2019 SUSTAINABILITY REPORT

Shaping the Digital Future

TelOne
Bringing You Together

Contents

Introduction

Towards a Digitally Enabled Society

As a dynamic and transforming company driven to deliver efficient modern communication solutions, TelOne is moving to support a digitally enabled society. For us, the drive towards a digitally enabled society is anchored on our specific strengths and enabled by;

- A robust high capacity backbone network which does not only connect both urban and rural Zimbabwe, but also efficiently and competitively links the country to the rest of the world.
- A variety of technologies for business and enterprise connectivity solutions assisted by solid support and back-up.
- Fast and affordable home broadband to support different individual and family lifestyle needs.
- Investing in strengthening the innovation drive which will anchor the development of the Internet of Things and other Value Added Services.
- A highly skilled and dynamic team which is supported through our state of the art training facilities to enhance the new skills requirements emanating from deployment of new technologies.
- Our partners and stakeholders who continue to support and enable us to deliver on our vision.

This report unpacks the progress that the company has made on its journey to enabling a digital society through its new strategic focus for the next five years from 2019 - 2023.

In pursuing this mandate, we are also delighted to share progress on our continuous efforts to operate sustainably, remain relevant and conscious of the needs of our community as a responsible corporate citizen.

About this Report

We are pleased to present the TelOne (Private) Limited Sustainability Report for the year ended 31 December 2019. At TelOne, we are committed to adapt to the ever changing business environment driven by market needs and those of the communities around us. We continue to evolve, transforming our capabilities to become a converged multimedia communication and digital services provider.

This report covers all of TelOne operations in Zimbabwe.

Reporting frameworks

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act (Chapter 24:03). In reporting on non-financial information, the Company is mainly guided by the following:

- The Global Reporting Initiatives (GRI) Guidelines on Sustainability Reporting
- The Code of Corporate Governance in Zimbabwe (ZIMCODE)
- The Public Finance Management Act (Chapter 22:19)
- The Public Entities Corporate Governance (PECOGO) Act (Chapter 10:31)

Assurance on financial and non-financial information

Our financial statements were audited by the Office of the Auditor General of Zimbabwe in accordance with International Standards on Auditing (ISA). The independent auditors' report on the financial statements is contained on Pages 55 - 59 of the Sustainability Report. Selected sustainability performance indicators were independently assured by TelOne's internal audit department through an internal audit review to provide reasonable assurance on our non-financial information disclosed to our stakeholders.

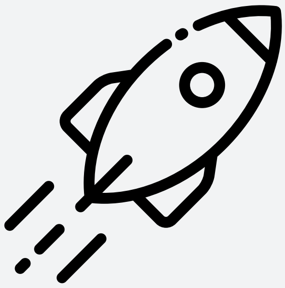
About TelOne (Private) Limited

Telone Strategic Direction

The TelOne strategic direction is to transform into a digital Telco through:

- Adoption of a TMT Model,
- Investment in Innovation,
- Future Proof Technology Modernization and Overarching Client Centricity
- Funded Through Private Equity and Partnerships

Vision and Mission statements



Our Vision

Digitally enabled society by 2023

Our Mission

To provide connectivity and digital solutions

Our Values

CLIENT CENTRIC: Our clients are at the centre of our existence and we will continuously engage them to deliver superior service at all times.

COMMITMENT: We are dedicated to deliver value to all stakeholders

INNOVATION: We promote a culture of creativity and innovation to improve and develop cutting edge products and services.

ACCOUNTABILITY: We are accountable for our actions which will remain compliant, professional and reliable.

EXCELLENCE: We strive to continuously improve ourselves in line with changing developments in the sector.

TEAMWORK: We complement each other's effort in delivering superior client service.

How We Are Organised

TelOne offers connectivity solutions using copper, fibre and wireless technologies. To ensure efficiency is managed and monitored through a dedicated Network Operations Centre (NOC). Our product portfolio includes: broadband, data transfer, Voice and Value Added Services (VAS).

The business is strategically organized into 4 divisions namely TelOne Wholesale, TelOne Retail and TelOne Centre for Learning and Digital Innovations and Projects.

Retail Division

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Home Broadband

TelOne offers affordable and reliable Home Broadband solutions using fibre, copper and wireless technologies. The broadband coverage is across the country and supports a wide segment of consumers , both business and individuals.

TelOne has made tremendous strides to increase connectivity to new residential suburbs over the years in the main cities and towns namely Harare, Bulawayo, Mutare, Gweru, Masvingo, Kariba and Victoria Falls. With a great variety of packages to choose from TelOne offers flexibility to clients depending on affordability and client needs.

Satellite

TelOne currently offers Satellite Broadband Solutions via C Band and Ka Band Vsat. This satellite is capable of reaching very remote locations and is particularly useful where communication infrastructure is limited or non-existent. A number of schools and hospitals in the rural areas have benefited from the availability of this service.

TelOne is thus playing a key role in bridging the digital divide by ensuring quality education and access to information for learners as well as communities. The service has also been adopted by Corporates and individuals alike who use it for mission critical applications particulary in remote under served areas.

VSAT services are cost effective, efficient and are an error free mode of communication that can deliver voice, data and video services.

Public Wi-Fi

TelOne has dominated the Public Wi-Fi space since the launch of the Public Wi-Fi service in May 2015. To date TelOne has rolled out over 200 Wi-Fi hotspots countrywide to ensure the general Zimbabwe population has access to Wi-Fi on the go. This service is accessible to anyone with a Wi-Fi compatible device at any of our Wi-Fi Hotspots.

TelOne Public Wi-Fi has continued to increase market dominance and has been deployed in high density residential areas, residential flats, informal trading sites, higher learning institutions and fast food chain stores as well as leisure spots.

Retail Division (cont'd)

Voice

TelOne offers you the lowest tariffs for local and international calls for business and individual customers. TelOne's voice service reaches even the most remote and distant corners of the country.

Voice value added services include:

- Conference calls
- Call transfer
- Call divert
- Call forwarding
- Call waiting

Voice over Internet Protocol (VoIP)

VoIP is a technology that allows one to make phone calls using a Broadband connection instead of regular phone service. The service allows one to make a call directly from a computer, a special VoIP phone, or a traditional phone connected to a special adapter. A VoIP phone system connects to a Local Area Network (LAN) and uses it as the backbone of an individual or business system. It enables calling to any telephone number including local, long distance, mobile and international numbers.

IP Centrex/Hosted PBX

An IP Centrex system is an IP-PBX that is entirely hosted by TelOne. All the configuration, operation and maintenance activities are done by TelOne. An IP Centrex enables IMS subscribers to form a group and make intra and out -Centrex calls. Intra-Centrex calls are simply extension to extension calls within the same group, Out-Centrex calls are calls made from a number in the Centrex group to a number outside the Centrex group. Supplementary services are available on IP-Centrex.

Enterprise Solutions

- Voice (traditional voice service)
- Voice over Internet Protocol (VoIP)
- Leased Internet
- Virtual Private Network (VPN)
- IP PBX
- Conferencing facilities – Data and Video conferencing
- Webmail hosting
- Data centre services i.e cloud services and call location
- VSAT (C-Band and KA-Band)

Retail Division (cont'd)

Media

DEOD

Digital Entertainment On Demand service, which is an exciting and innovative service that allows clients to watch their favorite movies through a broadband connection. This service is easy to access and allows greater choice and control.

DEOD is geared for the African market and has a collection of local producers to suite the emerging cosmo politan african market.

Subscription Packages

DEOD offers five subscription entertainment packages, valid for 30 days from date of payment:

- News, the latest in global reporting, from business to current affairs across a selection of well-known TV channels
- Sport, the best of extreme sports, fight sports, motor sports, water sports, sports tuition and so much more
- News and Sports combo
- On Demand, including TV shows, movies, kids' programs, music videos and documentaries
- DEOD Premium, a combination of News, Sport and On Demand for a take-all special price.

DEOD
Entertainment on demand

Wholesale Division

TelOne Wholesale

TelOne Wholesale provides telecommunications and network services, delivering innovative solutions via the country's most extensive high-performance network and a team with unparalleled expertise. Carriers and Internet Service Providers rely on us for a range of products and services. Leveraging on our partnerships with regional and international operators and upstream bandwidth providers, we offer a full suite of carrier-grade wholesale telecom products and services for nationwide carriers, as well as white label solutions for businesses. We are committed to improving the future of our clients' businesses by delivering efficient and cost effective solutions underpinned by adequate network redundancy.

TelOne's shareholding in West Indian Ocean Cable Company (WIOCC) gives it direct ownership of an undersea cable. This ownership has opened up access to Internet bandwidth with sufficient capacity to cater for the entire country's requirements.

Wholesale Products and Services

Infrastructure

- Towers co-location
- Facilities co-location
  - o ducts,
  - o poles,
  - o sites

Connectivity

- TDM interconnect
- VPN
- Backhauling
- Internet
- Broadband (ADSL)
- Leased Circuits
- IP PABX
- IP Transit Services/IPMPLS
- VoIP
- Wi-Fi
- Video Conferencing
- IPTV

Services

- Data Center
- Managed Network
- Services
- Cloud Services
- Call Centre
- Hosted Solutions
  - o Web
  - o Apps

The are 3 Product Portfolios – Infrastructure , Connectivity and Services

IP TRANSIT

TelOne Wholesale offers high quality and stable internet connections which are critical for doing business today. TelOne's IP transit provides high performance, cost-effective connectivity to both the domestic and global internet. Network redundancy and resiliency is guaranteed through diverse border crossings to the undersea cables that links TelOne with its upstream service providers.

