. Management**

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

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

### **6. Employees**

The average number of persons employed by the Authority during the year was 127 (2014: 119). The total remuneration paid to employees by the Authority was K62,218,390 (2014: K57,381,419).

### **7. Donations**

The Authority made donations during the year amounting to K521,080 (2014: K358,000).

### **8. Capital expenditure**

The capital expenditure during the year amounted to K18,157,126 (2014: K10,306,724). 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:

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## 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 5 and 6.

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

In the opinion of the Board the financial statements are drawn up so as to present fairly the financial activities of the Authority for the year ended 31 December 2015 and its financial position as at that date, and have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Information and Communication Technologies Act No. 15 of 2009.

### Approval of the financial statements

The financial statements of the Authority as indicated above and set out on pages 5 to 44 were approved by the Board on ..... and were signed on its behalf by:

  
.....  
Board Chairman

  
.....  
Member of the Board

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015



**MPH Chartered Accountants**  
Plot 4434 A, Kumoyo Road, Longacres  
P.O. Box 31014,  
Lusaka, Zambia

Plot 16 B, Kantanta Street  
Nkana East  
P.O. Box 21505, Kitwe

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Mobile: +260 954 933 904  
Website: [www.mphzm.co.zm](http://www.mphzm.co.zm)

## Independent Auditor's Report

To the members of Zambia Information and Communications Technology Authority

### Report on the financial statements

We have audited the financial statements of the Zambia Information and Communications Technology Authority ("the Authority"), which comprise the Statement of Financial Position as at 31 December 2015, and the Statement of Comprehensive Income, the Statement of Changes in Accumulated Fund and the Statement of Cash Flows for the year then ended, and the notes to the financial statements, which include a summary of Accounting Policies and other explanatory notes, as set out on pages 11 to 44.

### *Directors' responsibility for the financial statements*

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

### *Auditor's responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Authority as of 31 December 2015 and of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Information and Communication Technologies Act No. 15 of 2009.

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015



## Independent Auditor's Report (continued)

### *Other matter*

The supplementary information set out on pages to 45 to 50 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

### **Report on other legal and regulatory requirements**

In accordance with Part II Section 3(i) of the First Schedule of the Information and Communications Technologies Act No 15 of 2009, we report that, in our opinion, the required accounting records, and other records relating to the Authority's accounts have been properly kept in accordance with the Act, except that the Universal Access Fund Account as envisaged by Section 70 and 71 of the Information and Communication Technologies Act No 15 of 2009 and the Information and Communication Technologies (Universal Access) Regulations, 2012 has not set up in line with the provisions of the Act and the Statutory Instrument. The Authority has not appointed a Fund Manager to administer the Fund.

  
MPH Chartered Accountants

  
19/12/16  
Lusaka, Zambia

Hampande Hachongo (AUD/F000186)  
Partner

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Statement of Comprehensive Income

	Note	2015 K	2014 K
Restated			
<b>Revenue</b>			
Grant income	4	<b>106,237,885</b>	105,803,253
<b>Other income</b>			
Interest income on bank term deposits		4,042,323	5,894,121
Sundry income		3,346,337	986,180
		<b>7,388,660</b>	6,880,301
		<b>113,626,545</b>	112,683,554
<b>Expenditure</b>			
Salaries, gratuity and other retirement benefits		(90,864,259)	(83,227,509)
Administration		(46,184,972)	(43,051,810)
Operating expenses		(11,038,710)	(14,207,433)
Depreciation expense	7	(12,503,634)	(11,806,318)
		<b>(160,591,575)</b>	(152,293,070)
<b>Excess of expenditure over income for the year</b>	5	<b>(46,965,030)</b>	(39,609,516)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to income and expenditure</b>			
Surplus on defined benefit plan	17	-	2,335,202
		-	<b>2,335,202</b>
<b>Total comprehensive income for the year</b>		<b>(46,965,030)</b>	(37,274,314)

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Statement of Financial Position

	Note	2015 K	2014 K	2013 K
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property and equipment	7	72,439,070	66,797,964	68,695,679
Retirement benefit asset	17	4,011,092	4,011,092	1,675,890
		<b>76,450,162</b>	<b>70,809,056</b>	<b>70,371,569</b>
<b>Current Assets</b>				
Inventory	8	647,761	512,633	502,121
License fee receivables	9	10,234	30,633	3,051,301
Other receivables and prepaid expenses	10	29,352,469	30,526,032	22,642,518
Amounts due from related parties		-	-	15,626,589
Held to maturity investments	11	-	-	101,162,788
Cash and bank balances	12	46,011,142	73,930,326	4,034,080
		<b>76,021,606</b>	<b>104,999,624</b>	<b>147,019,397</b>
<b>Total Assets</b>		<b>152,471,768</b>	<b>175,808,680</b>	<b>217,390,966</b>
<b>Accumulated Funds and Liabilities</b>				
<b>Accumulated Funds</b>		<b>85,478,515</b>	<b>132,443,545</b>	<b>173,309,035</b>
<b>Non-Current Liabilities and Other Funds</b>				
Employee terminal benefits	14	14,828,294	12,573,325	28,813,172
<b>Total Non-current Liabilities and Other Funds</b>		<b>14,828,294</b>	<b>12,573,325</b>	<b>28,813,172</b>
<b>Current Liabilities</b>				
Amounts due to related parties	16(ii)	18,471,148	-	314,995
Sundry payables and accrued expenses	13	33,693,811	30,791,810	14,953,764
<b>Total Current Liabilities</b>		<b>52,164,959</b>	<b>30,791,810</b>	<b>15,268,759</b>
<b>Total Accumulated Funds and Liabilities</b>		<b>152,471,768</b>	<b>175,808,680</b>	<b>217,390,966</b>

The financial statements set out on pages 2 to 50, which have been prepared on a going concern basis, were approved by the Board on ..... and were signed on its behalf by:

  
.....  
Board Chairman

  
.....  
Member of the Board

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Statement of Changes in Accumulated Fund

	Accumulated fund
	K
<b>Balance at 31 at 1 January 2013</b>	<b>350,560,638</b>
Surplus of income over expenditure for the year	27,417,786
Surplus on defined benefit plan	118,116
Adjustment for deferred income	8,488,458
Adjustment for license fees payable to Government	(3,051,302)
Payments to Government of the Republic of Zambia	<u>(169,661,656)</u>
<b>At 31 December 2013</b>	<b>213,872,040</b>
Prior year adjustment at 1 January 2013	<u>(41,636,534)</u>
<b>At 31 December 2013 as previously reported</b>	<b>172,235,506</b>
Prior year adjustment as at 31 December 2013	21
<b>Balance as at 31 December 2013 restated</b>	<b>173,309,035</b>
<b>Total comprehensive income for the year</b>	
Excess of expenditure over income for the year	(43,387,619)
Adjustment for prior government remittances	(2,517,649)
Surplus on defined benefit plan	<u>2,335,202</u>
<b>Balance as at 31 December 2014 restated</b>	<b>129,738,970</b>
<b>Balance at 31 December 2014 as previously reported</b>	<b>128,665,442</b>
Prior year adjustment as at 31 December 2013	1,073,529
<b>Balance as at 31 December 2014 restated</b>	<b>129,738,970</b>
Prior year adjustment as at 31 December 2014	21
<b>Balance as at 1 January 2015</b>	<b>132,443,545</b>
Excess of expenditure over income for the year	<u>(46,965,030)</u>
<b>At 31 December 2015</b>	<b>85,478,515</b>

