



Grant Thornton

The University of Zambia

**Financial statements
31 December 2016**

THE UNIVERSITY OF ZAMBIA

FINANCIAL STATEMENTS – 31 DECEMBER 2016

Contents	Pages
Report of the Council	1 -3
Statement of the Council Members' responsibilities	4
Independent auditor's report	5 - 7
Statement of comprehensive income	8
Statement of changes in funds	9
Statement of financial position	10
Statement of cash flows	11
Notes to the financial statements	12 - 34

THE UNIVERSITY OF ZAMBIA

REPORT OF THE COUNCIL

The Council Members hereby submit their report on the activities and audited financial statements of the University of Zambia for the year ended 31 December 2016 as follows:

1. Principal activities

The University of Zambia ("The University") was established pursuant to the University of Zambia Act 1965. It is now governed by the Higher Education Act No.4 of 2013.

The University's principal activities are to:

- (i) Provide university education, promote research and advancement of learning;
- (ii) Disseminate knowledge and, without discrimination, to hold out to all persons, who meet all the stipulated academic or professional qualifications the opportunity to acquiring university education;
- (iii) To provide facilities, appropriate to a university of the highest standing, for the pursuit of learning and research and for the acquisition of both liberal and professional education, which is responsive to the needs of Zambia; and
- (iv) To make those facilities available to persons equipped to benefit from the use of the facilities on such terms and conditions as Council may determine.

In addition to being a leaning institution, the University is involved in farming and other investment activities.

2. Registered office

The address of its registered office is:

Plot Lus/5005
Great East Road
P O Box 32379
Lusaka

3. Operating results

The University's results are as follows:

	2016 K'000	2015 K'000
Income	<u>717,091</u>	<u>582,884</u>
Deficit for the year	<u>(552,353)</u>	<u>(502,957)</u>

THE UNIVERSITY OF ZAMBIA

REPORT OF THE COUNCIL (CONTINUED)

4. Council members

The names of persons who served as members of the Caretaker Committee during the year ended 31 December 2016 were as follows:

Ms. Namucana C. Musiwa	-	Chairperson
Mrs. Audrey Chinama Malama	-	Vice-Chairperson
Mr. Mabvuto Sakala	-	Permanent Secretary, Ministry of Higher Education
Mrs. Cecilia Sakala	-	Member
Mr. Levy Mwanza	-	Member
Mrs. Peggy Chirwa	-	Member
Mr. Patrick Mfungo	-	Member
Mr. Succeed Mubanga	-	Member
Mr. Alex Mwansa	-	Member
Mr. Willa Mulabika	-	Member
Mr. Michael Kaluba	-	Member
Dr. Evans Lampi	-	Member
Prof. Luke E. Mumba	-	Vice-Chancellor
Prof. Enala T. Mwase	-	Deputy Vice-Chancellor

Secretary /Registrar

Mr. Sitali Wamundila

The Caretaker Committee was appointed on 13 August 2015.

5. Council members' remuneration

During the year, remuneration paid to the Council members amounted to K441,548 (2015: K287,350).

6. Employees and their remuneration

The total remuneration of employees during the year amounted to K956 million (2015: K663 million) and on average the number of employees was 2,373 (2015: 2,354).

7. Property, plant and equipment

The University acquired property, plant and equipment totaling K14.0 million during the year (2015: K14.7 million).

8. Donations

The University did not make any donations during the year (2015: nil).

9. Safety, health and environment

During the year, the University continued its pursuit of safety, health and environmental excellence. Interventions in HIV and AIDS through provision of antiretroviral treatment and malaria continued throughout 2016 with satisfactory results.

10. Other material facts, circumstances and events

The University did not receive any extra funding from the Government towards settlement of accrued retirement benefits and deceased estates. The Council members are not aware of any other material fact, circumstance or event which occurred between the accounting date and the date of this report which might influence an assessment of the University's financial position or the results of its operations.

THE UNIVERSITY OF ZAMBIA**REPORT OF THE COUNCIL (CONTINUED)****11. Annual financial statements**

The annual financial statements on pages 8 to 34 have been approved by members of Council.

12. Auditors

In accordance with the provisions of the Higher Education Act No.4 of 2013, the external auditors, Messrs Grant Thornton, will retire at the end of the financial year. Having expressed their willingness to continue in office a recommendation will be made for their re-appointment.

By order of Council



Secretary

Lusaka

Date: 19 December 2019

THE UNIVERSITY OF ZAMBIA

STATEMENT OF THE COUNCIL MEMBERS' RESPONSIBILITIES

The University of Zambia Council (the Council) is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of The University of Zambia and of the surplus or deficit for the period. In preparing such financial statements, the Council members are responsible for:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement;
- selecting appropriate accounting policies and applying them consistently;
- making judgements and accounting estimates that are reasonable in the circumstances; and
- preparing the financial statements in accordance with the applicable financial reporting framework, and on the going concern basis unless it is inappropriate to presume that the University will continue in business.