BACKHAUL SERVICES

Through its extensive fibre network, TelOne provides dedicated and scalable high-capacity bandwidth, ideal for a backhaul solution that requires resilient clear channel and uncontended connectivity. The fibre backhaul service bridges the physical distance between major cities and towns within Zimbabwe (intercity backhaul). To bring broadband closer to communities, TelOne provides point to point or point to multi-point connectivity between customer sites over its network through seamless virtual connection between sites, ensuring privacy and security of data (metro backhaul). TelOne also provides cross border fibre connectivity linking Zimbabwe with Botswana, Mozambique and Zambia. The recently completed fibre link to Beitbridge which is built on diverse routes from Harare has closed the regional connectivity gap through providing fibre connectivity into South Africa. This has significantly reduced latency as well providing resilience and direct access to South Africa. The link also provides direct fibre connectivity to towns and cities along the fibre routes thereby providing data services which are a huge catalyst for economic development.

Wholesale Division (cont'd)

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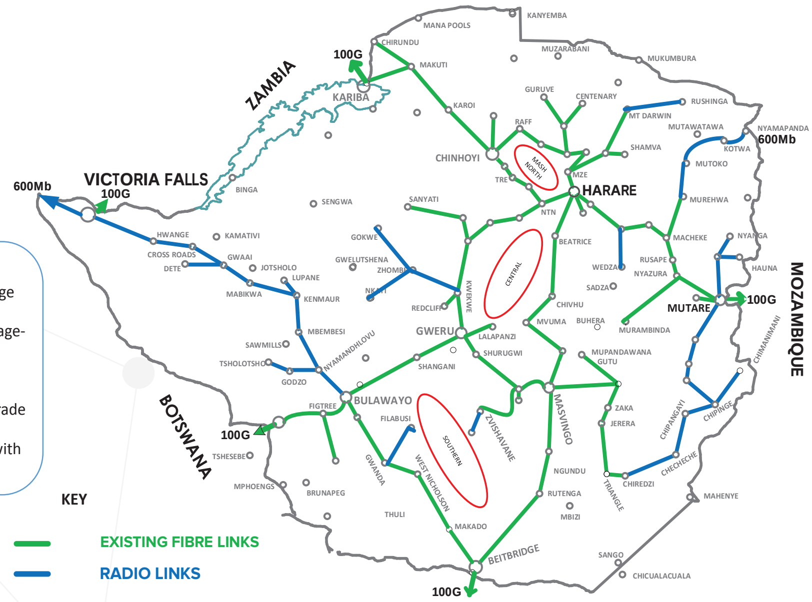
National Backbone Footprint

- Fibre connectivity has now extended to cover Beitbridge to Chirundu.
- Total backbone fibre coverage- **4,100km**
- Total backbone (fibre and radio)- 6,700km
- The company plans to upgrade backbone connectivity by replacing Radio solutions with Fibre.



VOICE CARRIER SERVICES

TelOne is interconnected with regional and international voice partners including Tier operators. Through its highly resilient and flexible network, TelOne provides crystal clear, carrier grade voice connectivity with the rest of the world. The network is large enough for other operators to ride on it thereby increasing their coverage through the various interconnect relationships TelOne has with other carriers.

FACILITIES

TelOne offers tower space, colocation on outdoor and indoor space. The network modernisation project has created a lot space thereby allowing TelOne to offer colocation on telephone exchanges and equipment rooms.

DATA CENTRE

TelOne offers the largest and most active data centers in three separate locations in Zimbabwe. TelOne data centers can support both single-user and colocation requirements of hyperscale cloud and enterprise customers. The data centres are well equipped with large data storage facilities, networking components, computer hardware and servers. Through its extensive fibre network, TelOne delivers robust and reliable connectivity to its data centers.

TelOne Data Centres are vendor and carrier neutral which means clients can maintain their existing business relationships or can also get connectivity into the data centres from other carriers for increased redundancy. For organisations which require a more secure, private access to multiple clouds, TelOne Cloud Service enables the speed, reliability and low latency required to underpin application performance in the cloud.

TelOne Centre for Learning (TCFL)

TelOne Centre for Learning (TCFL) is a SADC Certified Centre of Excellence which seeks to develop skills relevant to digital economy through various long and short courses including a degree, five diplomas and an array of short courses.

TelOne Centre for Learning programmes include:

- Bachelor of Engineering (Honours) Degree in Telecommunications Engineering
- National Diploma in Telecommunications
- National Diploma in Software Engineering
- National Diploma in Data Science
- National Diploma in Computer Networking
- Huawei Certifications
- City and Guilds Telecommunications Systems Certificate and Diploma
- Cisco Certified Network Associate
- Short ICT courses such as Rigging, Cyber Security, Ethical Hacking, Optic Fibre, ICDL and Cloud Computing.

Top Students at the TCFL 2019 Graduation Ceremony.

Digital Innovation and Projects

Digital Innovation and Projects division was created to spearhead new business models that are emerging due to digitalisation and the evolving technologies under the fourth industrial revolution.

Digital Innovation and Projects (cont'd)

Manufacture Of Devices

TelOne entered into partnerships for the sustainable local manufacture of Information Communication Technology (ICT) gadgets that include laptops, desktops, smart and prepaid electricity meters, smart water meters and other electronic gadgets.

The PC assembly plant will be producing personal computers in the form of laptops and desktops for both the local and regional markets. While a good amount of assembly inputs will come from abroad, the factory will gradually replace most of the imported staff with local material leading to drastic cuts in the import bill for the nation.

CORPORATE GOVERNANCE


TelOne
Accountability
We are accountable for our actions which remain compliant, professional and reliable.
Teamwork
We complement each other's efforts in delivering superior customer service.
Excellence
We strive to continuously improve ourselves in line with changing

Chairman's Statement

We have remodelled the company's strategy to focus on delivery of digital solutions "

DEAR STAKEHOLDER
In the past few months COVID-19 has significantly disrupted how we interact as people and how we conduct business operations. Whilst most of the experiences relating to COVID have been negative, an opportunity exists for organisations to accelerate the adoption of technology and accept the digital future of business.

OPERATING ENVIRONMENT

Economic Environment
The macro-economic environment was defined by Monetary Policy Announcements issued in February 2019 and in June 2019 through Statutory Instruments 133 and 142 of 2019. The Statutory Instruments ended the exchange rate parity of the United States Dollar and Bond Note and introduced the Zimbabwean Dollar as a mono currency to be used as legal tender for local transactions thereby marking an end to the multicurrency regime. The country also witnessed the worst climatic disaster to ever hit the Southern African region, Cyclone Idai which resulted in a tragic loss of lives and unimaginable damage in the Eastern highlands of the country.

Since the introduction of the Zimbabwe Dollar, the country has experienced shortages of foreign currency on the formal interbank market resulting in a continued depreciation of the local currency in the year. The interbank market which traded at US$1: ZWL2.5 at inception in February 2019, closed the year at US$1: ZWL18 on 31 December 2019. As a result of the currency depreciation, the economy entered a new wave of hyperinflation with annual inflation pegged at 520% at the end of the year. This was further worsened by the poor agriculture season due to drought.

Despite these challenges, the company has remained focused on delivering its strategic thrust of providing connectivity and digital solutions across the country.

Telecommunications Sector
The telecommunication sector continues to operate under a challenging environment where costs are denominated in foreign currency while prices remain denominated in local currency and are regulated. Further, the sector has been affected by the liquidity squeeze which has impacted on consumer spending patterns due to low disposable incomes.

The Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) approved tariff reviews of 56% in April 2019, 113% in August 2019 and 98% in November 2019. This played a part in driving sector revenues by 200% from ZWL1.5 billion in Q4 2018 to ZWL4.5 billion in Q4 2019. Although the internet penetration rate declined from 62.9% in 2018 to 60.6% in 2019, this is above the average global rate of 58.8%, (source: Internet World Stats).

FINANCIAL PERFORMANCE
Commentary is based on inflation adjusted financial statements. The Company achieved a 19% revenue growth from ZWL784 million in 2018 to ZWL931 million in 2019. While inflation driven tariff reviews contributed to revenue growth, the company also experienced an improvement in volumes across different services with a 12% growth in broadband subscribers, 9% growth in enterprise installations and a 6% growth in voice subscriptions.

A 462% growth in other income to ZWL108 million was achieved through renegotiation of company's borrowings resulting in an early settlement discount. The company was able to contain operating costs which increased by 8% from ZWL536 million in 2018 to ZWL579 million in 2019. The increase in operating costs was however outweighed by growth in revenue and other income resulting in an 82% improvement in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). EBITDA increased from ZWL145million in 2018 to ZWL263 million in 2019.

Legacy Loans Update
In March 2019, the Government of Zimbabwe announced plans to restructure the TelOne Balance Sheet by warehousing legacy loans amounting to ZWL8.5 billion (US$378 million) to pave way for partial privatization of the company. The legacy loans were inherited from the Posts and Telecommunications Corporation (PTC) at its unbundling in 2000. The huge balance of these loans has resulted in foreign exchange losses incurred amounting to ZWL8 billion and well as net liability position of ZWL4.8 billion. The negative equity continues to impact on the company's going concern position which remains a matter of emphasis by the external auditors in their opinion issued on the company's financial statements.

It therefore remains critical for formalities of finalizing the terms of the debt warehousing to be concluded so that the company registers a strong balance sheet and that the strong operational performance is not weighed down by the legacy issues. TelOne will continue to work with the Government of Zimbabwe, in particular the Ministry of Finance and Economic Development, in finalizing the legacy loan warehousing.

BALANCE SHEET
The Company has a high debtors' book of ZWL382 million of which ZWL174 million is owed by the Government and State Owned Enterprises. This has resulted in a liquidity challenge which has affected TelOne's ability to service its trading and statutory obligations on time.

Availability of foreign currency remains a major factor threatening the Company's sustainability. TelOne imports a significant part of its inputs such as internet bandwidth, equipment, software licenses and maintenance fees. The Company is facing potential withdrawal of service and litigation should it fail to access more than US$33 million to service pressing commitments to these

Chairman's Statement (cont'd)

foreign creditors. Service withdrawal will have an impact on the Company's operations and will affect the country at large as most Government and business operations which rely on TelOne services will be negatively affected. TelOne continues to call on the Government and Reserve Bank of Zimbabwe to support the business in accessing foreign currency to service these pressing commitments as well as to consistently pay for services rendered.