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Statement of Cash flows

	Note	2015 K	2014 K
<b>Cash flows from operating activities</b>			
Excess of expenditure over income for the year		(46,965,030)	(39,609,516)
<b>Adjustments</b>			
Depreciation expense	7	12,503,634	11,806,318
Loss on disposal of fixed assets		(52,028)	190,856
Fair value adjustment		-	(1,073,529)
Interest income on bank term deposits		(4,042,323)	(5,894,121)
Interest income on staff loans		(1,205,986)	(583,160)
Interest income on other bank accounts		(22,660)	(43,137)
<b>Operating cash flows before movements in working capital</b>		(39,784,393)	(35,206,289)
<b>Movements in working capital</b>			
Decrease/(Increase) in inventory	8	(135,128)	(10,510)
Decrease/(Increase) in license fee receivables	9	20,399	3,020,668
Decrease/(Increase) in other receivables	10	1,173,563	(7,883,514)
Decrease/(Increase) in amounts due from related parties		-	15,626,590
Decrease/(Increase) in held to maturity investments		-	21,246,299
Increase/(Decrease) in sundry payables	13	2,902,001	15,838,046
Increase/(Decrease) in retirement benefits	14	2,254,969	(16,239,847)
Increase/(Decrease) in amounts due to related parties	17(ii)	18,471,148	(314,995)
<b>Net cash inflow from operating activities</b>		(15,097,441)	(3,923,552)
<b>Cash flow from investing activities</b>			
Proceeds from disposal of property and equipment		64,414	207,265
Expenditure on property and equipment	7	(18,157,126)	(10,306,724)
<b>Net cash outflow from investing activities</b>		(18,092,712)	(10,099,459)
<b>Cash flows from financing activities and funds</b>			
Interest received		5,270,969	6,520,418
Transfer to Government Treasury		-	(2,517,649)
<b>Net cash from financing activities</b>		5,270,969	4,002,769
<b>Increase/(Decrease) in cash and cash equivalents</b>		(27,919,184)	(10,020,243)
Cash at the beginning of the year		73,930,326	83,950,569
<b>Cash and cash equivalents at end of the year</b>	12	46,011,142	73,930,326

Included in the cash flows is the restricted funds amounting to K18,471,148 belonging to Universal Access Funds.

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Accounting Policies

### 1. The Zambia Information and Communications Technology Authority

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

### 2. Basis of preparation and accounting policies

#### *Statement of compliance*

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

#### *Basis of preparation*

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

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

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

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

#### 2.1 Revenue recognition

##### *Grant income*

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

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Accounting Policies (continued)

### 2.1 Revenue recognition (continued)

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

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

#### *Interest income*

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

### 2.2 Property and equipment

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

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

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

<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%

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.

## Accounting Policies (continued)

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### 2.3 Impairment of tangible and other assets

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

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

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

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

### 2.4 Financial instruments

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

#### Financial assets

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

## Accounting Policies(continued)

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### 2.4 Financial instruments (continued)

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

#### *Receivables*

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

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

#### *Held-to-maturity investments*

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

#### *Impairment of financial assets*

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

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

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

## Accounting Policies(continued)

### 2.4 Financial instruments (continued)

#### *Impairment of financial assets (continued)*

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

For all financial assets objective evidence of impairment could include:

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

#### *Derecognition of financial assets*

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

### Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### *Derecognition of financial liabilities*

The Authority derecognises financial liabilities when, and only when, the Authority's obligations are discharged, cancelled or they expire.

### 2.5 Provisions

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

## Accounting Policies(continued)

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### 2.5 Provisions (continued)

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

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

### 2.6 Foreign currencies

#### *Functional and presentation currency*

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

#### *Transactions and balances*

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

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

### 2.7 Retirement benefit obligations

#### (i) *Defined benefit plan*

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

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

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Accounting Policies(continued)

### 2.7 Retirement benefit obligations (continued)

Defined benefit costs are categorised as follows:

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

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

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

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

#### (ii) *Defined contribution plan*

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

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

#### (iii) *Other entitlements*

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

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

### 2.8 Inventory

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

**Accounting Policies(continued)****2.9 Critical accounting estimates and judgments (continued)****Critical judgments in applying accounting policies (continued)**

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

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

**Critical judgments in applying accounting policies**

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

***Held to maturity financial assets***

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

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

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

***Impairment losses on receivables***

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

### **Accounting Policies(continued)**

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#### **Key sources of estimation uncertainty**

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

#### *Estimates of asset lives, residual values and depreciation methods*

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

### **2.10 Application of new and revised International Financial Reporting Standards (IFRSs)**

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

In the current year, the Authority has applied a number of amendments to IFRSs and new Interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

- **Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle**

The application of the amendments has had no impact on the disclosures or amounts recognized in the Authority's financial statements for 2015.

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

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

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

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

### Accounting Policies(continued)

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

##### 2.10.2 New and revised IFRSs in issue but not yet effective

- **IFRS 9 *Financial Instruments***

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

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

### Accounting Policies(continued)

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

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

###### *IFRS 9 Financial Instruments (continued)*

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

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

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

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

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

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

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

IFRS 15 is effective 1 January 2017. The directors of the Authority anticipate that the application of IFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the Authority's financial statements.

### Accounting Policies(continued)

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

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

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

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

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

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

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

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

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

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Authority uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Authority believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have an impact on the Authority's financial statements.

### Accounting Policies(continued)

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

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

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

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

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

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

The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in the separate financial statements;

- at cost;
- in accordance with IFRS 9 ( or IAS 39 for entities that have yet to adopt IFRS 9), or;
- using the equity method as described in IAS 28 "Investments in Associates and Joint Ventures".

The same accounting must be applied to each category of investments and the amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

The amendment is effective 1 January 2016. The directors do not anticipate that the application of these amendments to IAS 27 will have an impact on the Authority's financial statements.

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

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice:

- An entity should not reduce the understandability of its statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions;
- In other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss;
- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.

**Accounting Policies(continued)****2.10 Application of new and revised International Financial Reporting Standards (continued)****2.10.2 New and revised IFRSs in issue but not yet effective (continued)****• Amendments to IAS 1: Disclosure Initiative (continued)**

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

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

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendment states 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 recognized in the parent's profit or loss only to the extent of the unrelated investor's 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 recognized in the former parent's profit or loss only to the extent of the unrelated investor's interests in the new associate or joint venture.

The directors do not expect the amendments to IFRS 10 and IAS 28 to have an impact on the financial statements of the Authority.

**• Annual Improvements to IFRSs 2012- 2014 Cycle**

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarized below:

- The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued;
- The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets;
- The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are paid in). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.
- The amendment to IAS 34 clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

**Accounting Policies(continued)****2.10 Application of new and revised International Financial Reporting Standards (continued)****2.10.2 New and revised IFRSs in issue but not yet effective (continued)****• Annual Improvements to IFRSs 2012- 2014 Cycle (continued)**

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

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

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

The amendments apply for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to IFRS 14 will have an impact on the Authority's financial statements.

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements

2015 K	2014 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 **K122,985,215** (2014: K100,897,513), and remitted a total of **K122,230,198**(2014: K103,414,869) in respect of license fees. Details of the license fees collected and remitted are as shown in Appendix 2.