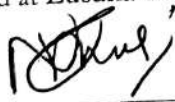
The Council members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable them to ensure that the financial statements comply with the Higher Education Act No.4 of 2013. They are also responsible for safeguarding the assets of the University and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Council Members confirm that in their opinion:

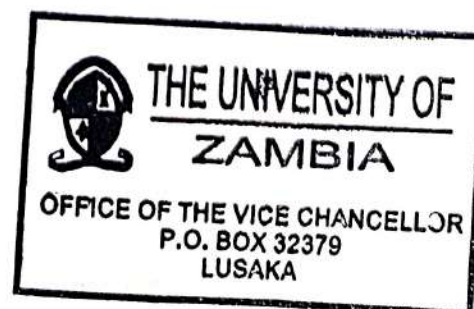
- (a) the financial statements give a true and fair view of the financial position of The University of Zambia as of 31 December 2016, and of its financial performance and its cash flows for the year then ended;
- (b) at the date of this statement there are reasonable grounds to believe that the University will be able to pay its debts as and when these fall due; and
- (c) the financial statements are drawn up in accordance with International Financial Reporting Standards and comply with the Higher Education Act No. 4 of 2013.

This statement is made in accordance with a resolution of the Council Members of the University.

Signed at Lusaka on 19 December 2019


 Council Chairperson


 Vice Chancellor



Grant Thornton
5th Floor Mukuba
Pension House
Dedan Kimathi Road
P.O. Box 30885
Lusaka, Zambia

T +260 (211) 227722-8
E gtlusaka.mailbox@zm.gt.com

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE UNIVERSITY OF ZAMBIA

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the University of Zambia, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph below, the financial statements give a true and fair view of the financial position of the University of Zambia as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion

1. Some of the bank reconciliations provided had differences between the reconciliations and the trial balance to the extent of K902,149. We were unable to determine whether the ledger balances are misstated.
2. A number of bank accounts held with various financial institutions were not confirmed. We were unable to confirm the existence and completeness of bank balances, including the related disclosures.
3. Included under accounts payable are amounts totaling K37,714,062 for which no supporting analyses and supporting documentation have been availed. We were unable to perform any audit procedures on these balances.
4. Expenses selected for our validation amounting to K2,789,110 were not adequately supported with documentation. The validity of these expenses could not be confirmed.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Partners

Edgar Hamuwele (Managing)
Christopher Mulenga
Wesley Beene
Rodia Musonda
Chilala Banda

Audit • Tax • Advisory

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNIVERSITY OF ZAMBIA (CONTINUED)

Emphasis of matter

Without further qualifying our opinion we draw attention to note 1 which indicates that the University recorded a deficit of K552 million for the year ended 31 December 2016 (2015:K503 million) and, that the University's current liabilities exceeded its current assets by K2,519 million at the reporting date (2015: K2,070 million). This indicates the existence of a material uncertainty which may cast significant doubt about the University's ability to continue as a going concern.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE UNIVERSITY OF ZAMBIA (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)


- Conclude on appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.

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

Report on other Legal and Regulatory Requirements

In our opinion, the financial statements of The University of Zambia as at 31 December 2016 have been properly prepared in accordance with the Higher Education Act No. 4 of 2013 and the accounting and other records and registers have been properly kept in accordance with the Act.


Chartered Accountants


Rodia M Musonda – AUD/F000367
Partner signing on behalf of the firm

Lusaka

Date: 19 December 2019

THE UNIVERSITY OF ZAMBIA

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 K'000	2015 K'000
Income			
Government Grants	5	323,968	216,606
Tuition and Other Students fees	6	306,131	336,050
Other Revenue	7	<u>86,992</u>	<u>30,228</u>
Total Income		<u>717,091</u>	<u>582,884</u>
Expenditure			
Staff Costs	8	956,265	662,632
Other Operating Expenses	9	146,039	373,556
Finance Charges	10	21,932	21,970
Depreciation	11	30,895	27,683
Actuarial deficit on Pension Scheme		<u>114,313</u>	<u>-</u>
Total Expenditure		<u>1,269,444</u>	<u>1,085,841</u>
Deficit for the year charged to reserves		<u>(552,353)</u>	<u>(502,957)</u>

THE UNIVERSITY OF ZAMBIA

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Capital Grants K'000	Revaluation Reserve K'000	Accumulated deficit K'000	Total K'000
At 1 January 2015	2,000	1,279,773	(2,441,862)	(1,160,089)
Total comprehensive deficit	<u>-</u>	<u>-</u>	<u>(502,957)</u>	<u>(502,957)</u>
Balance at 31 December 2015	2,000	1,279,773	(2,944,819)	(1,663,046)
Total comprehensive deficit	<u>-</u>	<u>-</u>	<u>(552,353)</u>	<u>(552,353)</u>
Balance as at 31 December 2016	<u>2,000</u>	<u>1,279,773</u>	<u>(3,497,172)</u>	<u>(2,215,399)</u>