CUSTOMER EXPERIENCE MANAGEMENT

TelOne increased its focus on customer experience enhancement by implementing initiatives to improve the customer service culture across the company. The digitalization of customer service platforms has been prioritized with online transactions registering a growth of 30% over the past year. Resultantly, the customer satisfaction index improved from 72% in 2018 to 76% in 2019.

NETWORK ENHANCEMENTS

During the year, the company completed the 612 kilometer Beitbridge to Harare optic fiber transmission link which was complemented by the 330 kilometer Beitbridge to Bulawayo optic fiber link that was deployed late in 2018. Due to the strategic nature of the investment, under the auspices of the US$98 million National Broadband Project deployed by Huawei, with financing by China Eximbank through the Government of Zimbabwe, the transmission links were commissioned by His Excellency the President of the Republic of Zimbabwe Cde E.D. Mnangagwa on the 13th of March 2019.

The company also implemented a 65 kilometer optic fiber transmission link between Makuti and Chirundu using internal resources and under the program introduced by the Government of Zimbabwe for 100day Project Implementation Cycles. The optic fiber transmission links have positioned TelOne for effective and high capacity connectivity with the rest of the world through all major through all the major borders of the country. TelOne is therefore placed to offer "carrier of carrier" services to ZIMBABWE to other countries in Africa as well as providing services to other operators in the country.

In addition, TelOne also launched a wireless 4G LTE network in Harare which was quickly embraced by our customers. The company is exploring opportunities to expand the wireless LTE service coverage across the country.

COVID 19 RESPONSE

Following the declaration of Covid-19 as a global pandemic, the company has put in place a Business Continuity Plan and is operating as an essential service to support the increased need for stable connectivity during this time. The following measures are being undertaken to manage the risks posed by the virus:

- Decongesting the work place and availing resources to support employees to work from home;
- Providing transport for critical employees;
- Screening and sanitization of employees and clients visiting our premises on a daily basis, in keeping with the primary focus of the health and welfare of all our stakeholders;
- Regular decontamination of the work place and all our service Centres,

In spite of the unparalleled pandemic induced economic challenges, the Board and management are confident that the plans in place are robust to meet both the needs of our customers and to ensure workplace welfare of our employees.

STRATEGIC THRUST

TelOne has adopted a new strategic journey for the 2019 to 2023 period focused on diversifying company revenue streams and offering digital solutions supported by the much improved broadband network. The company's 2020 Strategic Plan focuses on the following imperatives:

- Financial sustainability
- Digital transformation
- Human capital development
- Strategic partnerships to support new products
- Strengthening of governance & risk management systems

During the year, TelOne laid the foundation for its new business model by adding team members to support the Digital Transformation drive.

COMMITMENT TO GOOD CORPORATE GOVERNANCE

The Board recognizes and subscribes to the principles of good corporate governance and strict adherence thereof. The Board is committed to the principles of openness, integrity and accountability as required by good corporate governance guidelines stipulated in the Zimbabwe Code of Corporate Governance. The Company has reviewed its practices to ensure compliance with the promulgated Public Entities Corporate Governance Act (Chapter 10:31) along with other legislation.

During the year, the Board of Directors carried out a Board Evaluation covering a review of the Board's effectiveness while also reviewing performance of individual directors. Annual board evaluations will continue to be made to ensure the Board adopts and leads the company's thrust of continuous human capital development. In line with this approach, the Board of Directors has also entered into a performance agreement with the shareholder. This development ensures the company has a performance management culture led from the top.

OUTLOOK

The company expects a challenging 2020 financial year especially in view of the COVID- 19 pandemic which the country together with the global community continue to battle. This is likely to exacerbate the foreign currency shortages and high levels of inflation, which the business anticipates to remain.

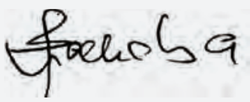
To respond to the forex challenges there are ongoing initiatives on diversifying the revenue streams to support foreign currency generation. Further, the company will continue to work with the Government of Zimbabwe to finalize partial privatization plans to ensure the company continues to access investments necessary to support business growth.

APPRECIATION

To our shareholders and business partners, in a year where the financial challenges have been superceded by unprecedented humanitarian crisis, we are grateful more than ever for the support and standing with us.

To our valuable clients, we want to assure you as the need for our services grow we will continue improving the delivery of innovative, reliable and affordable services.

I would like to conclude by expressing my deepest gratitude to the Board, Management and our valued staff for the tremendous effort in managing the business with minimal disruptions during this difficult time. You demonstrated the heart of who we are as an organisation WE PUT PEOPLE FIRST.



MRS J. MACHOBA
BOARD CHAIRMAN

30 JULY 2020

Managing Director's Report

Return to operating profitability

An improved operational performance has resulted in the company returning to profitability at operating profit level for the first time since 2015. This is in spite of the extremely challenging operating environment which was characterised by hyperinflation following several changes to fiscal and monetary policies as authorities work on realigning and rebalancing the economy. Despite these challenges, the strategies that have been adopted by the company have contributed to the return to operating profitability. These strategies include modernisation of the network, improved human resource capacity, cost containment and aggressive marketing.

Inflation adjusted performance highlights

	2019 ZWLm	2018 ZWLm	% change
Revenue	**931**	**784**	**19%▲**
Broadband and Data	489	383	28%▲
Voice	429	383	12%▲
Blended average revenue per user (ARPU)	**2,432**	**1,976**	**23%▲**
Operating expenses	**579**	**536**	**8%▲**
Operating expenses to revenue %	62%	69%	10%▼
Staff cost to revenue %	26%	36%	28%▼
Earnings before Interest Tax Depreciation & Amortisation (EBITDA)	**263**	**145**	**82%▲**
EBITDA Margin %	28%	19%	47%▲
Operating profit	**142**	**(34)**	**516%▲**
CAPEX	**141**	**114**	**24%▲**
Home Broadband Subscribers	**112,337**	**100,005**	**12%▲**
Enterprise broadband connections	**2,374**	**2,187**	**9%▲**
Voice Subscribers	**262,716**	**285,146**	**8%▼**
Voice minutes	**477**	**450**	**6%▲**
Network uptime	**99.99%**	**99.99%**	-
Customer Satisfaction Index	**76%**	**72%**	**6%▲**
Employee Engagement Index	**67%**	**70%**	**4%▼**

Financial performance

Revenue performance

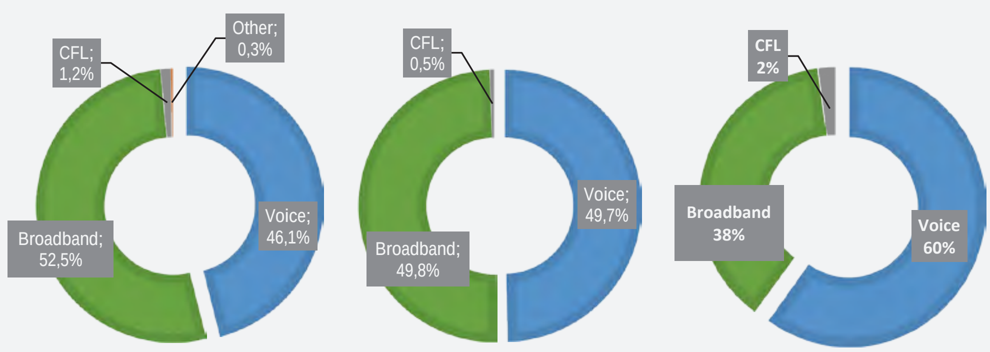
During the year, revenue grew by 19% from ZWL784 million in 2018 to ZWL931 million in 2019. The revenue growth was propelled by subscriber growth in the corporate and residential market segments. Revenue growth was also supported by an improved utilisation of the voice service.

Tariffs are regulated by the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) and have been adjusted three times during the year resulting in tariffs which lagged behind inflation of 520% and a 1,700% depreciation in the rate of exchange rate. Despite delays in tariff reviews, average revenue per user (ARPU) grew by 23% mainly due to an increase in the company's subscriber base.

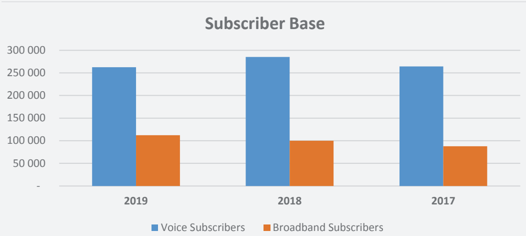
The company achieved a 9% growth in enterprise internet and data subscriptions and a 12% growth in home broadband subscribers. The company continues to experience growth in the enterprise market segment due to improved service delivery supported by the enhanced network capability. The 28% growth in broadband revenue was therefore achieved through the increase in subscribers and service utilisation as evidenced by the 23% improvement in average revenue per user.

Voice revenue registered a 12% growth as a result of the growth in voice minutes called.

Revenue contribution by product



Managing Director's Report (cont'd)



Revenue mix is now skewed towards broadband with 52.5% generated from broadband up from 49.8% in 2018. It is anticipated that digital services will become a major revenue segment in the next few years in line with the company's new strategic thrust which aims at transforming TelOne into a broad based digital services company.

Profitability

Earnings Before Interest Tax Depreciation and Amortisation (EBITDA)

The company achieved an 82% increase in EBITDA from ZWL145 million in 2018 to ZWL263 million in 2019. The improved performance was driven by revenue growth of 19% and results of cost containment initiatives. Other income of ZWL108 million was 462% higher than 2018 mainly due to a discount negotiated on settlement of a foreign loan.

Operating expenses increased by 8% from ZWL536 million to ZWL579 million. The increase in operating expenses was mainly driven by the depreciation in the exchange rate of more than 1700% which exceeded inflation of 520%. The ICT sector is dependent on imports for the supply of equipment and software which is produced outside the country. The depreciation in the rate of exchange therefore has a bearing on the company's operating expenses. However, the company has implemented cost containment efforts which resulted in a 10% decrease in operating expenses to revenue from 69% in 2018 to 62% in 2019. Staff costs to revenue reduced from 36% in 2018 to 26% in 2019 to comply with the 30% Government threshold.