The amounts owing to the Government from operators totaled **K44,032,172** (2014 : K19,586,548), as detailed in Appendix 3.

### 4. Grant income

Grant income represents funds receivable from Government during the year.

### 5. Excess of expenditure over income for the year

Excess of expenditureover income for the year is stated after crediting:

Interest on bank term deposits	4,042,323	5,894,121
Interest on staff loans	1,205,986	583,161
Other bank deposit interest	22,660	43,137
Exchange gains	1,079,541	281,617

and after charging:

Depreciation (note 7)	12,503,634	11,806,318
Increase/(decrease) in net terminal benefits	2,254,969	(16,239,847)
Gratuity benefits (notes 13)	13,432,518	12,859,460
Board expenses	8,119,019	3,735,539
Pension costs- defined contribution	449,668	757,208
Corporate social responsibility	521,080	358,000
Exchange losses	506,777	210,215

### 6. Taxation

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

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

							2015 K	2014 K
<b>7. Property and equipment</b>								
Cost	Leasehold land and buildings K	Machinery and equipment K	Telecommunication and radio equipment K	Motor vehicles K	Furniture and fittings K	Capital work in progress K	Total K	
At 1 January 2014	27,990,183	14,956,419	41,292,891	17,602,120	2,579,211	3,194,144	107,614,968	
Additions	318,198	1,842,626	1,000,400	6,166,711	301,432	677,357	10,306,724	
Disposals	-	-	-	(2,775,251)	-	-	(2,775,251)	
Transfers	3,770,250	-	-	-	-	(3,770,250)	-	
At 31 December 2014	32,078,631	16,799,045	42,293,291	20,993,580	2,880,643	101,251	115,146,441	
Additions	-	2,925,123	175,630	4,159,992	140,437	10,755,945	18,157,127	
Disposals	-	(557,889)	-	(1,092,301)	(247,110)	-	(1,897,300)	
Transfers	-	-	-	-	-	-	-	
At 31 December 2015	<b>32,078,631</b>	<b>19,166,279</b>	<b>42,468,921</b>	<b>24,061,271</b>	<b>2,773,970</b>	<b>10,857,196</b>	<b>131,406,268</b>	
<b>Depreciation</b>								
At 1 January 2014	1,218,479	10,763,817	15,710,873	9,436,120	1,789,886	-	38,919,176	
Charge for the year	592,963	2,955,028	4,038,932	3,951,537	267,859	-	11,806,318	
Disposals	-	-	-	(2,377,016)	-	-	(2,377,016)	
At 31 December 2014	1,811,442	13,718,845	19,749,805	11,010,641	2,057,745	-	48,348,470	
Charge for the year	641,573	2,890,338	4,095,549	4,583,340	292,835	-	12,503,634	
Disposals	-	(555,129)	-	(1,092,301)	(237,484)	-	(1,884,914)	
At 31 December 2015	<b>2,453,015</b>	<b>16,054,054</b>	<b>23,845,354</b>	<b>14,501,680</b>	<b>2,113,096</b>	<b>-</b>	<b>58,967,198</b>	
<b>Carrying amount</b>								
At 31 December 2015	<b>29,625,616</b>	<b>3,112,225</b>	<b>18,623,567</b>	<b>9,559,591</b>	<b>660,874</b>	<b>10,857,196</b>	<b>72,439,070</b>	
At 31 December 2014	<b>30,267,189</b>	<b>3,080,201</b>	<b>22,543,485</b>	<b>9,982,939</b>	<b>822,899</b>	<b>101,251</b>	<b>66,797,964</b>	

The cost of fully depreciated assets at 31 December 2015 was K17,242,089.

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

	Note	2015 K	2014 K
<b>8. Inventory</b>			
Office stationery		647,761	512,631
		<b>647,761</b>	<b>512,631</b>

## 9. License fee Receivables

License fee receivables	3,433,273	3,539,338
Impairment provision	(3,423,038)	(3,508,705)
	<b>10,234</b>	<b>30,633</b>

There is no credit period as licenses are by definition supposed to be prepaid prior to the service being utilised. The Authority does however at its discretion allow credit.

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

### Movement in allowance for doubtful debts

Balance at the beginning of the year	3,508,705	3,517,767
Decrease in the provision for bad debts	(85,667)	(9,062)
<b>Balance at end of the year</b>	<b>3,423,038</b>	<b>3,508,705</b>
Ageing of impaired license fee receivables		
120 + days	<b>3,423,038</b>	<b>3,508,705</b>

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

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

	2015 K	2014 K
<b>10. Other receivables and prepaid expenses</b>		
Receivables from employees	<b>26,739,567</b>	25,848,716
Prepayments	<b>1,907,514</b>	1,402,056
VAT recoverable	<b>493,100</b>	3,232,469
Sundry receivables	<b>214,289</b>	45,286
Impairment provision	<b>(2,000)</b>	(2,000)
	<b>29,352,469</b>	<b>30,526,032</b>
Movement in impairment provision	<b>2,000</b>	2,000
At beginning of the year	-	-
Movement during the year	-	-
At year end	<b>2,000</b>	<b>2,000</b>

### Receivables from employees

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

The value of the receivables are analysed as follows:

Fair value at market rate	15,325,905	18,081,893
Unexpired benefits to employees	<b>11,334,359</b>	7,524,895
	<b>26,660,264</b>	<b>25,606,788</b>

Interest income on receivables in income and expenditurefrom employees is as follows:

Interest income at market rate	3,448,329	1,471,708
Expired benefits provided by the employer	<b>(1,205,986)</b>	(583,161)
Interest on employee receivables in income and expenditure	<b>2,242,343</b>	<b>888,547</b>

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

	2015 K	2014 K
<b>11. Held to Maturity Investments</b>		
180 days fixed term deposits	-	-
91 days fixed term deposits	34,363,370	-
60 days fixed term deposits	-	3,671,480
40 days fixed term deposits	-	-
	<b><u>34,363,370</u></b>	<b><u>3,671,480</u></b>
The fixed term deposits are held with the following financial institutions:		
Zambia National Commercial Bank Plc.	-	-
Barclays Bank Zambia Plc.	-	3,671,480
Finance Bank Zambia Limited	<b><u>34,363,370</u></b>	-
	<b><u>34,363,370</u></b>	<b><u>3,671,480</u></b>
Less: disclosed in the Statement of Finance Position as cash and bank balances (note 12)	<b><u>34,363,370</u></b>	<b><u>3,671,480</u></b>
<b>Disclosed as held to maturity investments</b>	<b><u>-</u></b>	<b><u>-</u></b>

## 12. Bank and cash balances

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

Bank account balances and cash in hand	11,647,772	70,258,846
Fixed term investments classified under cash equivalents (note 11)	34,363,370	3,671,480
	<b><u>46,011,142</u></b>	<b><u>73,930,326</u></b>

Included in the Fixed Term Investments classified under cash equivalents are the restricted funds amounting to K18,471,148 belonging to Universal Access Fund.