THE UNIVERSITY OF ZAMBIA

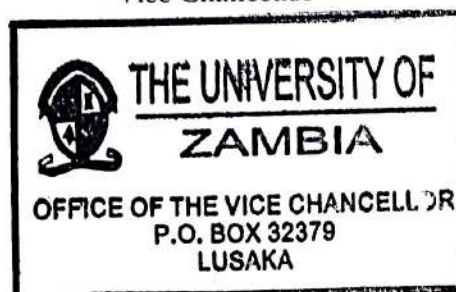
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016 K'000	2015 K'000
Assets			
Non Current Assets			
Property, Plant and Equipment	11	1,187,601	1,203,995
Investments	12	<u>42,113</u>	<u>43,885</u>
		<u>1,229,714</u>	<u>1,247,880</u>
Current Assets			
Inventories	13	21,667	903
Student and other receivables	14	69,833	193,672
Cash and cash equivalents	15	<u>66,352</u>	<u>58,122</u>
		<u>157,852</u>	<u>252,697</u>
Total Assets		<u>1,387,566</u>	<u>1,500,577</u>
Funds and Liabilities			
Funds and Reserves			
Capital grants		2,000	2,000
Revaluation reserves		1,279,773	1,279,773
Accumulated deficit		<u>(3,497,172)</u>	<u>(2,944,819)</u>
		<u>(2,215,399)</u>	<u>(1,663,046)</u>
Non Current Liabilities			
Long term provisions	16	881,020	766,022
Long term borrowings	17	<u>45,000</u>	<u>75,000</u>
		<u>926,020</u>	<u>841,022</u>
Current Liabilities			
Trade and other payables	18	2,343,812	1,989,616
Current portion of long term borrowings	17	<u>333,133</u>	<u>332,985</u>
		<u>2,676,945</u>	<u>2,322,601</u>
Total Funds and Liabilities		<u>1,387,566</u>	<u>1,500,577</u>

The financial statements on pages 8 to 34 were approved by the Council Members on 19 December 2019 and were signed on its behalf by


.....
Council Chairperson


.....
Vice Chancellor



STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 K'000	2015 K'000
Cash flows from operating activities			
Deficit for the year		(552,353)	(502,957)
Depreciation		30,895	27,683
(Increase)/decrease in inventory		(20,764)	195
Decrease/(increase) in student and other receivables		123,839	(60,393)
Increase in long term provisions		114,998	62,918
Increase in trade and other payables		<u>354,196</u>	<u>398,556</u>
Net cash inflow/(outflow) on/(from) operating activities		<u>50,811</u>	<u>(73,998)</u>
Returns on investments and servicing of finance:			
Capital expenditure and financial investments		(12,729)	(14,769)
Capital grants received		-	-
Long term borrowings		<u>(29,852)</u>	<u>62,161</u>
Net cash (outflows)/inflows (from)/on returns on investments and servicing of finance		<u>(42,581)</u>	<u>47,392</u>
Increase/(decrease) in cash equivalents		8,230	(26,606)
Cash and cash equivalents at beginning of period		<u>58,122</u>	<u>84,728</u>
Cash and cash equivalents at end of period	15	<u>66,352</u>	<u>58,122</u>
Represented by:			
Cash at hand		119	101
Cash at bank		<u>66,233</u>	<u>58,021</u>
		<u>66,352</u>	<u>58,122</u>

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

1. **Basis of preparation of the financial statements – going concern**

During the year the University incurred a deficit of K552 million (2015: K503 million) and at the reporting date its current liabilities exceeded its current assets by K2,519 million (2015: K2,070 million). The University meets its day to day working capital requirements from support through grants from the Government of the Republic of Zambia, its own generation of funds and through bank overdraft facilities, which in common with all such facilities, are repayable on demand.

The financial statements have been prepared on a going concern basis which assumes that the University will continue in operational existence for the foreseeable future.

The validity of this assumption depends on continued support from the Government of the Republic of Zambia. It also depends on the University's improved generation of income from other investments and the University's bankers continuing their support by providing adequate banking facilities.

If the University were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce values of assets in the statement of financial position to their recoverable amounts, to provide for further liabilities that might arise and to reclassify property, plant and equipment and other long term assets and liabilities as current assets and liabilities.

Whilst the Council members are presently uncertain as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

2. **Principal accounting policies**

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

(a) **Basis of presentation**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are presented in accordance with IAS 1 "presentation of financial statements" (Revised 2007). The University has elected to present the "Statement of Comprehensive Income" in one statement, the "Statement of Comprehensive Income".

The financial statements have been prepared under the historic cost convention, as modified by the revaluation of financial assets and liabilities at fair value through surplus and deficit.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2. Principal accounting policies (continued)

(a) **New and revised standards that are effective for annual periods beginning on or after 1 January 2016**

The University has not adopted any new standards or amendments that have a significant impact on the University's results or financial position.

The standards and amendments that are effective for the first time in 2016 (for entities with a 31 December 2016 year end) and could be applicable to the University are:

- 'Annual Improvements to IFRSs' 2012-2014 cycle
- 'Disclosure Initiative' (Amendments to IAS 1)
- 'Clarification of Acceptable Methods of Depreciation and Amortisation' (Amendments to IAS 16 and IAS 38)
- 'Accounting for Acquisitions of Interests in Joint Operations' (Amendments to IFRS 11)
- 'Equity Method in Separate Financial Statements' (Amendments to IAS 27)
- 'Investment Entities: Applying the Consolidation Exception' (Amendments to IFRS 10, IFRS 12 and IAS 27).

These amendments do not have a significant impact on these financial statements and therefore disclosures have not been made.

In addition, IFRS 14 'Regulatory Deferral Accounts' is also effective from 1 January 2016. However, it is only applicable to first time adopters of IFRS and therefore is not applicable to the University.

Amendments to IFRS 11 Joint Arrangements

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The amendments are effective for reporting periods beginning on or after 1 January 2016.

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2. Principal accounting policies (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the University

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the University. Information on those expected to be relevant to the University's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the University's accounting policies for the first period beginning after the effective date of the pronouncement.