The revenue growth, decrease in operating cost to income as well as increase in other income resulted in an improvement in the EBITDA margin from 19% in 2018 to 28% in 2019.

Legacy loan expenses continue to erode profitability

During the year, the Government announced plans to warehouse TelOne legacy loans amounting to ZWL8.5 billion (US$378 million) which were inherited from the Postal and Telecommunications Corporation at its unbundling. The warehousing of the legacy loans was meant to restructure the company balance sheet and pave way for partial privatisation. However, the formalities of the legacy loan restructuring had not yet been finalised at the end of the year to allow the company to derecognise these loans. Therefore, TelOne continues to carry these legacy loans on its balance sheet.

During the year, the company incurred legacy loans expenses of ZWL8 billion resulting from restatement of the foreign currency denominated loans. This charge has reversed the company's positive revenue and operating profit performance.

> "The company achieved an 82% increase in EBITDA from ZWL145 million in 2018 to ZWL263 million in 2019.

Managing Director's Report (cont'd)

TelOne will continue to work with the Government for finalisation of the legacy loan warehousing which was announced during the year.

BALANCE SHEET

The company balance sheet reflects a net liability position of ZWL4.8 billion due to the legacy loans of ZWL8.4 billion (US$378 million). TelOne applauds the efforts being made by the Government, in particular the Ministry of Finance & Economic Development in restructuring the legacy loans so as to strengthen the company balance sheet.

However, without the legacy loans, the balance is solid with a Net Asset Value of ZWL3.7 billion. This demonstrates the underlying strength that is in the business if it is unencumbered by the inherited debt.

Accounts Receivables and Cash Balances

TelOne has net accounts receivables amounting to ZWL382 million. The amount is made up of balances due from Government Ministries, Parastatals, Corporates and Household clients. Government and Parastatals debtors constitute 46% of the net receivables amounting to ZWL174 million. Due to the hyperinflationary environment, the company has started a program to put clients on a prepaid model to manage the company's risk of loss of value due to delayed settlements. Other measures being taken for residential and corporate debtors include legal proceedings and blacklisting of debtors with long outstanding balances. The loss in value of amounts owed due to hyperinflation cannot be overemphasized, so the company has adopted stringent debt collection measures to ensure accelerated recovery of amounts owed.

Notwithstanding the high accounts receivables, TelOne closed the year with high cash balances of ZWL152 million which were held in local currency and awaiting foreign currency allocation to discharge the accumulated foreign obligations.

Accounts Payables

The company's accounts payables of ZWL612 million mainly comprise of foreign creditors of ZWL311 million which constitute 51% of accounts payables. Settlement of foreign creditors was impacted by limited access to foreign currency during the year. While TelOne generates foreign currency from its Infrastructure and Wholesale division, the generated foreign currency is inadequate to support settlement of foreign creditors' balances given that the company provides most of its service in Zimbabwe Dollars. The ICT sector remains a low priority sector in the allocation of foreign currency and this impacted on the company's ability to secure foreign currency from the interbank market.

TelOne will continue to engage authorities, in particular the Reserve Bank of Zimbabwe for an improved allocation of foreign currency in view of the importance of the ICT sector in driving economic growth. The company is also investing in infrastructure projects which will increase its ability to generate more foreign currency to support settlement of creditors.

Settlement of critical local creditors of ZWL301 million has been affected by late settlement of accounts receivables. The company has entered into settlement arrangements with key creditors to ensure continued support from its business partners.

DELIVERING FOR OUR CUSTOMERS

Initiatives are currently underway to enhance customer experience through the introduction of new services as well as improved customer support. The customer satisfaction index improved from 72% in 2018 to 76% in 2019. The improved satisfaction was as a result of initiatives to enhance the customer service culture in technical, support and customer facing staff. We will continue to address network vandalism which is affecting our service delivery efforts.

Introduction of TelOne Blaze Long-Term Evolution (LTE) Wireless Network

TelOne launched a 4G LTE broadband service in Harare in October 2019 to provide fast internet access. The TelOne Blaze service was well received by the market leading to the limited capacity of 4,800 subscribers being sold out at launch. Initiatives for extending coverage and capacity for the wireless network in 2020 are currently underway.

Network enhancements

We continue to appreciate the unwavering support from some of our key suppliers who at times go for long periods before being paid. In 2019 the company managed to invest a total of ZWL141 million into the network. The following were the key investments into the network:

- In March 2019 the Harare Masvingo Beitbridge transmission link was officially commissioned by His Excellency the President of the Republic of Zimbabwe Cde E.D. Mnangagwa.
- LTE project implementation connecting more than 4,800 subscribers
- Various fibre to building projects connecting more than 150 Enterprise customers
- 100Gig underground Backbone fibre transmission link between Makuti & Chirundu
- Completion of a modern core network operations centre which improved our ability to quickly identify and resolve network performance issues.

DELIVERING FOR OUR EMPLOYEES

Employee engagement index of 67% was achieved in 2019 against 70% in 2018. This was reasonable achievement as the prevailing macroeconomic environment was extremely challenging and put a strain on employee welfare matters particularly the medical aid schemes.

The company continues to adopt measures to motivate staff as well as improving their safety and health. To this end, employees were cushioned through quarterly grocery hamper for basic commodities, annual wellness programmes and review of medical aid programmes.

DELIVERING ON OUR SUSTAINABILITY TARGETS

TelOne remains acutely aware of the important role it continues to play in connecting and supporting communities, including rural areas, and to serving the needs of our vulnerable communities. Projects for broadband access are continuing and they will also target rural areas including schools and health centres.

During the year, the worst cyclone to hit Zimbabwe was witnessed. Cyclone Idai affected the Southern part of Manicaland claiming 634 lives and damaging more than 20,000 houses. TelOne and its employees played their part in assisting the community that was affected by donating groceries, blankets and medicines. A staff initiated program was undertaken where staff donated their leave days and from the funds raised they bought a water pump and building materials for a clinic.

Specific Corporate Social responsibility programmes were run throughout the year focusing on environmental sustainability, community health, education, girls' mentorship and social welfare.

COVID 19 RESPONSE

On 11 March 2020, COVID-19, an infectious disease caused by the spread of the coronavirus was declared as a pandemic by the World Health Organisation. This pandemic has resulted in national lockdowns and has disrupted the way of doing business as it has disrupted business flow and threatened the safety and health of all.

TelOne has adopted a raft of measures that address the health and safety of employees, customers and business partners as well as responding to the calls Government of Zimbabwe for coordinated assistance to the health sector. Following lockdown by the Government of Zimbabwe, TelOne has been designated an essential service provider along with the rest of the Telecommunications Sector.

The measures adopted by the Company comply with stipulated guidelines issued by the World Health Organisation and also comply with the Government of Zimbabwe regulations. The measures taken include:

- An extensive Covid-19 Communication Campaign which has been boosted by assistance by the World Bank through production of posters and billboard information material distributed countrywide.
- Strict health protocols for all staff, customers and suppliers entering TelOne premises which include temperature checks, sanitization and social distancing.
- Restricted entry for all visitors and assigning special designated areas for visitors particularly suppliers of goods and services.
- Decongestion of the work place with 65% of staff working remotely.
- Prohibiting use of public transport by staff and availing transport to all staff commuting to work.
- Provision of Personal Protective Equipment (PPE) to all frontline teams
- Testing of staff for coronavirus.
- Adoption of e-learning for all TelOne Centre for Learning Courses.
- Adoption and promotion of virtual platforms for all Board, Management and Staff Meetings.
- Accelerated digitalisation of all systems and processes including client support systems.
- Mandatory wearing of masks at the workplace and all public places.
- Enhanced Corporate Social Investment exclusively for the health sector including participation in the Government of Zimbabwe COVID-19 national response call. A joint collaboration initiative with a sister entity, NetOne Cellular targeting three public hospitals in Harare and Bulawayo was implemented. The two companies contributed a total of ZWL10 million towards water reticulation through sinking of boreholes and provision of storage tanks, refurbishment and equipping of two hospital wards and provision of Personal Protective Equipment for the frontline health teams. TelOne has also extended further assistance to 12 rural clinics across the country providing blankets, sanitizers and Personal Protective Equipment.

TelOne continues to be committed to seamless connectivity for our clients during this pandemic period with the core internet system undergoing a major upgrade.

OUTLOOK

Our business continues to experience changes driven by market developments including the COVID 19 pandemic, technological innovation and the continued evolution of our customers' needs and expectations. We remain confident that TelOne has the right strategy in place to deliver on our vision to become a world class technology company that empowers people to connect. The following will be our strategic focus areas going forward:

- Expansion of LTE Network across the country
- Increase in our digital innovation capabilities
- Improving foreign currency generation capacity
- Digitalisation of customer service delivery systems
- Implementation of prepaid billing access for the enterprise market segment

Our success is reliant upon the hard work and dedication of our employees to whom we remain committed for their welfare and safety.

APPRECIATION

The Company's performance is dependent on the support and commitment of our stakeholders. On behalf of management and staff I would like to thank our valued clients, our suppliers, our Board of Directors, our Shareholder and Regulator for the continued support in the face of a challenging operating environment.