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

	2015 K	2014 K
<b>13. Sundry payables and accrued expenses</b>		
Employee end of contract gratuity	20,784,389	11,929,701
Leave pay	1,822,006	1,555,714
Other payroll accruals	3,740,811	1,144,257
<b>Sub-total</b>	<b>26,347,206</b>	14,629,672
Prepaid fees	1,692,976	1,674,234
Trade creditors	3,638,864	10,626,643
Audit fees provision	300,000	350,000
Legal and professional charges	1,000,000	1,000,000
VAT	-	159,992
Other payables	714,765	2,351,269
	<b>33,693,811</b>	30,791,810
 <b>Employee end of contract gratuity</b>		
At beginning of year	11,929,701	6,204,802
Charge for the year	17,210,619	16,028,347
Payments during the year	(8,355,931)	(10,303,448)
<b>At end of year</b>	<b>20,784,389</b>	11,929,701
 <b>14. Employee terminal benefits</b>		
At beginning of year	12,573,325	28,813,174
Charge for the year	3,609,194	7,725,738
Payments during the year	(1,354,225)	(23,965,587)
<b>At end of year</b>	<b>14,828,294</b>	12,573,325

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

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

	2015 K	2014 K
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### 15. Financial instruments

#### *Capital management*

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

#### *Gearing ratio*

The Authority reviews the capital structure on an ongoing basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Authority has no borrowings and therefore has a 0% gearing ratio (2014: 0%).

#### **Categories of financial instruments**

##### *Financial assets*

	<b>Note</b>		
Cash and bank balances	12	46,011,142	73,930,326
Receivables from employees	10	26,739,567	25,848,716
Prepayments	10	1,907,514	1,402,056
VAT claimable	10	493,100	3,232,469
Sundry debtors	10	214,289	45,286
Provision for doubtful debts	10	(2,000)	(2,000)
License fee receivables	9	10,234	30,633
		<b>75,373,846</b>	<b>104,487,486</b>

##### *Finance liabilities held at amortised cost*

Staff obligations	13	20,784,389	11,929,701
Prepaid fees	13	1,692,976	1,674,234
Trade creditors	13	3,638,864	10,626,643
Audit fees provision	13	300,000	350,000
Legal and professional charges provision	13	1,000,000	1,000,000
VAT		-	159,992
Other payables	13	714,765	2,351,269
Amounts due to related parties	16(ii)	18,471,148	-
		<b>46,602,142</b>	<b>28,091,839</b>

##### *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.

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

	2015 K	2014 K
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### 15. Financial instruments (continued)

#### *Market risk*

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

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

#### *Foreign currency risk management*

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

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

Currency	Asset/liabilities		
US Dollars	Trade creditors	1,504,342	461,601
US Dollars	Bank balances	<u>712,615</u>	<u>137,944</u>

The Authority is exposed to foreign exchange risk arising primarily with respect to the importation of raw materials and finished goods.

	Mid-market exchange rates as at 1 Jan 2015	Mid-market exchange rates as at 31 Dec 2015	Average depreciation during the year
US Dollars	6.4025	10.9806	72%

At 31 December 2015, 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 K79,173 (31 December 2014: K32,366).

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

	2015 K	2014 K
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### 15. Financial instruments (continued)

#### *Interest rate risk management*

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

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

#### *Credit management*

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

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

	Note	10	214,289	45,286
Sundry debtors		10	493,100	3,232,469
VAT claimable		10	1,907,514	1,402,056
Prepayments		10	(2,000)	(2,000)
Provision for doubtful debts		10	26,739,567	25,848,716
Receivable from employees		9	10,234	30,633
License fee receivables		12	46,011,142	73,930,326
			<b>75,373,846</b>	<b>104,487,486</b>

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.

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

	2015 K	2014 K
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### 15. Financial instruments (continued)

#### Liquidity risk management

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

	1 to 3 months	3 months to 1 year	More than 1 year	Total
<b>31 December 2015</b>	<b>K</b>	<b>K</b>	<b>K</b>	<b>K</b>
<b>Liabilities</b>				
Staff obligations	-	-	20,784,389	20,784,389
Trade creditors	-	3,638,864	-	3,638,864
Other payables	-	3,707,741	-	3,707,741
Employee terminal benefits	-	-	14,828,294	14,828,294
Amounts due to related parties	18,471,148	-	-	18,471,148
	<b>-</b>	<b>25,817,853</b>	<b>35,612,683</b>	<b>61,152,436</b>
<b>31 December 2015</b>				
<b>Assets</b>				
Bank and cash balances	46,011,142	-	-	46,011,142
License fees	10,234	-	-	10,234
Receivables from employees	-	-	26,739,567	26,739,567
Prepayments	1,907,514	-	-	1,907,514
VAT claimable	493,100	-	-	493,100
Sundry debtors	214,289	-	-	214,289
Provision for doubtful debts	(2,000)	-	-	(2,000)
	<b>48,634,279</b>	<b>-</b>	<b>26,739,567</b>	<b>75,373,846</b>
<b>31 December 2014</b>				
<b>Liabilities</b>				
Sundry payables and accrued expenses	-	30,791,810	-	30,791,810
Employee terminal benefits	-	-	12,573,325	12,573,325
	<b>-</b>	<b>30,791,810</b>	<b>12,573,325</b>	<b>43,365,135</b>

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

		2015 K	2014 K	
	1 to 3 months	3 months to 1 year	More than 1 year	Total
<b>31 December 2014</b>		<b>K</b>	<b>K</b>	<b>K</b>
<b>Assets</b>				
Bank and cash balances	73,930,326	-	-	73,930,326
License fee receivables	30,633	-	-	30,633
Receivables from employees	-	-	25,848,716	25,848,716
Prepayments	1,402,056	-	-	1,402,056
VAT claimable	3,232,469	-	-	3,232,469
Sundry debtors	45,286	-	-	45,286
Provision for doubtful debts	(2,000)	-	-	(2,000)
	<b>78,638,770</b>	-	<b>25,848,716</b>	<b>104,487,486</b>

### Fair value measurements

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

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

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

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

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

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

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

	2015 K	2014 K
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### 15. Financial instruments (continued)

#### *Fair value measurements (continued)*

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Receivables from employees	<b>26,739,567</b>	<b>26,739,567</b>	25,848,716	25,848,717
Prepayments	1,907,514	1,907,514	1,402,056	1,402,056
VAT claimable	493,100	493,100	3,232,469	3,232,469
Sundry debtors	214,289	214,289	45,286	45,286
Provision for doubtful debts	(2,000)	(2,000)	(2,000)	(2,000)
License fee receivables	10,234	10,234	30,633	30,633
<b>Financial liabilities</b>				
Staff obligations	20,784,389	20,784,389	11,929,701	11,929,701
Prepaid fees	1,692,976	1,692,976	1,674,234	1,674,234
Trade creditors	3,638,864	3,638,864	10,626,643	10,626,643
Audit fees	300,000	300,000	350,000	350,000
Legal and provision charges provision	1,000,000	1,000,000	1,000,000	1,000,000
VAT	-	-	159,992	159,992
Other payables	714,765	714,765	2,351,267	2,351,267
Amounts due to related parties	<b>18,471,148</b>	<b>18,471,148</b>	-	-

#### Fair value hierarchy as at 31 December 2015

	level 1	level 2	level 3	Total
	K	K	K	K
<b>Financial assets</b>				
Other receivables	-	29,352,469	-	29,352,469
License fee receivables	-	10,234	-	10,234

#### Financial liabilities

Sundry payables and accrued expenses	-	33,693,811	-	33,693,811
Amounts due to related parties	<b>-</b>	<b>18,471,148</b>	-	18,471,148

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

	2015 K	2014 K
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### 16. Related party transactions

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

- Government ministries and parastatals;
- Board expenses 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

Payments to Government (Note 3)	<u>122,230,198</u>	103,414,869
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This represents collections made by ZICTA on behalf of Government from operators and subsequently remitted to Government.