New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the University's financial statements.

IFRS 9 'Financial Instruments'

The new standard for financial instruments (IFRS 9) introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the University's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- an expected credit loss-based impairment will need to be recognised on the University's trade receivables and investments in debt-type assets currently classified as Available For Sale (AFS) and Held To Maturity (HTM), unless classified as at fair value through profit or loss in accordance with the new criteria
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the University makes an irrevocable designation to present them in other comprehensive income.
- if the University continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the University's own credit risk.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2. Principal accounting policies (continued)

- (b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the University (continued)

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 introduces new guidance that will require the University to evaluate the separability of multiple elements based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- the customer benefits from the item either on its own or together with other readily available resources, and
- it is 'separately identifiable' (i.e. the University does not provide a significant service integrating, modifying or customising it).

The subsequent allocation of arrangement consideration to individual performance obligations is based on their relative stand-alone selling prices.

The University is currently in the process of reviewing all its contracts to ascertain how the new requirements will impact the identification of distinct goods or services and the allocation of consideration to them.

The standard allows adoption using either retrospectively in full to each prior reporting period or modified retrospective with application only to contracts that are not complete at the date of initial application.

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2. Principal accounting policies (continued)

- (b) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the University (continued)**

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact the University is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition;
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions; and
- assessing the additional disclosures that will be required.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2. Principal accounting policies (continued)

(b) Revenue recognition

The University recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the activities, as described below:

(i) *Government Grants*

Grants from the Government are recognized at their fair value in the income and expenditure account where there is a reasonable assurance that the grant will be received and the University has complied with all attached conditions. Grants received where the University has yet to comply with all attached conditions are recognized as a liability (and included in deferred income within trade and other payables) and released to income when all attached conditions have been complied with. Government grants received are shown separately in the income and expenditure account.

(ii) *Non-recurrent Grants*

Non-recurrent grants received in respect of the acquisitions or constructions of capital assets are treated as deferred capital grants. The grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the asset for which the grant was awarded.

(iii) *Academic fees*

Student fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

(iv) *Other income*

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or to the extent that the terms of the contract have been satisfied.

(c) **Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The University adds to the carrying amounts of an item of property, plant and equipment the cost of replacement parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the University. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income and expenditure account during the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2. Principal accounting policies (continued)

(c) Property, plant and equipment (continued)

Depreciation on assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The following depreciation rates are approved by Council:

• Buildings	2%
• Plant and Equipment	20%
• Motor vehicles	25%
• Furniture and Fittings	12.5%
• Soft Furniture	33.3%
• Office Equipment	33.3%
• Library books	10%

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other gains/(losses) – net in the statement of comprehensive income.

Donated assets

The University receives benefits in kind such as gifts of equipment and property. Items of significant value donated to the University, which, if purchased, the University would treat as tangible assets, are capitalized at their current value and depreciated in accordance with the policy set out above. The value of the donation is treated as a deferred capital grant.

Impairment of Non-financial assets

Assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (cash generating unit (CGU) to which the asset has been allocated) is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(d) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises packaging costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell, the impairment loss is recognized immediately in profit or loss.

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2. Principal accounting policies (continued)

(e) Trade receivables

Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(g) Borrowings

Borrowings are recognized initially at the transaction price (that is, the present value of cash payable to the lender, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognized on the basis of the effective interest method and is included in finance costs. Borrowings are classified as current liabilities unless the University has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(h) Trade and other payables

Trade and other payables are recognized initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

(i) Provisions

Provisions represent liabilities of uncertain timing or amount. Provisions are recognized when:

- i) the University has a present legal or constructive obligation as a result of past events;
- ii) it is probable that a transfer of economic benefits will be required to settle the obligation; and
- iii) the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2. Principal accounting policies (continued)

(j) Employee benefits

(i) *Pension obligations*

The University makes statutory contributions to the State's defined contribution benefit pension scheme, the National Pension Scheme Authority (NAPSA), on behalf of all the employees. NAPSA requires that the University pays an amount equal to the employee's contributions. Employees contribute 5 per cent of their gross earnings up to a statutory ceiling.

The University also operates a defined benefits pensions scheme for employees on pensionable conditions of service with Zambia State Insurance Corporation Life Limited (ZSIC LIFE) and has an in-house arrangement contained in the conditions of service. Employees not on pensionable conditions of service are paid gratuity at the rate of 37.5% per cent of earnings on accrual basis on expiry of contract.

(ii) *Provision for leave*

Provisions for leave pay are made in respect of all staff. Leave days are provided for up to the maximum leave days allowed under the conditions of service.

3. Critical accounting estimates and judgements

The University makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the University's accounting policies, management has made judgements in determining:

- (a) the classification of financial assets
- (b) whether assets are impaired
- (c) estimation of the provisions and accruals
- (d) recoverability of trade and other receivables
- (e) valuation of inventory and provisions
- (f) Provisions for penalties and interest on un-remitted statutory obligations.

4. Income

Income represents recurrent expenditure grants from the Government of the Republic of Zambia, together with fees for tuition, boarding, accommodation, examinations and grants from donor agencies, and other income.

Grants for revenue expenditure are taken to income during the period in which they are received. Grants for capital expenditure and donations of non-monetary assets are credited to a capital grant at their cash or fair values.

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

4. Income (continued)

The capital grant is transferred to income each year in the proportion in which the depreciation on the related assets is charged.