CMtasa

MRS C. MTASA
MANAGING DIRECTOR

30 JULY 2020

Corporate Governance Report

Board of Directors

Mrs. Juliet Machoba / Non-Executive

Board Chairman - First appointed on 1 March 2018

- Masters of Business Leadership (UNISA)
- Postgraduate Certificate in Corruption Studies (University of Hong Kong)
- Special Degree of BA with Honours in Sociology and Social Anthropology with Development Studies (University of Hull, UK)
- Diploma in Social Studies (Fircroft College, United Kingdom)
- Institute of Public Relations Diploma in Public Relations (ILSA College, Zimbabwe)

Ms. Belinda Muswaka / Non-Executive Director

Chairperson of the Finance & Audit Committee
Committee Member - Business Development, Marketing and Technical Committee (BMT)
First appointed on 1 March 2018

- Chartered Accountant (Zimbabwe)
- Zimbabwe Certificate of Theory in Accounting (ZCTA)
- Honours Bachelor of Accounting Science (UNISA)
- Bachelor of Commerce (Honours) Degree in Accounting (NUST)

Mr. Edward Dube / Non-Executive Director

Chairperson - Business Development, Marketing and Technical Committee (BMT)
Committee Member - Human Resources Committee
First appointed on 1 March 2018

- Masters of Business Administration (Great Zimbabwe University)
- Licensed Aircraft Maintenance Engineer Category ("X") (Civil Aviation Authority of Zimbabwe)
- Diploma in Aircraft Radio & Telecommunications (Zimbabwe Aviation TRG Centre)
- HND- Electronics –AFIT (Airforce Institute of Technology) (Kaduna Nigeria)
- Part III- Telecommunications- City & Guilds, London

Dr. George Manyumwa / Non-Executive Director

Chairperson - Human Resources Committee
Committee Member - Finance and Audit Committee
First appointed on 1 March 2018

- Doctor of Management specialising in Hospitality and Tourism Manangement (Honoris Causa) Commonwealth University (UK)
- Masters in Business Administration (ZOU)
- Higher National Diploma in Hotel Management (Hotel School Bulawayo Polytechnic)
- Food and Beverage Management Certificate (AHMA)
- Supervisory Skills management (AHMA)
- Sales and Marketing Management Certificate (AHMA)
- Finance for Non-financial Managers Certificate
- American Hotel and Motel Association Certificate (AHMA)

Corporate Governance Report (cont'd)

Mrs. Viola Chasi / Non-Executive Director

Committee Member - Finance and Audit Committee
Committee Member - Human Resources Committee
First appointed on 1 April 2012

- Post Graduate Diploma, Law & International Business (PGradDip, University of Cumbria)
- Masters in Intellectual Property (MIP, Africa University in Collaboration with WIPO and ARIPO)
- Grad CIS Zimbabwe (ICSAZ)
- Management Advancement Programme Plus (Henley Business School, Africa)
- Bachelor of Laws (LLB Hons), (UZ)
- Bachelor of Law Honours, (BL Hons) (UZ)

Mr. Simon C. Chigwamba / Non-Executive Director

Committee Member - Human Resources Committee
Committee Member - Business Development, Marketing and Technical Committee (BMT)
First appointed on 1 August 2014

- Masters in Business Administration (UZ)
- Masters in Education- (UZ)
- Bachelor of Education (Science) (UZ)
- Honours Diploma in Computer Programming (Algonquin College – Canada)
- IPMZ Certificate (IPMZ)
- Certified Accelerated SAP (ASAP) Consultant
- T1 Certificate in Education- Gweru Teachers College

Mrs. Chipo Mtasa / Ex-officio Board member

Managing Director
Ex-officio Board member
appointed 1 January 2013

- Chartered Accountant (Zimbabwe)
- Executive Management Development Certificate (University of Pennsylvania)
- Bachelor of Accountancy (Honours) Degree- UZ

Corporate Governance Report (cont'd)

Executive Management

1. Eng. Christopher Muchechemera
Innovation's Director

- Masters in Business Intelligence (Mt. Carmel Institute)
- Bachelor of Engineering Honours Degree in Electronic Engineering (NUST)

2. Mrs. Chipo Mtasa
Managing Director

- Chartered Accountant (Zimbabwe)
- Executive Management Development Certificate (University of Pennsylvania)
- Bachelor of Accountancy (Honours) Degree (UZ)

3. Mr. Kudakwashe Musundire
Finance and Administration Director

- Chartered Accountant (Zimbabwe)
- Honours Bachelor of Accounting Science (UNISA)
- Bachelor of Commerce (Honours) Degree in Accounting (NUST)

4. Mr. Hopewell Zinyau
Corporate Services Director

- Masters of Business Administration (UZ)
- Bachelor of English and Communication (UZ)
- Diploma in Personnel Management (IPMZ)
- Diploma in Training Management (IPMZ)

Corporate Governance Report (cont'd)

Executive Management (cont'd)

5. Eng. Lawrence Nkala
Divisional Director Infrastructure and Wholesale

- Chartered Engineer (CEng)
- Member of the Zimbabwe Institution of Engineers (MZweIE)
- Member of the Institution of Engineering and Technology (MIET) of United Kingdom.
- Registered with the Engineering Council of Zimbabwe Pr(Eng) & Engineering Council of United Kingdom
- Masters of Business Administration (UZ)
- BSc Honours Electrical Engineering (UZ)

6. Eng. Jeremiah T. Munembe
Innovation Executive

- Masters of Business Administration (UZ)
- BSc Electrical Engineering (UZ)
- Member of the Zimbabwe Institution of Engineers (MZweIE)
- Black Belt - Six Sigma

7. Mr. Joseph Machiva
Divisional Director Retail

- Masters of Business Administration (University of Gloucestershire UK)
- Bachelor of Commerce Honours Degree in Marketing (NUST)
- Fellow Marketing Association of Zimbabwe (MAZ)

8. Mrs. Caroline Sandura
Company Secretary & Legal Advisor

- Joint Honours in Law and Politics (UK)
- Barrister at Law

9. Mr. Bernard T. Makanza
Audit and Risk Executive

- Chartered Accountant (Zimbabwe)
- Bachelor of Accounting Science (Honours) Degree (UNISA)
- Bachelor of Accountancy (Honours) Degree (UZ)

Corporate Governance Report (cont'd)

This TelOne corporate governance report provides annual disclosure on the overall corporate governance system of the business.

At the heart of the business is the desire to achieve the highest standard of organisational efficiency and transparency as the business implements its transformation strategy. We continue to emphasise the separation of powers between the TelOne Board of Directors and Management; where the former provides an oversight role and the latter implements the day-to-day running of the business.

We endeavour to be a beacon of ethical and professional conduct as we tap into the rich experience of our skilled and experienced Board members and management.

Governance structure

The committees of our Board are the Finance and Audit; Human Resources; and the Business Development, Marketing and Technical ("BMT") Committees.

Board member	Designation	Committees
Mrs. J. Machoba	Board Chairperson Non-Executive Director	N/A
Mrs. V. M Chasi	Non-Executive Director	• Human Resources & Governance • Finance and Audit
Mr. E. Dube	Non-Executive Director	• Human Resources & Governance • BMT
Mrs. B. Musakwa	Non-Executive Director	• Finance and Audit • BMT
G. Manyuwa	Non-Executive Director	• Finance and Audit • Human Resources & Governance
Mr. C.S. Chigwamba	Non-Executive Director	• Human Resources & Governance • BMT
Mrs. C. Mtasa	Managing Director Ex-officio member of the board	• All

Finance and Audit Committee

The Finance and Audit Committee provides oversight to management's financial reporting, internal control systems, risk management and the internal and external audit functions. To improve transparency and adherence to best practice, our external auditors are invited to attend all Committee meetings. Matters reported to the Board by the Finance and Audit committee cover a wide range including;

- Financial strategic plans;
- Audit plans and budget;
- Corporate governance;
- Operating budgets;
- Capital expenditure programme funding;
- Financial reporting;
- Internal audit matters and internal control environment;
- Enterprise risk management;
- External audit matters and;
- Company financial policies and procedures.

Corporate Governance Report (cont'd)

Human Resources and Governance (HRG) Committee

The Human Resources Committee oversees the human resources function within the company including oversight over the human resource strategy, human resource policies, human capital development, compensation and talent development. The committee provides oversight, evaluates and cnsiders for approval matters pertaining to;

- Human resource strategy plan;
- Corporate Governance
- Human resource policies;
- Performance management;
- Executive compensation;
- Staff training and development;
- Health, safety and environmental issues and;
- Other matters that the board may refer to the committee from time to time in connection to the company's human resources.

Business Development, Marketing and Technical (BMT) Committee

The role of the business development, marketing and technical development committee is to support and advise the board in exercising its authority in relation to business development, market performance and technical projects.

The committee is responsible for approval and on-going oversight matters pertaining to:

- The company strategy and board business objectives;
- Business development issues;
- Corporate Social Investment Policy and Programmes
- Marketing strategy;
- Technology strategy;
- Capital projects planning and implementation and;
- Other matters that the board may refer to the committee from time to time in connection with the company's strategy and business performance.

Annual Board Evaluation

A Board performance self-evaluation is carried out every year. The last review was carried out during the year and covered performance evaluations for each individual Director and the Board as a whole.

Director Tenure and Meeting Attendance

We register the commitment exhibited by the Board of Directors reflected by the attendance to meetings as follows

NAME	YEAR OF FIRST APPOINTMENT TO BOARD	MAIN BOARD (6 MEETINGS)	HUMAN RESOURCES (4 MEETINGS)	FINANCE & AUDIT (4 MEETINGS)	BMT (4 MEETINGS)	AGM (1 MEETING)
J. MACHOBA	2018	6	N/A	N/A	N/A	1
V.M. CHASI	2012	6	4	4	N/A	1
C.S. CHIGWAMBA	2014	4	4	N/A	4	1
E. DUBE	2018	6	4	N/A	4	1
G. MANYUMWA	2018	5	4	2	N/A	1
B. MUSWAKA	2018	5	N/A	3	4	1
C. MTASA	2013	6	4	4	4	1

Corporate Governance Report (cont'd)

Management Committees

TelOne Management Committee members have a crucial obligation to direct the activities of the business, while ensuring delivery of set targets and strict adherence to corporate governance practices. Through the works of various committees, TelOne has been able to effectively and efficiently implement and monitor activities towards attainment of business goals. The committees that have been put in place to assist in managing business operations are as follows:

i. Executive Committee
The Executive Committee has the responsibility to manage the affairs of the company. The Executive Committee reviews significant functions of the Company and recommends appropriate action to the Board. The Executive Committee is tasked with implementation of the company's strategy, ensuring that there are sound policies and procedures in place to guide operations. It also ensures that there are adequate systems of internal control to safeguard company assets and resources.

ii. Risk and Compliance Management
This committee meets monthly to review the company's risk profile and monitor implementation of appropriate actions to mitigate identified risks.