Grant receivable for the year from the Government	<u>106,237,885</u>	105,803,253
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This represents funds receivable from the Government in respect of the grant income allocation for the year.

#### ii) Board expenses

Zambia ICT College	479,561	-
ZICTA	<u>8,119,019</u>	3,735,539
	<u>8,598,580</u>	3,735,539

#### iii) Amounts due to related parties

Amounts due to Universal Access Fund	<u>18,471,148</u>	-
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This represents short term investment placed with banks registered with ZICTA who are able to offer good interest rates.

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

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

	2015 K	2014 K
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### 16. Related party transactions (continued)

#### *Compensation of key management personnel*

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

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

(i) Key management personnel compensation Salaries and other short term benefits	<u>10,385,286</u>	8,993,587
(ii) Loans due from key management personnel	<u>2,585,583</u>	1,178,953
(iii) payables due to key management personnel	<u>4,591,964</u>	-

### 17. Retirement benefits

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

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

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

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

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

	2015 K	2014 K
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### 17. 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.

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

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

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

Service cost:

Current service cost	-	903,888
Employee contributions	-	(361,387)
Net interest expense	-	(268,142)
Components of defined benefit costs recognised in profit or loss	-	274,359
Increase in surplus on defined benefit plan	-	2,335,202

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

	2015 K	2014 K
--	-----------	-----------

### 17. Retirement benefits (continued)

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

#### Obligations

Obligation at beginning of year	- 7,436,201
Interest cost	- 838,120
Service cost	- 903,888
Benefit payments	- (5,469,099)
Actuarial loss/(gain)	- (1,651,834)
Obligation at end of year	<hr/> <hr/> - 2,057,276

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

#### Assets

Asset value at beginning of year	- 9,112,091
Expected return on assets	- 1,124,772
Employer contributions	- 1,144,162
Benefits payments	- (5,469,099)
Actuarial gain/(loss)	- 156,442
Asset value at end of year	<hr/> <hr/> - 6,068,368
Surplus on actuarial valuation	<hr/> <hr/> - 4,011,092

The fair value of the plan assets at the end of 2014 are as follows:

Properties	- 2,609,000
Equity shares	- 1,821,000
Private debt	- 910,000
Government securities	- 485,000
Corporate bonds	- 182,000
Bank deposits	<hr/> <hr/> - 61,000
	<hr/> <hr/> - 6,068,000

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

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

	2015 K	2014 K
--	-----------	-----------

### 17. Retirement benefits (continued)

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

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

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

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

### 18. Contingent liabilities

#### Razone Enterprises Vs ZICTA 2013/HPC/2099

The plaintiff sued the Authority claiming damages for breach of contract and compensation for monies being cost of materials, storage and all incidental costs. Judgment was delivered on 14 th April 2016 against the Authority. The court ordered that the Plaintiff be paid:

- K130,000 as damages for breach of contract;
- K950,000 as compensation for storage charges from 14 th November 2012 including incidental costs arising from breached contract (Note that the K950,000 may be a typographical error/oversight resulting from the amount not being rebased);
- Compensation of monies being the costs of materials, storage and all incidental costs arising from breached written contract dated 14th November 2012 and subsequent tender no. ZICTA/SP/05/13.

The Authority being dissatisfied with the judgment has lodged an appeal to the Supreme Court. If the Court finds for the Respondent, liability will stand at K950,000 as compensation storage charges, K41,435.20 as cost of materials and K300,000 as legal fees in the both the High Court and Supreme Court.

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

The complainant, a former employee, had her contract terminated by the Authority by way of three month's notice. She was paid the salary in lieu of notice and other entitlement. However, in January 2012, she sued the Authority in the Industrial Relations Court claiming a number of reliefs, including damages for wrongful

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

2015	2014
	KK

### 18. Contingent liabilities (continued)

dismissal. The Complainant was unsuccessful in the Industrial Relations Court. She has since appealed to the Supreme Court.

Should the Complainant succeed on appeal, the extent of awards that the Authority would occur including damages, legal costs and interest is estimated to be K550,000 only.

There were no known significant contingent liabilities as at 31 December 2015.

### 19. Capital commitments

Authorised by the board and contracted for

5,244,929

-

### 20. Events after the reporting date

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

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Notes to the Financial Statements (continued)

### 21. Prior year adjustment

	Gratuity Benefits K	Accumulated Fund K
Balance as at 31 December 2013 as previously reported	7,278,331	172,235,506
Gratuity benefits fair value adjustments (i)	(1,073,529)	1,073,529
Restated balance as at 31 December 2013	<u>6,204,802</u>	<u>173,309,035</u>
Balance as at 31 December 2014 as previously reported	15,707,804	128,665,442
Gratuity benefits fair value adjustment (i)	(3,778,103)	3,778,103
Restated balance as at 31 December 2014	<u>11,929,701</u>	<u>132,443,545</u>

### Note

The fair value adjustment on gratuity benefits arises on account of the effects of discounting the long term (payments not falling within 12 months) portion of the outstanding gratuity liability at the reporting date. The discounting is required in cases where the time value of money has a material effect on the reported balance. The long term portion of the gratuity benefits were discounted at the yield of a short term government bond, estimated at about 25 %.

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Appendix 1: Detailed Statement of Income and Expenditure

	2015 K	2014 K
<b>Income</b>		
Grant income	<b>106,237,885</b>	105,803,253
<b>Other income</b>		
Interest on bank term deposits	4,042,323	5,894,121
Sundry income	1,038,150	78,265
Staff loans interest	1,205,986	583,161
Exchange gain	1,079,541	281,617
Bank interest	22,660	43,137
	<b>7,388,660</b>	6,880,301
<b>Total income</b>	<b>113,626,545</b>	112,683,554
<b>Expenditure (Refer to pages 47 for details)</b>	<b>(160,591,575)</b>	(152,293,070)
<b>Excess of expenditure over income for the year</b>	<b>(46,965,030)</b>	(39,609,516)

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

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

	2015 KK	2014 KK
<b>Expenditure</b>		
Salaries and wages	62,218,390	57,381,419
Gratuity and retirement benefits	20,819,815	20,654,412
Repatriation and relocation expenses	479,776	-
Depreciation	12,503,634	11,806,318
Meetings and conferences - abroad	7,730,199	9,462,673
Special projects - ZICT College operating expenses	7,826,054	7,189,536
Insurance	2,898,707	2,847,869
Advertising expenses	1,902,660	2,918,163
Postal National Addressing System	2,718,143	2,746,698
Workshop, seminars and training abroad	2,046,563	2,224,239
Service maintenance agreement	1,429,624	2,195,201
Hosting of workshops	3,335,403	1,937,829
Trade shows and exhibitions	2,462,051	1,749,496
Repairs and maintenance	1,499,704	1,698,865
Communications expenses	1,550,251	1,315,986
Subscriptions	2,094,753	1,290,371
Publicity and promotional expenses	1,034,698	814,103
Consumer awareness expenses	827,553	552,918
Projects - Zambia domain	174,661	299,574
Research and development	325,498	184,564
Projects-National Base Line Study	1,694,791	-
 <b>Balance carried forward</b>	 137,572,928	 129,270,234