	2016 K'000	2015 K'000
5. Government Grants		
Recurrent grant	238,154	156,606
Grants for outstanding debt	<u>85,814</u>	<u>60,000</u>
	<u>323,968</u>	<u>216,606</u>

During the year, the University received a total of K238 million (2015: K157 million) in grants from Government which went towards supplementing the staff costs in Note 8, and K86 million (2015: K60 million) which went towards the outstanding staff benefits.

6. Tuition and other student fees

	2016 K'000	2015 K'000
Tuition fees		
Full- time tuition GRZ	129,612	140,342
Full – time tuition non GRZ	75,004	85,429
IDE tuition	52,291	54,088
Post Graduate Studies tuition	21,536	14,754
Extension Studies tuition	<u>5,721</u>	<u>10,076</u>
	<u>284,164</u>	<u>304,689</u>
Other Student fees		
Application forms	-	3,179
Accommodation	5,703	7,269
Registration	1,207	1,543
Medical	1,414	1,907
Graduation	3,244	7,137
Internet	553	767
Examination	3,450	3,220
Dissertation income	676	871
Student penalties and fines	1,857	397
Exam/ Results transcripts	680	965
Students identity cards	1,523	476
Record cards	62	42
Registration confirmation slips	4	1
Certification fees	16	42
Elective fees	187	112
Library fees	234	281
Caution / Maintenance fees	397	2,580
Other student fees	<u>760</u>	<u>572</u>
	<u>21,967</u>	<u>31,361</u>
Total	<u>306,131</u>	<u>336,050</u>

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

	2016 K'000	2015 K'000
7. Other Revenue		
Research and consultancy	12,259	9,352
Business venture	47,648	6,793
Other income	<u>27,085</u>	<u>14,083</u>
	<u>86,992</u>	<u>30,228</u>
8. Staff costs		
Management staff	22,693	16,589
Academic staff	565,760	407,647
Professional and technical staff	192,068	110,242
Other support staff	<u>175,744</u>	<u>128,154</u>
	<u>956,265</u>	<u>662,632</u>
<p>Included in the staff costs are the terminal benefit provisions of K248 million (2015:K121million) for serving members of staff in all the above categories based on the employment contracts.</p>		
<p>Average number of persons employed during the year</p>		
	2016 Number	2015 Number
Principal Officers	6	6
Academic	901	787
Others	1,316	1,228
Retirees	<u>150</u>	<u>333</u>
	<u>2,373</u>	<u>2,354</u>
	2016 K'000	2015 K'000
9. Other operating expenses		
Instructional	14,727	10,039
Research and consultancy	4,416	4,318
Infrastructure and maintenance	9,972	9,990
Administration	113,742	346,992
Business ventures	<u>3,182</u>	<u>2,217</u>
	<u>146,039</u>	<u>373,556</u>
10. Finance charges		
Interest on Zanaco loan	21,909	21,947
Interest on GRZ loan	<u>23</u>	<u>23</u>
	<u>21,932</u>	<u>21,970</u>

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

11. Property, plant and equipment

(a) Summary

Cost/valuation	Land & buildings K'000	Equipment K'000	Furniture K'000	Books K'000	Motor Vehicles K'000	Work in progress K'000	Total K'000
At 1 January 2015	1,284,874	25,000	9,208	8	13,633	-	1,332,723
Additions	115	3,810	3,262	7	3,782	-	10,976
Work in progress	3,682	-	-	-	-	-	3,682
Adjustment	-	-	-	(28)	-	-	(28)
At 31 December 2015	1,288,671	28,810	12,470	(13)	17,415	-	1,347,353
Additions	477	4,622	3,949	-	2,018	2,975	14,041
Adjustment	-	-	-	(8)	-	-	(8)
At 31 December 2016	1,289,148	33,432	16,419	(21)	19,433	2,975	1,361,386
Depreciation							
At 1 January 2015	87,459	16,270	3,509	3	8,570	-	115,811
Annual depreciation	22,868	2,205	1,146	94	1,370	-	27,683
Adjustments	(317)	105	(225)	(45)	346	-	(136)
At 31 December 2015	110,010	18,580	4,430	52	10,286	-	143,358
Annual Depreciation Charge	25,679	1,975	1,357	60	1,824	-	30,895
Adjustments	(90)	(435)	106	(62)	13	-	(468)
At 31 December 2016	135,599	20,120	5,893	50	12,123	-	173,785
Carrying amount							
At 31 December 2016	1,153,549	13,312	10,526	(71)	7,310	2,975	1,187,601
At 31 December 2015	1,178,661	10,230	8,040	(65)	7,129	-	1,203,995

(b) The University has adopted the valuation model on buildings. The last valuation was done in October 2010 by Government Valuation Department.