Membership of the committee is as follows

- Engineer L. Nkala - Divisional Director Infrastructure and Wholesale (Chairman)
- Mr. K. Musundire - Finance and Administration Director
- Mr H. Zinyau - Corporate Services Director
- Mr. J. Machiva - Divisional Director Retail
- Mr. B. Makanza - Audit and Risk Executive
- Engineer J. Munembe - Innovation Executive
- Mrs C. Sandura - Company Secretary and Legal Advisor

Internal Audit

The company has in place an independent Risk Internal Audit function with reports functionally to the Finance and Audit Committee of the Board. The Internal Audit function is governed by an internal audit charter which is reviewed regularly. Internal Audit's scope of work is reviewed and approved by the Finance and Audit Committee annually. The Finance and Audit Committee also receives quarterly reports on Internal Audit's work.

Performance Management

We have in place a performance management system which was developed from the Results Based Management System. The performance management system evolves from the company's strategy whereby departmental targets and strategic initiatives are first determined at company level. Following the determination of departmental strategies, individual employee performance contracts are signed off for every employee. These contracts form the basis of performance reviews which are done formally on a quarterly basis.

Business Ethics, Integrity and Transparency

TelOne is committed to upholding high standards of integrity and corporate governance in all operations. TelOne will continue to conduct itself in an open, honest, ethical and transparent manner. The company recognizes the importance of protecting its human, financial, physical, informational, social, environmental and reputational assets. To facilitate the investigation of any instance which goes against the company's values, the company has for the last 5 years operated an independent and anonymous fraud reporting hotline, Tip Offs Anonymous, offered through Deloitte.

Deloitte.
TIP-OFFS
ANONYMOUS

SUSTAINABILITY PILLARS

- Focus On Our Clients
- Focus On Our Shareholder
- Focus On Our Economy
- Focus On Our People
- TelOne In The Community


EOPLE
LANET
ROFIT
CIPLES

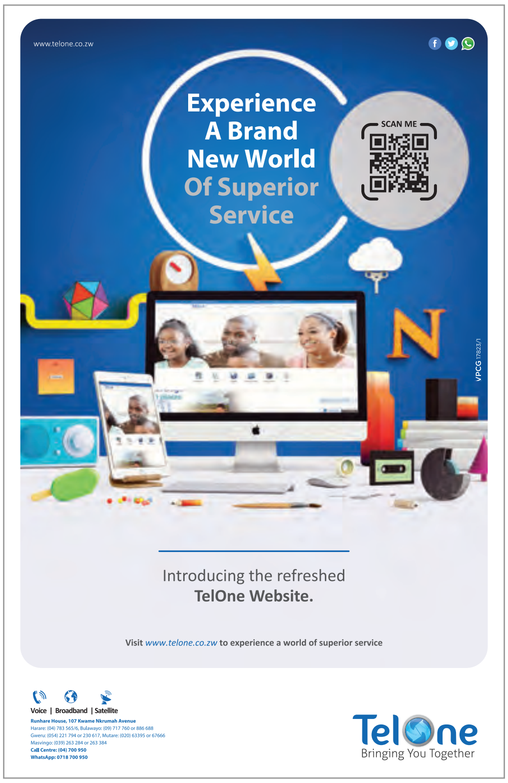
Focus on our Clients

We have continuously made great strides to keep our Clients engaged by introducing various promotions and packages that suit our client needs as well as rewarding our clients for consistent usage as follows:

- Broadband Home Extra was introduced to assist clients utilise their Broadband download caps in view of the power outages that were being experienced
- The Bring a Client back home promotion rewarded Broadband users for consistent usage
- The Prepay and Win Promotion that was rewarding Clients for brand loyalty was a popular hit with clients receiving free cordless handsets
- The Voice on Net Bundle promotion offered unbeatable voice calling rates to voice clients

The seamless TelOne revamped website and Mobile App were launched to increase the client satisfaction index across all product lines.

In line with our commitment to constantly review feedback from our clients, TelOne has held client engagements across all regions in Zimbabwe using focus groups in different sectors.



Enterprise and Client Experience Teams take time to engage clients to feedback for continuous improvement

Focus on our Clients (cont'd)

Client Experience to AMAZE Clients
In line with our client-centric culture, TelOne launched a customer service campaign themed #AMAZE during the year. The theme celebrates and appreciates its valued clients for their loyalty and support for Telone services.

A - ACT PROMPTLY
M - MEMORABLE EXPERIENCE
A - ATTITUDE ALWAYS POSITIVE
Z - ZEALOUSLY SERVING CLIENTS
E - EXTRA MILE

The AMAZE theme is designed to strengthen our commitment to providing an amazing client experience to our valued clients whnever they get to interact with our TelOne Brand at all our client touch points.

Our valued clients visiting our shops across the nation walked away with gifts. Top management, including Executives, took time to visit our shops, Contact Centre and also interacted with our clients. There was an improvement in debt-collection as a result of this.

Focus on Our Shareholder

TelOne is determined to create value for the Shareholder through the implementation of a sustainable business strategy.

TelOne is pursuing both financial and non-financial targets which include contributing to the development of our communities, economy and customers' ease of doing business and is targeting to pay a dividend at 3 times cover by 2021.

The company, led by its board, management and staff is committed to upholding standards of good corporate governance in all aspects of the business.

His Excellency President E. D. Mnangagwa in 2019 officiated the official launch of the of the Bulawayo-Beitbridge and Harare-Beitbridge backbone fibre links. The links which connect Zimbabwe to the rest of the world via South Africa have augmented the Government thrust to put in place measures for ease of doing business through cost effective and efficient connectivity.

Delegation from Office of the President and Cabinet and Ministry of Finance and Economic Development led by Chief Secretary Dr. Misheck Sibanda and Secretary for Finance Mr. George Guvamatanga touring the assembly plant at the TelOne Msasa factory. The assembly plant is a joint venture between TelOne and OPC.

TelOne has consistently held an AGM over the past 5 years

Focus on our Economy

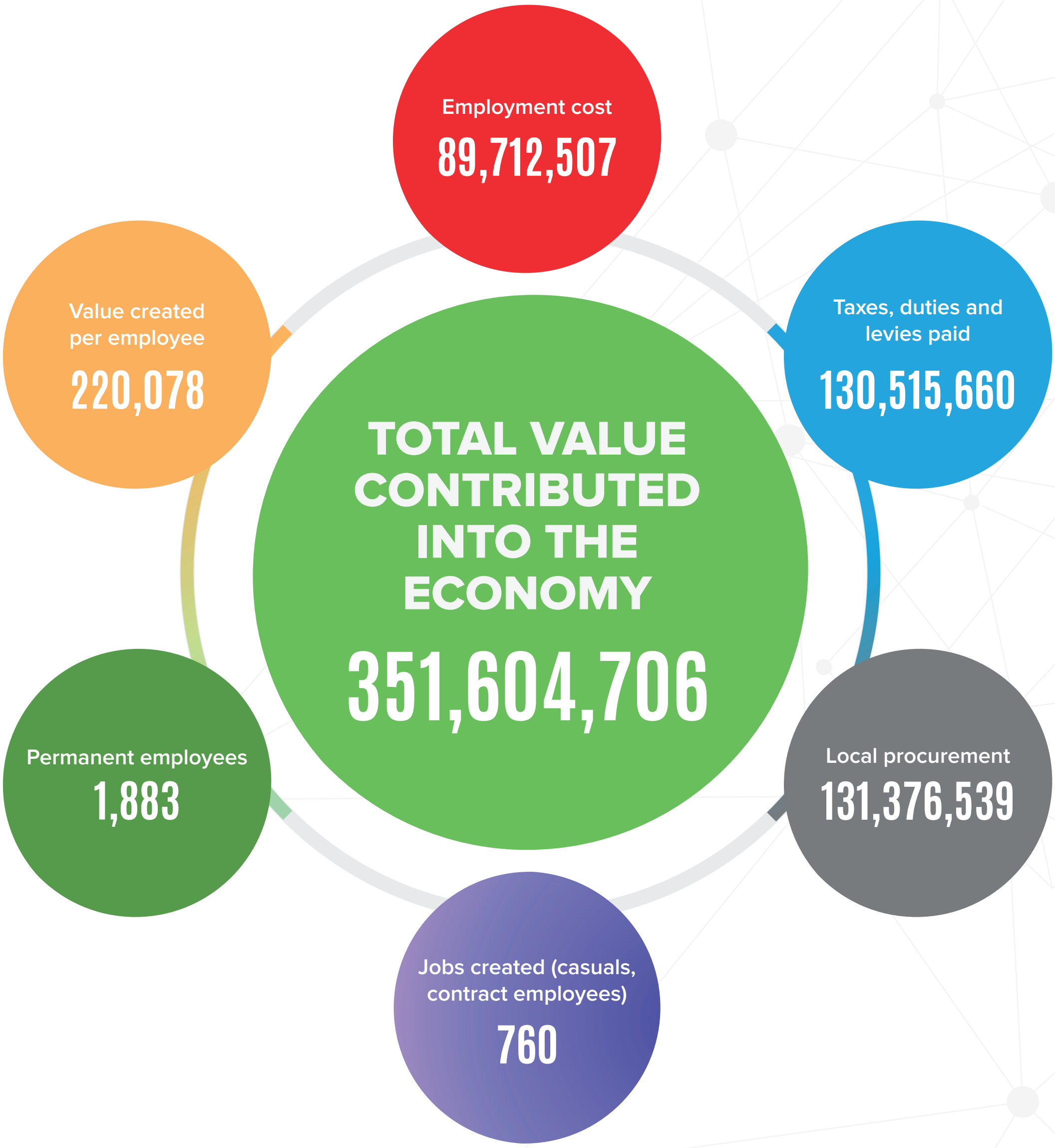
TelOne remains committed to cultivating economic development by providing reliable and affordable connectivity and communication solutions required for sustained economic growth. By operating responsibly, TelOne creates value for clients, shareholder and the economy at large.