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

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

	2015 K	2014 K
<b>Expenditure (continued)</b>		
Balance brought forward	137,572,928	129,270,234
Board expenses	8,119,019	3,735,539
Project - Cyber Security	201,355	1,949,349
System operating expenses	1,430,282	1,247,419
Staff welfare	706,646	997,496
Tariff review expenses	-	913,460
Standardisation expenses	585,830	862,979
Outside services - security	633,448	765,385
Tender and evaluations expenses	524,019	686,624
Fuel, oil and lubricants	521,632	647,018
Printing and stationery expenses	823,358	625,776
Monitoring, compliance and inspection expenses	573,891	612,708
Meetings and conferences - local	966,792	514,576
Education and training	584,513	505,040
Quality of service monitoring expenses	332,164	480,033
Postal operating expenses	47,373	465,169
Outside services - other	348,069	406,747
Travelling expenses	288,043	377,070
Corporate social responsibility	521,080	358,000
Audit fees	200,000	350,000
Bank charges	218,136	296,013
Office consumables	350,967	267,561
Consultancy services	207,632	165,326
Uniform and protective clothing	251,124	245,544
Enforcement expenses	145,311	235,721
Library expenses	233,138	195,023
Recruitment expense	-	193,285
Electricity and water	128,972	190,805
Seminars and workshops - local	122,252	133,059
Subsistence and travel expenses	123,273	123,861
World Consumer rights day expenses	37,297	80,704
Projects - National computer incident response team	-	69,339
Rent and rates	65,118	41,784
Legal and professional charges	4,400	170,000
<b>Balance carried forward</b>	<b>156,868,062</b>	<b>148,178,647</b>

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

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

	2015 K	2014 K
<b>Expenditure (continued)</b>		
Balance brought forward	<b>156,868,062</b>	148,178,647
Collaborative activities	93,482	806,908
Public access centre expenses	-	730,576
Fixed site monitoring	443,196	538,297
Business continuity program	104,673	387,758
Loss on disposal	-	190,857
Type approval expenses	128,522	360,070
Drafting of regulations and guideline	261,396	326,871
Exchange loss	506,777	210,215
Call centre expenses	138,985	147,822
Computer software and network expenses	73,233	121,527
Stamps and postages expenses	144,521	99,886
Business lunches and entertainment	139,042	88,193
Study tours - abroad	45,867	37,093
Inadvertent cross-border roaming expenses	23,615	-
Funeral expenses	25,963	26,440
World Telecoms Day expenses	149,126	21,608
Medical expenses	16,300	19,921
HIV/AIDS at work place	2,186	-
Digital audio broadcasting expenses	152,283	-
General legal expenses	79,612	381
Zambia ICT College Board expenses	479,561	-
Skills development expenses	298,693	-
Projects-Digital Migration	99,158	-
Stakeholders engagement expenses	243,523	-
Disposal of assets-administration and logistics	73,799	-
<b>Total expenditure</b>	<b>160,591,575</b>	152,293,070
<b>Excess of expenditure over income for the year</b>	<b>(46,9650,030)</b>	(39,609,516)

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Appendix 2 - Funds collected on behalf of Government

	2015 K	2014 K
<b>Nature of funds collected on behalf of Government</b>		
Annual operating fees	52,804,652	45,375,979
Radio license fees	49,910,197	39,974,736
Numbering fees	8,230,600	9,570,191
Private network fees	5,388,893	3,755,559
Sundry income	1,504,007	1,328,213
Type approval fees	901,308	530,612
Upfront fees	4,150,002	278,070
Value added services	<u>95,556</u>	<u>84,153</u>
<b>Total funds collected</b>	<b>122,985,215</b>	100,897,513
Remittance to GRZ	<u>122,230,198</u>	103,414,869
<b>Funds (retained)/remitted to GRZ not relating to the year (Note)</b>	<b>(755,017)</b>	<b>2,517,356</b>

Note: Amount was remitted to GRZ after year end.

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

## Appendix 3 - Funds owing to Government by operators

	2015 K	2014 K
<b>Zamtel</b>		
Annual operating fees 2012 balance	3,176,136	3,176,136
Numbering fees balance 2013	1,728	1,728
Annual operating fees 2013	7,372,455	7,372,455
Annual operating fees-estimate	8,642,340	8,642,340
Network, Service, Public Data license	393,889	393,889
Numbering fees 2015	1,346,558	-
Spectrum fees 2014 and 2015	14,100,101	-
Annual operating fees 2015	8,998,965	-
<b>Total funds receivable</b>	<b>44,032,172</b>	<b>19,586,548</b>

**Zambia Information and Communications Technology Authority**

Financial Statements for the year ended 31 December 2015

**ZambiaInformation and Communications  
Technology Authority**

**Universal Access Fund**

Financial Statements for the year ended  
31 December 2015

MPH Chartered Accountants

# Zambia Information and Communications Technology Authority

Financial Statements for the year ended 31 December 2015

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Statement of Financial Position	6
Statement of Changes in Accumulated Fund	7
Statement of Cash flows	8
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# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Statement of responsibilities in respect of the preparation of financial statements

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

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

The Board is also responsible for ensuring that the Fund keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund. It is also responsible for safeguarding the assets of the Fund, and taking reasonable steps for the prevention and detection of fraud and other irregularities. The independent external auditors, MPH Chartered Accountants, have audited the financial statements and their report is shown on pages 3 and 4.

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

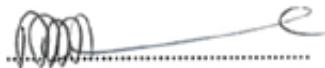
In the opinion of the Board the financial statements are drawn up so as to present fairly the financial activities of the Fund for the year ended 31 December 2015 and its financial position as at that date, and have been prepared in accordance with the accounting policies set out at note 2 to the financial 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 5 to 24 were approved by the Board on ..... and were signed on its behalf by:



Board Chairman



Member of the Board

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015



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### Independent Auditor's Report

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

#### **Report on the financial statements**

We have audited the financial statements of the Zambia Information and Communications Technology Authority Universal Access Fund ("the Fund"), which comprise the Statement of Financial Position as at 31 December 2015, and the Statement of Comprehensive Income, the Statement of Changes in Accumulated Fund and the Statement of Cash Flows for the year then ended, and the notes to the financial statements, which include a summary of Accounting Policies and other explanatory notes, as set out on pages 9 to 24.

#### *Directors' responsibility for the financial statements*

The Directors of the Zambia Information and Communication Technology Authority are responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies set out at notes 2.1 to 2.9 and in the manner required by the Information and Communications Technologies Act No 15 of 2009 and the Information and Communications Technologies (Universal Access) Regulations, 2012 and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

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

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

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Universal Access Fund as of 31 December 2015 and of its operations and 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.

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015



MPH Chartered Accountants  
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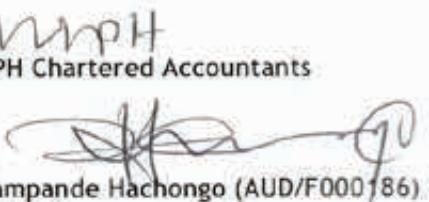
### Independent Auditor's Report (continued)

#### *Other matter*

The supplementary information set out on page 25 to 26 does not form part of the financial statements and is presented as additional information. We have not audited this information and accordingly we do not express an opinion on it.

#### **Report on other legal and regulatory requirements**

In our opinion, the required accounting records, and other records relating to the Fund's accounts have been properly kept in accordance with generally accepted accounting practices and in the manner required by the Universal Access Regulations, except that the Universal Access Fund Account as envisaged by Section 70 and 71 of the Information and Communications Technologies Act No 15 of 2009 and the Information and Communications Technologies (Universal Access) Regulations, 2012 has not been set up in line with the provisions of the Act and the Statutory Instrument. The Authority has not appointed a Fund Manager to administer the Fund.