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

12. Investments	2016 K'000	2015 K'000
(i) Zamnet Communications Systems Limited	100	100
(ii) Unimas Limited –(York Farm Ltd)	<u>43,885</u>	<u>43,885</u>
	43,985	43,985
Less: Impairment provision		
York Farm	(1,772)	-
ZAMNET	<u>(100)</u>	<u>(100)</u>
	<u>(1,872)</u>	<u>(100)</u>
	<u>42,113</u>	<u>43,885</u>

13. Inventories		
Books and periodicals	-	-
Drugs and learning materials	5,667	251
Work in progress	16	26
Foods and farm produce	92	64
Academic Gowns	15,415	-
Finished goods	<u>477</u>	<u>562</u>
	<u>21,667</u>	<u>903</u>
14. Student and other receivables		
Student receivables	44,456	183,634
Provision for doubtful student receivables	<u>(16,389)</u>	<u>(16,685)</u>
	28,067	166,949
Staff loans and advances	653	159
Other current assets	44,315	29,766
Less: Provision for doubtful debt –ZAMNET	<u>(3,202)</u>	<u>(3,202)</u>
	<u>69,833</u>	<u>193,672</u>
15. Cash and cash equivalents		
Cash at bank	66,233	58,021
Cash at hand	<u>119</u>	<u>101</u>
	<u>66,352</u>	<u>58,122</u>
16. Long term provisions		
Provision for terminal benefits	655,360	650,534
Actuarial deficit on Pension Scheme - ZSIC	<u>225,660</u>	<u>115,488</u>
	<u>881,020</u>	<u>766,022</u>

Retirement benefits

The University of Zambia contributes to a number of retirement schemes established for the benefit of employees, as described in the accounting policies.

Employees on permanent and pensionable conditions of service are on a defined benefit scheme managed by Zambia State Insurance Corporation Limited Life (ZSIC Life). Employees contribute 6% and the employer contributes 17%.

The first actuarial valuation of the UNZA Staff Pension Scheme with ZSIC Life was performed by the Independent Actuaries and Consultants (Pty) Limited of South Africa for the period ended 31 December 2012. The following assumptions were made:

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

16. Long term provisions (continued)

Retirement benefits (continued)

- (a) The discount rate assumption has been based on the average bond yield covering duration of between 5 -15 years and was set at 15.0 per cent.
- (b) In determining the future inflation expectation, long term inflation has been taken to be equal to 7.5 per cent in line with Bank of Zambia's projections plus an inflation risk premium of 0.5 per cent. It was assumed that salary inflation will exceed general inflation by 3.0 per cent per annum.
- (c) The net discount rate is the gap between the above two assumptions and its 4.5 per cent per annum, derived from a discount rate of 15.0 per cent and the expected salary inflation rate of 10.5 per cent.

The actuarial valuation found that the scheme had a deficit of approximately K226 million. The results of the valuation are set out below:

	2016 K'000	2015 K'000
Value of assets	<u>47,965</u>	<u>36,978</u>
Actuarial reserve values	(178,657)	(123,971)
Outstanding benefit payment	<u>(94,982)</u>	<u>(28,495)</u>
Total liability	<u>(273,639)</u>	<u>(152,467)</u>
Deficit	<u>(225,674)</u>	<u>(115,488)</u>

17. Borrowings

	2016 K'000	2015 K'000
Zambia National Commercial Bank PLC (ZANACO) (note (a))	-	353
Zambia National Commercial Bank PLC (Benefits Loan)	74,855	105,046
Government of the Republic of Zambia (note (b))	<u>303,278</u>	<u>302,586</u>
Total	378,133	407,985
Less amount falling due within one year	<u>(333,133)</u>	<u>(332,985)</u>
Amount due after more than one year	<u>45,000</u>	<u>75,000</u>

- (a) The loan from ZANACO Bank of an initial amount of K20 million was contracted on 22 December 2010 for the purpose of settling outstanding remittances to the pension scheme with Zambia State Insurance Corporation.

The terms of the loan are as follows:

- (i) The tenor was 5 years from the date the loan was obtained;
- (ii) Interest is Zambia National Commercial Bank PLC's floating base rate (20% in 2010) plus 3% per annum; and
- (iii) The bank has lien on two bank accounts; main account 0400230000121 and bursaries account 0400230000190 held at Cairo Road Business Centre.

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

17. Borrowings (continued)

(b) The loan from GRZ of USD 2.2 million was advanced to the University on 1 April 1993 to purchase Mbanga and Kashima Farms (York Farm) on the following terms:

- (i) The loan together with interest thereon was to be repaid by 31 March 1994;
- (ii) Interest rate based on London Inter-Bank Offer Rate (Libor) accrued on daily outstanding balance; and
- (iii) Penalty interest of 10% accrued on any principal and interest that remains unpaid on due dates.

	2016 K'000	2015 K'000
18. Trade and other payables		
Trade and other payables	224,117	312,813
Termination benefits outstanding	562,061	286,704
Leave pay accrued	73,873	95,579
Pay As You Earn (PAYE)	900,968	759,554
NAPSA	577,959	530,132
Withholding Tax on staff rented houses	4,834	4,834
	<u>2,343,812</u>	<u>1,989,616</u>

- i) Termination benefits outstanding*
The University received funds from the Government towards payment of staff debt amounting to K85.8 million (2015: K60 million).
- ii) Zambia Revenue Authority (ZRA) – Pay As You Earn*
The total amount due to ZRA amounted to K900,967,552 (2015: K759,554,334). There have been no subsequent payments after the reporting date.
- iii) Superannuation Fund*
Amount due to superannuation fund amounted to K32,562,778 (2015: K27,370,925). The subsequent payments after the reporting date amounted to K3,435,121 (2015: K2,835,121).
- iv) National Pension Scheme Authority (NAPSA)*
Amount due to NAPSA comprise principal amount of K198,921,245 (2015: K108,865,219). The subsequent payments after the reporting date amounted to K1,400,000 (2015: K8,218,641).