During the year, we provided local employment to 760 people in our various infrastructure roll-out projects and provided specialist telecommunications training to more than 300 students at the TelOne Centre for Learning. Further, we have contributed into the economy through payment of ZWL130 million in taxes, duties and levies.

TelOne has a deliberate strategy to promote local businesses by procuring from local suppliers within the confines of procurement regulations. During the year, the company supported local suppliers by awarding various procurement contracts worth ZWL131 million to local businesses.

Value distributed into the economy

2019: ZWL



Focus On Our People

Training and Development

The company has identified leadership, talent and culture as strategic human resource pillars. These strategic pillars will continue to receive attention in the companies strategic planning process as they provide the context in which employees and the company can sustainably develop.

During the year various training and development interventions were implemented resulting in an increase in the average training man days from 1.4 days in 2018 to 1.6 days in 2019.

The focus was mainly on the development of Leadership, Commercial, Technical, Digital and Soft skills across the structure. Teambuilding, Employee Engagement Leadership Awareness and Supervisory Development Programmes were done to engrain servant leadership attributes in the leadership. This fosters an enabling working environment as TelOne continues on its organisational culture transformation.

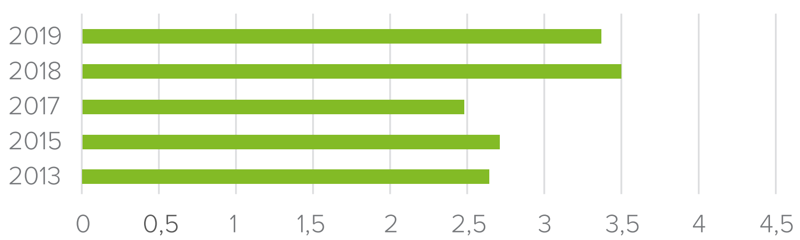
2019 Employee Engagement Survey Highlights

There are ongoing organisational culture change programmes which TelOne undertakes in order to enhance employee loyalty, committement and ultimately improve staff productivity. To be able to provide excellent customer service, TelOne believes that the voice of the employee is important. TelOne thus conducts employee engagement surveys on an annual basis to assess the level of employees' engagement, loyalty and buy in to the company's programmes and way of doing business including leadership style.

Figure below shows Employee Engagement Trend from 2013 to date

TelOne Employee Engagement remained within the acceptable range of 3.37 despite the harsh operating environment where employees' disposable income were eroded by inflation. TelOne management used

Employee Engagement Survey Results



	2013	2015	2017	2018	2019
Employee Engagement Survey Results	2,64	2,71	2,48	3,50	3,37

different interventions to maintain high staff morale and these include introduction of quarterly grocery schemes, Managing Director's staff engagement sessions and an all-inclusive approach to problem solving.

Performance Management

TelOne has a robust performance management system is in place where individual and company performance is merited monthly and quarterly. Formal performance reports performance are generated from the quarterly performance revies for all staff.

Focus On Our People (cont'd)

The 2019 staff perfomance awards

TelOne MD gives an employee an Award as Executive Management looks on.

Moving towards work place gender balance

TelOne has been a predominantly male dominated company as is the case in the ICT sector in the country. The embalance stems from the fact that traditionally, there are fewer women taking on technical/ ICT programmes compared to males. However, TelOne is addressing the gender disparity through a recruitment policy that places performance, affording opportunities to qualified and competent female candidates over male candidates. The top three female students qualifing with the TelOne Diploma in Telecommunication will be afforded an employment opportunity in TelOne.

TelOne targets to have at least 50% female employees by December 2023 as projected on the table below.

Gender balance projections

Table Below shows gender balance projection

Gender	2019	2020	2021	2022	2023
Female	23 %	26%	35%	40%	50%
Male	76%	74%	65%	65%	50%

TELONE ENDEAVOURS TO ACHIEVE GENDER BALANCE IN THE WORK PLACE

TELONE IN THE COMMUNITY

Connecting People Building Communities


TelOne
in the community
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Communities
TelOne
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ng Communities
CARRIER OF CARRIERS WORKING TOWARDS A DIGITALLY ENABLED SOCIETY BY 2023
3-MOB.COM

TelOne in the Community:
Connecting People, Building Communities

Our Corporate Social Investment Programmes

Our CSI programmes have evolved over the past 5 years reaching and impacting at least 10 districts of Zimbabwe with a spent of 0.5% of the company's revenue in line with the Corporate Governance Act guidelines.

Our Impact in Summary

SDG Pillar	Programme	Impact
Social Welfare (SDG 1: End Poverty in all its forms everywhere)	i. A total of 100 blankets, Groceries and Exercise books donated to Tichakunda Orphanage ii. Donated 500 blankets, groceries and building material to Cyclone Idai Victims in Chimanimani iii. Staff donations of building material to Cyclone Idai Victims	• Benefitted 534 orphaned children who live or are supported by the home • Benefitted more than 500 displaced families • Benefitted 420 pupils and 310 families in the targeted community (two primary schools and 2 villages)
Health (SDG 3: Promote Health and Well-being)	i. Medical supplies donated to Cyclone Idai victims in Chimanimani	• Chimanimani and Chipinge communities consisting of more than 50 000 people benefitted
Education (SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all)	i. Tailor made broadband connectivity packages for schools and tertiary institutions and training ii. A total of 100 laptops to tertiary institutions and schools around the country. iii. A donation of 30 000 exercise books to schools implemented iv. Construction of Innovation labs at universities	• More than 10 000 students • Less privileged brilliant students benefitted • Generational impact with 1 000 students benefitting annually
Girls Empowerment (SDG 5: Achieve gender equality and empower women and girls)	i. 200 high school girls adopted for job shadowing, mentorship and training ii. 30 000 sanitary pads donated to less privileged rural girls	• 200 less privileged girls were exposed to a different life and benefitted from the programme
(SDG 13: Take action to combat climate change and all its impact)	i. 1000 Bins donated in 2019 ii. 10 000 fruit trees, two 5 000-litre water tanks, greenhouse and solar powered borehole system donated to the Zimbabwe Prisons and Correctional Services	• Benefitted 10 Town and Municipal councils • To benefit more than 15000 prisoners in Chikurubi • To save the company money spent on procuring tree seedling for countrywide tree planting

TelOne in the Community:
Connecting People, Building Communities (cont'd)

Our Community strategy is deliberately structured to position TelOne as a company about people and having relevance in their lives. While we continue to deliver value through our products and services, our community programmes gives the business its humane personality.

Under the five pillars – **Social Welfare, Health, Education, Girls Empowerment and Environment,** programmes are anchored on the need for the empowerment and protection of the vulnerable in society**,** improvement of quality of education, access to quality health and the promotion of safe, resilient and sustainable environments.

Our Programmes

Social Welfare

Annually, TelOne selects a welfare intervention to focus on depending on emerging social needs and identified gaps. Under the welfare interventions, more focus is now being given to institutions working with orphans and the elderly. In 2019, Support was directed to Tichakunda Orphanage in Hatcliffe where TelOne donated Blankets, Groceries and Exercise Books to orphaned children. Under this programme TelOne also supports Ad-hoc emergency needs. In the year under review Cyclone Idai Victims were supported through a donation of Blankets, Groceries and Medication.

Our Response to Cyclone Idai Disaster

TelOne responded to the distress call following the Cyclone Idai disaster with several initiatives which included a donation of ZWL100,000 worth of medicines, food stuffs. A total of 500 blankets were handed over together with food hampers to affected households.

The company also opened all 152 exchanges and TelOne shops countrywide to receive donations from well-wishers which were delivered to the affected communities. Telone also offered toll free lines for individuals in distress, donations and volunteers while the Chimanimani, Chipangayi, Chipinge, Birchenough and Checheche Telephone exchanges were offered to the local communities to contact their relatives.

TelOne in the Community:
Connecting People, Building Communities (cont'd)

Our Staff, our 2019 Kindness Heroes!

TelOne answered the call in response to the critical needs that came about due to the Cyclone Idai natural disaster.

Our response story was made special by the magnanimity displayed by our staff members who through their Workers Union organised themselves and offered to commute their off days to the company to raise their own contribution to support families affected by the cyclone.

Through the staff contributions, some learning and building material towards the reconstruction of Tya Primary School in Chimanimani was sourced. Maparadze Clinic in Chipinge was also supported through replacing its borehole pump which had sunk due to the cyclone among an assortment of building materials.

TelOne staff representatives handing over their donations to Tya Primary School and Maparadze Clinic

Health

The TelOne Community Health Access Programme supports selected communities with health interventions. This comes in terms of material support for existing health facilities and construction support for clinics and Health Access Points in rural areas working with local leadership with the guidance of the Ministry of Health and Childcare. In 2019, TelOne committed and begun construction of Lazy 7, Mazowe Clinic and Monyoroka Village Clinic in Chiredzi where people travel at least 15 kilometres to access a basic health facility. TelOne is investing a combined ZWL800,000 for both projects which are scheduled for completion in 2020.

TelOne also supported the Chimanimani community with medical supplies after the destruction of hospitals and clinics by Cyclone Idai.

TelOne in the Community:
Connecting People, Building Communities (cont'd)

Education

To support the development of education in the country through increasing access to information, TelOne has packages that have been tailor made for schools and institutions of higher learning.

In 2019 TelOne donated a total of 100 laptops to tertiary institutions and 30 000 exercise books to different schools in the country.

TelOne also has infrastructure support programmes in tertiary institutions. In the last four years, TelOne has spent ZWL1 million on this cause and this covered innovation labs, library and laboratory construction and renovations at different institutions of higher learning. In 2019 alone, ZWL300 000 was spent.

The infrastructure support programme is expected to continue to benefit all tertiary institutions on a rotational basis.