  
MPH Chartered Accountants

Hampande Hachongo (AUD/F000186)  
Partner

19/12/16  
Lusaka, Zambia

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Statement of Comprehensive Income

	Note	2015 K	2014 K
<b>Income</b>			
Universal Access contributions	3	52,804,652	45,375,979
		52,804,652	45,375,979
<b>Other income</b>			
Write back of inventory impairment provision	5	3,195,474	1,955,601
Interest income on bank term deposits		8,232,966	10,851,898
		11,428,440	12,807,499
		64,233,092	58,183,479
<b>Expenditure</b>			
Operating expenses		(12,453,588)	(13,619,074)
Administrative expenses		(309,326)	-
		(12,762,914)	(13,619,074)
<b>Excess of income over expenditure for the year</b>		<b>51,470,178</b>	<b>44,564,404</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>51,470,178</b>	<b>44,564,404</b>

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Statement of Financial Position

	Note	2015 K	2014 K
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	4	85,086,685	72,976,861
		<b>85,086,685</b>	<b>72,976,861</b>
<b>Current assets</b>			
Inventory	5	-	-
Amount due from related parties	6	18,660,619	-
Held to maturity investments	7	34,794,830	14,842,607
Cash and bank balances	8	2,817,504	1,432,771
		<b>56,272,953</b>	<b>16,275,378</b>
<b>Total assets</b>		<b>141,359,638</b>	<b>89,252,239</b>
<b>Accumulated funds and liabilities</b>			
Accumulated Funds		140,722,417	89,252,239
<b>Current liabilities</b>			
Sundry payables and accrued expenses	9	<b>637,221</b>	-
<b>Total accumulated funds and liabilities</b>		<b>141,359,638</b>	<b>89,252,239</b>

The financial statements set out on pages 5 to 24, were approved and authorised for issue by the Board on ..... and were signed on its behalf by:

  
.....  
Board Chairman

  
.....  
Member of the Board

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Statement of Changes in Accumulated Fund

	Accumulated fund
	K
<b>Balance at 1 January 2014</b>	<b>44,687,835</b>
Surplus of income over expenditure for the year	44,564,404
<b>Balance at 31 December 2014</b>	<b>89,252,239</b>
<b>Balance at 1 January 2015</b>	<b>89,252,239</b>
Surplus of income over expenditure for the year	51,470,178
<b>Balance at 31 December 2015</b>	<b>140,722,417</b>

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

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Statement of Cash flows

	Note	2015 K	2014 K
<b>Cash flows from operating activities</b>			
Surplus of income over expenditure for the year		51,470,178	44,564,404
<b>Adjustments</b>			
Interest income on bank term deposits		(8,232,966)	(10,851,898)
<b>Operating cash flows before movements in working capital</b>		<b>43,237,212</b>	<b>37,712,506</b>
<b>Movements in working capital</b>			
Decrease/(increase) in other receivables		-	18,058,634
Increase/(decrease) in other payables	9	637,221	-
(Increase)/decrease in amounts due from related parties	6	(18,660,619)	-
(Increase)/decrease in held to maturity investments	7	(19,952,223)	9,560,308
<b>Net cash inflow generated from/(used in) operating activities</b>		<b>5,261,591</b>	<b>65,331,448</b>
<b>Cash flow from investing activities</b>			
Expenditure on property and equipment	4	(12,109,824)	(72,976,861)
<b>Net cash out flow from investing activities</b>		<b>(12,109,824)</b>	<b>(72,976,861)</b>
<b>Cash flows from financing activities and funds</b>			
Interest received		8,232,966	10,851,898
<b>Net cash from financing activities</b>		<b>8,232,966</b>	<b>10,851,898</b>
<b>Increase in cash and cash equivalents</b>			
Decrease in cash and cash equivalents		1,384,733	(793,109)
Cash at the beginning of the year		1,432,771	2,226,286
<b>Cash and cash equivalents at end of the year</b>	8	<b>2,817,504</b>	<b>1,432,771</b>

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Accounting Policies

#### Notes to the Financial Statements

---

##### 1. The Universal Access Fund

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

##### 2. Accounting policies

###### 2.1 Basis of preparation and accounting policies

###### *Statement of compliance*

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

###### *Basis of preparation*

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

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

###### 2.2 Income

###### *Universal Access Contribution*

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

**Notes to the Financial Statements (continued)****2. Accounting policies (continued)****2.2 Revenue recognition (continued)***Interest income*

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

**2.3 Property and equipment**

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

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

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

<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%

Capital work in progress is not depreciated.

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

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

**Notes to the Financial Statements (continued)****2. Accounting policies (continued)****2.4 Impairment of tangible and other assets**

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

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

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

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

**2.5 Financial instruments**

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

**Financial assets**

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

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Notes to the Financial Statements (continued)

#### 2. Accounting policies (continued)

##### 2.5 Financial instruments (continued)

###### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

###### *Receivables*

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

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

###### *Held-to-maturity investments*

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

###### *Impairment of financial assets*

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

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

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

**Notes to the Financial Statements (continued)****2. Accounting policies(continued)****2.5 Financial instruments (continued)***Impairment of financial assets (continued)*

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

For all financial assets objective evidence of impairment could include:

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

*Derecognition of financial assets*

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

**Financial liabilities**

Financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

*Derecognition of financial liabilities*

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

**Notes to the Financial Statements (continued)****2.Accounting policies(continued)****2.6 Provisions**

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

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

**2.7Foreign currencies***Functional and presentation currency*

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

*Transactions and balances*

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

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

**2.8 Inventory**

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

**2.9Critical accounting estimates and judgments**

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

**Notes to the Financial Statements (continued)****2.Accounting policies (continued)****2.9 Critical accounting estimates and judgments (continued)****Critical judgments in applying accounting policies**

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

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

***Held to maturity financial assets***

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

***Impairment losses on receivables***

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

**2.10 Key sources of estimation uncertainty**

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

***Estimates of asset lives, residual values and depreciation methods***

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

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Notes to the Financial Statements (continued)

	2015 K	2014 K
<b>3. Income</b>		
Annual operating fees network-Network Services	1,767,964	1,821,376
Annual operating fees network-Public Data	326,195	51,530
Annual operating fees service-Mobile Cellular	49,072,899	41,240,336
Annual operating fees service-Internet	1,637,594	2,262,737
	<b>52,804,652</b>	<b>45,375,979</b>

The Fund raises income primarily from collections from annual operating fees, the bulk of which comes from annual operating fees on mobile cellular services from Airtel, MTN and Zamtel. The operating fees are charged on total annual turnover at a rate of 2% and 3%, of which an apportionment of 50% is made to the Fund. There are, however, significant amounts owing to the Fund in unpaid operating fees from Zamtel amounting to K28,189,896 (2014: K19,190,931), as shown in Appendix 2.