	2016 K'000	2015 K'000
19. Capital commitments		
Approved and contracted for	=====	=====

The University has no major capital commitments as at 31 December 2016 (31 December 2015 – Nil).

20. Financial risk management

Financial assets

The University's principal financial assets are GRZ bonds, bank balances and trade receivables. They are included in current assets when maturity is within twelve months of the reporting date and in non-current assets when maturity is greater than twelve months.

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

20. Financial risk management (continued)

Financial Liabilities

The University's financial liabilities are trade and other payables. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

The University has exposure to the following risks:

i) **Credit risk**

Credit risk is the risk of financial loss to the University if student debtors fail to meet their contractual obligations.

Student and other receivables

The University's exposure to credit risk is influenced mainly by the individual characteristics of different types of student categories with the highest exposure being from non-government sponsored students.

ii) **Liquidity risk**

Liquidity risk is the risk that the University will encounter difficulty in meeting the obligations associated with its financial liabilities as they fall due.

The University mitigates the liquidity risk as follows:

- (a) Generates additional income especially from programmes offered by the Institute of Distance Education.

The University is exposed to liquidity risk arising from commitments to settle its financial liabilities. The liquidity risk arising from financial liabilities is deemed high due to dependence on government grants.

iii) **Market risk**

Market risk is the risk that occurs as a result of changes in the market prices such as interest rates and exchange rates which affect the University's income or value of assets.

- (a) The University's exposure to interest rate risk is in relation to its operating bank overdraft.
- (b) The University's exposure to currency/exchange risk is in relation to its differential maintenance allowances for its staff studying abroad as well as its foreign creditor payments.

iv) **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of courses associated with the University's processes, personnel, technology and infrastructure and from external factors such as legal and regulatory requirements. The University has not complied with the requirements of income tax law of remitting tax deducted from employees.

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

20. Financial Risk Management (continued)

v) Currency Risk

Certain bank balances are denominated in foreign currencies and therefore lead to risk of fluctuation of value due to changes in foreign exchange rates.

vi) Cash flow risk

The University is exposed to the risk that future cash flows associated with monetary financial instruments will fluctuate in amounts. It has bank borrowings and Government of the Republic of Zambia (GRZ) dues that include floating interest rates.

21. Contingent liabilities

a) Legal proceedings

The University is the subject of a number of legal claims relating primarily to employment issues. Provisions have been made in the financial statements in respect of those instances where it is concluded that it is more likely than not that payment will be made based on legal advice and management best estimates. In the Council's opinion, after taking appropriate legal advice, the outcome of other claims is unlikely to give rise to any significant loss.

b) Guarantees

The University did not take any guarantee in 2016. The University guaranteed a K1.0 million loan to Zamnet Communication Systems Limited in December 2013.

22. Related party transactions

The University has 100% shares in Zamnet Communication Systems Limited and 48% shares in York Farm Limited. Further, the University is a member institution of ZAMREN an internet service provider to research and educational institutions in Zambia which became operational in 2013

The following transactions were carried out with the related parties:

	2016	2015
	K'000	K'000
(i) Purchase of service – Zamnet	-	-
(ii) Advances – Zamnet	-	-
(iii) ZAMREN	7,180	6,980

(iv) During the year the University did not receive dividends from York Farm Limited (2015: K2,518,916).

(v) The University owed ZAMREN K4,785,905 (2015: K2,640,473).

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

23. **Taxation**

The University is exempt from income tax under the Income Tax Act schedule II, part III paragraph 6.

24. **Comparatives**

Where necessary, prior year comparatives in the statement of comprehensive income are re-classified in line with current year classification.

25. **Financial instruments****Financial liabilities**

The University's financial liabilities are trade and other payables. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Exposure to currency, interest rate, credit and liquidity risk arises in the normal course of the University's operations.

Financial assets

The University's principal financial assets are bank balances and trade receivables. They are included in current assets when maturity is within twelve months of the reporting date or non-current assets for maturities greater than twelve months.

(i) **Credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>Carrying amount</u>	
	2016 K'000	2015 K'000
Student receivables	28,065	166,949
Other receivables	41,767	26,723
Cash and cash equivalents	<u>66,352</u>	<u>58,122</u>
	<u>136,184</u>	<u>251,794</u>

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

25. Financial instruments (continued)

(i) Credit risk (continued)

The maximum exposure to credit risk for student and other receivables at the reporting date by geographic region was:

	<u>Carrying amount</u>	
	2016 K'000	2015 K'000
Domestic	<u>69,832</u>	<u>193,672</u>

The amounts above pertain to student receivables and other receivables.

(ii) Impairment losses

The aging of student receivables at the reporting date was:

Days	<u>2016</u>			<u>2015</u>		
	Gross amount K'000	Impairment K'000	Net amount K'000	Gross amount K'000	Impairment K'000	Net amount K'000
	1 to 30	-	-	-	-	-
31 to 60	-	-	-	-	-	-
61 to 90	-	-	-	-	-	-
Over 90	<u>44,454</u>	<u>16,389</u>	<u>28,065</u>	<u>183,634</u>	<u>16,685</u>	<u>166,949</u>
	<u>44,454</u>	<u>16,389</u>	<u>28,065</u>	<u>183,634</u>	<u>16,685</u>	<u>166,949</u>

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016

25. Financial instruments (continued)

(ii) Impairment losses (continued)

The ageing of other receivables at the reporting date was:

	2016			2015		
	Gross amount K'000	Impairment K'000	Net amount K'000	Gross amount K'000	Impairment K'000	Net amount K'000
<i>Within 6 months:</i>						
Staff loans & advances	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<i>Within 6 to 12 months:</i>						
Staff loans & advances	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<i>Over 12 months:</i>						
Staff loans & advances	653	-	653	159	-	159
Other receivables	<u>44,316</u>	<u>3,202</u>	<u>41,114</u>	<u>29,766</u>	<u>3,202</u>	<u>26,564</u>
	<u>44,969</u>	<u>3,202</u>	<u>41,767</u>	<u>29,925</u>	<u>3,202</u>	<u>26,723</u>
Grand total	<u>89,423</u>	<u>19,591</u>	<u>69,832</u>	<u>213,559</u>	<u>19,887</u>	<u>193,672</u>

The movement in the allowance for impairment in respect of students receivables during the year was as follows:

	2016 K'000	2015 K'000
At beginning of the year	16,685	16,685
Impairment loss(credited) / charged	<u>(296)</u>	<u>-</u>
At the end of the year	<u>16,389</u>	<u>16,685</u>

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016

25. Financial instruments (continued)

(iii) Liquidity risk

The following are the contractual financial liabilities due in the periods presented:

At 31 December 2016

	Carrying amount K'000	Contractual cash flows K'000	Within 1 year K'000	1 to 2 years K'000	2 to 5 years K'000	Longer than 5 years K'000
Non-derivative						
<i>Financial liabilities</i>						
Trade and other payables	<u>2,343,812</u>	<u>2,343,812</u>	<u>2,343,812</u>	—	—	—
Total financial liabilities	<u>2,343,812</u>	<u>2,343,812</u>	<u>2,343,812</u>	—	—	—

At 31 December 2015

	Carrying amount K'000	Contractual cash flows K'000	Within 1 year K'000	1 to 2 years K'000	2 to 5 years K'000	Longer than 5 years K'000
Non-derivative						
<i>Financial liabilities</i>						
Trade and other payables	<u>1,989,617</u>	<u>1,989,617</u>	<u>1,989,617</u>	—	—	—
Total financial liabilities	<u>1,989,617</u>	<u>1,989,617</u>	<u>1,989,617</u>	—	—	—

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016

25 Financial instruments (continued)

(iv) Fair values

Fair values versus carrying amount

The fair values of financial assets and liabilities, together with carrying amounts shown in the statement of financial position are as follows:

Financial assets

At 31 December 2016

	Designated on initial recognition K'000	Classified as held for trading K'000	At fair value through statement of comprehensive income		Fair value for each class K'000
			Held to maturity investments K'000	Loans and receivables K'000	
Non-derivative					
<i>Financial assets</i>					
Student receivables	28,065	-	-	28,065	-
Other receivables	41,767	-	-	41,767	-
Cash and cash equivalents	<u>66,352</u>	-	-	-	<u>66,352</u>
Total financial assets	<u>136,184</u>	-	-	<u>69,832</u>	<u>66,352</u>
Non-derivative					
<i>Financial liabilities</i>					
Trade and other payables	2,343,812	-	-	-	2,343,812
Borrowings	378,133	-	-	-	378,133
Long term provisions	<u>881,020</u>	-	-	-	<u>881,020</u>
Total financial liabilities	<u>3,602,965</u>	-	-	-	<u>3,602,965</u>
Net position	<u>(3,466,781)</u>	-	-	<u>69,832</u>	<u>(3,536,613)</u>

At 31 December 2015

	Designated on initial recognition K'000	Classified as held for trading K'000	At fair value through statement of comprehensive income		Fair value for each class K'000
			Held to maturity investments K'000	Loans and receivables K'000	
Non-derivative					
<i>Financial assets</i>					
Student receivables	166,949	-	-	166,949	-
Other receivables	26,723	-	-	26,723	-
Cash and cash equivalents	<u>58,122</u>	-	-	-	<u>58,122</u>
Total financial assets	<u>251,794</u>	-	-	<u>193,672</u>	<u>58,122</u>
Non-derivative					
<i>Financial liabilities</i>					
Trade and other payables	1,989,616	-	-	-	1,989,616
Borrowings	407,985	-	-	-	407,985
Long term provisions	<u>766,022</u>	-	-	-	<u>766,022</u>
Total financial liabilities	<u>3,163,623</u>	-	-	-	<u>3,163,623</u>
Net position	<u>(2,911,829)</u>	-	-	<u>193,672</u>	<u>(3,105,501)</u>

THE UNIVERSITY OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016

25. Financial instruments (continued)

	2016 K'000	2015 K'000
(v) Currency risk		
<i>Exposure to currency risk</i>		
The University's exposure to foreign currency risk was as follows:		
Cash and cash equivalents	<u>66,352</u>	<u>58,122</u>
Trade and other payables	<u>2,343,812</u>	<u>1,989,616</u>

26. Events subsequent to reporting date

There has not arisen since the end of the financial year any item, transaction or event of material and unusual nature likely, in the opinion of the members of the Council to affect substantially the operations of the University, the results of those operations or the state of affairs of the University in subsequent financial years.