### 4. Property and Equipment

#### Capital Work in Progress

Cost		
At 1 January	72,976,861	-
Additions	12,109,824	72,976,861
<b>At 31 December</b>	<b>85,086,685</b>	<b>72,976,861</b>
<b>Depreciation</b>		
At 1 January	-	-
Disposals	-	-
Charge for the period	-	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>
Carrying amount 31 December	85,086,685	72,976,861

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

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

### 5. Inventory

Mobile payphones transferred in	-	5,493,532
Impairment provision	-	(5,493,532)
<b>Net inventory</b>	<b>-</b>	<b>-</b>

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Notes to the Financial Statements (continued)

	2015 K	2014 K
<b><i>Inventory cost</i></b>		
Inventory written back	3,537,931	5,493,532
Inventory disposed of	(3,195,474)	(1,955,601)
Inventory at 31 December	<b>342,457</b>	<b>3,537,931</b>
<b><i>Inventory impairment provision</i></b>		
Opening balance/transfer in	3,537,931	5,493,532
Write back	(3,195,474)	(1,955,601)
At 31 December	<b>342,457</b>	<b>3,537,931</b>

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

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Notes to the Financial Statements (continued)

	2015 K	2014 K
<b>6. Amounts due from related parties</b>		
Zambia Information and Communications Technology Authority	<u>18,660,619</u>	-
	<b><u>18,660,619</u></b>	-
<b>7. Held to Maturity Investments</b>		
180 days fixed term deposits	<u>34,794,830</u>	14,842,607
	<b><u>34,794,830</u></b>	<b><u>14,842,607</u></b>
The fixed term deposits are held with the following financial institutions:		
Investrust Bank Zambia Plc	21,356,515	-
Zambia National Commercial Bank Plc	13,438,315	-
Barclays Bank Zambia Plc.	- 14,842,607	-
	<u>34,794,830</u>	14,842,607
Less: disclosed in the Statement of Financial Position as cash and bank balances	-	-
<b>Disclosed as held to maturity investments</b>	<b><u>34,794,830</u></b>	<b><u>14,842,607</u></b>
<b>8. Bank and cash balances</b>		
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	2,817,504	1,432,771
Fixed term investments classified under cash equivalents (note 7)	-	-
	<b><u>2,817,504</u></b>	<b><u>1,432,771</u></b>
<b>9. Sundry payables and accrued expenses</b>		
Audit fees	150,000	-
Accrued expenses	487,221	-
	<b><u>637,221</u></b>	-

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Notes to the Financial Statements (continued)

	2015 K	2014 K
<b>10. Financial instruments</b>		
<b>Categories of financial instruments</b>		
<i>Financial assets</i>		
	<b>Note</b>	
Held to maturity investments	7	34,794,830
Cash and bank balances	8	2,817,504
		<hr/>
		<b>37,612,334</b>
		<b>16,275,378</b>

#### *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 FUND

Financial Statements for the year ended 31 December 2015

### Notes to the Financial Statements (continued)

	2015 K	2014 K
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#### 10. Financial instruments (continued)

##### *Foreign currency risk management*

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

##### *Interest rate risk management*

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

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

##### *Credit management*

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

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

Held to maturity investments	34,794,830	14,842,607
Cash and bank balances	<u>2,817,504</u>	<u>1,432,771</u>
	<b>37,612,334</b>	<b>16,275,378</b>

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

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Notes to the Financial Statements (continued)

	2015 K	2014 K
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#### 10. Financial instruments (continued)

##### *Liquidity risk management*

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

The following table details the Fund's remaining period for contractual maturity of 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.

	1 to 3 months	3 months to 1 year	More than 1 year	Total
<b>31 December 2014</b>				
<b>Liabilities</b>				
Liabilities	-	-	-	-
	-	-	-	-
<b>31 December 2014</b>				
<b>Assets</b>				
Bank and cash balances	1,432,771	-	-	1,432,771
Held to maturity investments	-	14,842,607	-	14,842,607
	<b>1,432,771</b>	<b>14,842,607</b>	-	<b>16,275,378</b>
<b>31 December 2015</b>				
<b>Liabilities</b>				
Liabilities	<b>637,221</b>	-	-	<b>637,221</b>
	<b>637,221</b>	-	-	<b>637,221</b>
<b>31 December 2015</b>				
<b>Assets</b>				
Bank and cash balances	2,817,504	-	-	2,817,504
Held to maturity investments	-	34,794,830	-	34,794,830
	<b>2,817,504</b>	<b>34,794,830</b>	-	<b>37,612,334</b>

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Notes to the Financial Statements (continued)

	2015 K	2014 K
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#### 10. Financial instruments (continued)

##### *Fair value measurements*

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

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

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

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

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

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

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Notes to the Financial Statements (continued)

	2015 K	2014 K
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#### 10. Financial instruments (continued)

##### *Fair value measurements (continued)*

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>	<b>K</b>	<b>K</b>	<b>K</b>	<b>K</b>
Held to maturity investments	34,794,830	34,794,830	14,842,607	14,842,607

##### Fair value hierarchy as at 31 December 2014

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

##### Fair value hierarchy as at 31 December 2015

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

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Notes to the Financial Statements (continued)

	2015 K	2014 K
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#### 11. Related party transactions

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

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

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

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

Related party transaction balances		
Zambia Information and Communications Technology Authority	<u>18,660,619</u>	-

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

#### 12. Contingent liabilities

There were no known significant contingent liabilities as at 31 December 2015.

#### 13. Capital commitments

Authorised by the board and contracted for	<u>11,712,954</u>	39,158,731
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#### 14. Events after the reporting date

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

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Appendix 1: Detailed Statement of Income and Expenditure

	2015 K	2014 K
<b>Income</b>		
Universal Access contribution	<u>52,804,652</u>	<u>45,375,979</u>
	<u>52,804,652</u>	<u>45,375,979</u>
<b>Sundry income</b>		
Inventory	<u>3,195,474</u>	<u>1,955,601</u>
Interest income on bank term deposits	<u>8,232,966</u>	<u>10,851,898</u>
	<u>11,428,440</u>	<u>58,183,479</u>
<b>Expenditure</b>		
<b>Operating expenses</b>		
Special Projects - Connecting and Learning	952,082	3,429,426
Special Projects - Tertiary Institutions	3,354,402	368,672
Special Projects - Operating Tower Installations	2,702,875	6,780,03
Special Projects - Tower Installation	-	1,004,990
Special Projects - Computer Assembly Plant	885,650	51,554
Special Projects - Monitoring & Evaluation	1,363,105	28,748
Inventory expensed	<u>3,195,474</u>	<u>1,955,601</u>
<b>Total operating expenses</b>	<u>12,453,588</u>	<u>13,619,074</u>
<b>Administrative expenses</b>		
Audit fees	150,000	-
Advertising	66,130	-
Meetings and conferences	60,330	-
Printing and stationery	21,076	-
Education and training	<u>11,790</u>	-
<b>Total administrative expenses</b>	<u>309,326</u>	-
<b>Total expenditure</b>	<u>12,762,914</u>	<u>13,619,074</u>
<b>Excess of income over expenditure for the year</b>	<u>51,470,178</u>	<u>44,564,404</u>

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

# Zambia Information and Communications Technology Authority

## UNIVERSAL ACCESS FUND

Financial Statements for the year ended 31 December 2015

### Appendix 2: Contribution due from operators

	2015 K	2014 K
<b>Universal Access contributions due</b>		
Annual operating fees 2012 balance	3,176,136	3,176,136
Annual operating fees 2013	7,372,455	7,372,455
Annual operating fees 2014-estimate	8,642,340	8,642,340
Annual operating fees 2015	<u>8,998,965</u>	-
	<u><b>28,189,896</b></u>	<u><b>19,190,931</b></u>