TelOne celebrating with the 2018 national top grade 7 teacher at Knowe Primary School

TelOne exercise books are distributed to vulnerable pupils at selected schools annually. In 2019 a total of 30 000 exercise books were donated.

TelOne outreach at Knowe Primary School

TelOne in the Community:
Connecting People, Building Communities (cont'd)

TelOne supports the development of young innovators and engineers

During 2019, TelOne funded the establishment of the Innovatio Hub at Harare Institute of Technology under the ongoing infrastructure support programme at institutions of higher learning.

TelOne in the Community:
Connecting People, Building Communities (cont'd)

Girls Empowerment

At TelOne we believe in paying it forward. As a woman led organisation that is on a drive to encourage and support more women and girls to take up leadership roles, we have an exciting Girls Empowerment programme that has been running since 2016. The TelOne QueenMakers Girls Empowerment Programme was re-launched at the end of 2018 to run for one year until 2019 with an enrolment of 200 girls from across Zimbabwe. TelOne partnered with different organisations that include United Nations Population Fund (UNFPA) to offer training on different modules to the underprivileged girls selected to participate in the programme.

2019 marked the first official graduation after the completion of the programme. The girls received a TelOne Queen Makers certificate.

Besides going through the popular job shadowing and mentorship, the girls were also trained in;•

- Leadership
- Grooming and Etiquette
- Financial Literacy
- Sexual and Reproductive Health
- Basic ICT and Social Media skills

n 2020, the programme is expected to be strengthened through the expansion of partnerships and widening of the programme scope.

TelOne in the Community:
Connecting People, Building Communities (cont'd)

Environment

Provide-A-Bin and Clean-Up Campaigns

The Provide-A-Bin Programme remain our flagship under the Environment pillar. Over the year, this programme was augmented by the expanded clean-up campaigns which were amplified under the National Clean-Up Programme. Under the clean-up programme, we pride ourselves in being motivated towards the cause as the whole staff body seeing at least 80% of our staff members participating in the programme over the year.

The litter receptacle distribution programme to local authorities around Zimbabwe saw TelOne donating 1000 bins in different areas countrywide bringing the total number of our donations since 2016 to almost 6000 litter bins. For sustainability purposes, our litter bins are made through recycling old oil or chemical drums which are fabricated in-house by our team of welders at the TelOne Msasa Factory in Harare and Topyard in Bulawayo.

Telone Managing Director and team members during a cleanup day

Telone Managing Director handing over tree seedlings for Chikurubi Prison Orchard. TelOne is also supporting a nursery project which is producing seedlings for the TelOne nationwide tree planting programme. It is also being developed to be able to sell seedlings to other clients and help raise money for the upkeep of inmates.

Plant-A-Tree

Under the Environment pillar TelOne also runs the Plant-A-Tree programme through which an incremental number of trees are planted annually. This programme has been supporting sustainability for different schools from whose nurseries we purchase the tree seedling. To further strengthen the sustainability of the programme in 2019 TelOne donated 10 000 fruit trees, two 5 000-litre water tanks, a greenhouse and solar powered borehole to the Zimbabwe Prisons and Correctional Services (ZPCS). This is meant to boost the prisons orchards and assist prisons on their self-sustenance drive. Through this donation, ZPCS is establishing a nursery which will ensure the sustainability of the broader TelOne tree planting programme by becoming a low costs source of tree seedlings for the countrywide programme.

Besides the Prisons nursery project, a total of 35 000 trees were planted by TelOne teams and partners across the country. With the establishment of the nursery, the number of trees planted is expected to double by end of 2020.

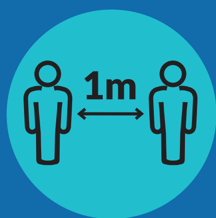
Coronavirus COVID-19

Together we can **STOP** the spread of **COVID-19**

What we can do to stop the spread of COVID-19

Wash your hands thoroughly for at least 20 seconds with soap and running water.

Wear a face mask appropriately when you go into public places.



Always maintain distance of at least 1 metre from each other.

Cough or sneeze into a flexed elbow or tissue. Dispose the used tissue into a closed bin.

Together we can stop the spread of COVID-19.

For information and advice visit **www.mohcc.gov.zw** or
Phone Toll Free: 2019

#StopTheSpread

Tel•One's public health advice is guided by the Ministry of Health and Childcare and **WHO.**

TelOne
Bringing You Together

INTRODUCTION
CORPORATE GOVERNANCE
SUSTAINABILITY
FINANCIAL PERFORMANCE
ANNEXURES

TelOne Responds to the COVID-19 Pandemic

Symbolic Covid 19 donation cheque presentation to His Excellency President E. Mnangagwa at State House in Harare

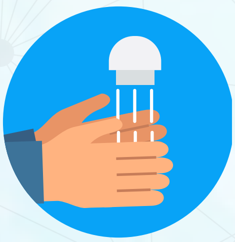
TelOne responded to the COVID 19 pandemic in several ways supporting our staff and the community at large.

At the core of our community response is the partnership with sister entity NetOne, where we put together a ZWL 10million package for intervention in 3 public hospitals as a national level response. The beneficiary hospitals are Sally Mugabe Central, Mpilo and Beatrice Infectious Diseases Hospitals.

Under the partnership, focus has been on provision of Personal Protective Equipment (PPE) for frontline staff, provision of clean water through borehole drilling, critical equipment provision and ward refurbishment.

The intervention was well received for its expected long-term impact.

Three boreholes at Sally Mugabe Hospital, 2 boreholes at Mpilo Hospital and, 1 borehole at Beatrice Hospital have been drilled and installed improving access to water for staff and patients. Respiratory equipment, Personal Protective Equipment and ward furniture are some of the materials benefitting the hospitals which have been secured and distributed.



WASH YOUR HANDS

TelOne Respond to the COVID-19 Pandemic (cont'd)

Remembering the Rural Communities

TelOne acknowledges that beyond supporting the larger, high traffic hospitals, district and rural health facilities remain exposed to the impact of the pandemic due to limited support. The company therefore had to further redirect resources from the 2020 Corporate Social Investment scheduled programmes and has been able to mobilise a Covid 19 response package for at least 13 rural health facilities in different localities.

Package includes blankets, front line staff PPE, indoor and outdoor disinfectants and washable masks for the community.

Masvosva community receiving materials on behalf of their clinic

Information is Power

As a communications company, we have been able to support communication channels in use during this pandemic period. Our support has been extended to equipping and enabling toll free services for the National Emergency Operations Centre and the Ministry of Health and Child Care Head Office.

Through partnership with the World Bank, we are running a community education campaign where we have turned most of our billboard sites to COVID 19 messages platforms. Thousands of posters in the three main languages have also been distributed countywide.

Ensuring the Safety of our Staff

We are pleased to have expended about 70% of our total COVID 19 response expenditure to ensure business continuity and the safety of our staff members. Our interventions include;

- Covid 19 testing for all staff members.
- Training all staff on the pandemic by medical personnel.
- Decongestion of offices, taking turns to report to office and working from home.
- Establishment of an internal toll free hotline manned by medical personnel to support staff members and their immediate families with information and response in cases of illness.
- Distribution of full protective gear for all frontline staff and masks, gloves and hand sanitisers for all staff.
- Suspension of personal visitors in all TelOne facilities and routine sanitisation of all work stations.
- Establishment of online channels for most meetings and managed sites for the few meetings that may require people to come together.
- Establishment of private staff quarantine centres for use if the need arises.

TelOne staff members going through the COVID 19 testing process

Sanitisation at building entrance by one of our nursing staff members

USE SOAP OR HAND SANITISER

Risk Overview

As TelOne is taking strides to shape the digital future through innovation, it is faced with risks from both the internal and external environment. Events outside TelOne present both risks and opportunities. The business then focuses its efforts to predicting and focusing on risks whilst aiming to take advantage of any opportunities.

RISK MANAGEMENT APPROACH

We encounter risks and uncertainties in and outside our organisation. To attain company objectives, the business has developed a robust risk management framework continuously benchmarked against international standards and undergird by various lines of defence as follows:

i) Risk Champions
ii) Regional Risk Management Committees
iii) Risk Management Committee
iv) Executive Committees
v) Audit Committees
vi) Board of Directors

Composite Risk Outlook

The overall or composite risks affecting strategic objectives in various sections of the business are summarised as below:

Key Risks Affecting Strategy

Below is the outlook of risks highlights potentially affecting strategy deployment in 2020:

Risk type	Threat	Probability	Impact	Management action
Operational Risks	COVID19 Business Continuity Risk issues			▪ The business has put in place measures to fight the pandemic in compliance with statutory requirements giving priority to people safety; ▪ Business continuity threats emanating from the pandemic continue to be given management attention & remained key in the period under review.
Financial Risks	Business projects aimed at expanding product offering to enhance revenue growth continue to be affected by lack of **foreign currency.**			▪ Management exploring the possibility for generating own foreign currency whilst acquisition through interbank and forex auction system remains an option. ▪ Business strategic thrust continues to reduce initiatives that are foreign currency hungry.
	Business profitability continues to be eroded by the **foreign currency exchange losses** in response to the volatility of the of the ZW dollar rate to the USD resulting in exchange losses.			▪ Business strategy deliberately reducing foreign currency borrowings in order to cap exchange losses.
	High cost structure mainly driven by an **adverse exchange rate** fuelling the cost base, coupled with decreased consumer spending potentially affecting the viability & survival of the business.			▪ The business continues to look at pricing strategies that balance service affordability and business survival. ▪ Pursue locally-available products and services to aggressively reduce foreign obligations
	The business liquidity position continues to be affected **by low revenue collection.**			▪ The business continued to anchor its revenue collection on prepaid as a main strategy to reduce default exposure. ▪ Skills upgrade in debt collection has been done.
	Property Damage and Business interruption potential risk issues			▪ Asset revaluation program by management for FY2019 is underway for adequate insurance in the event of loss.
Compliance Risks	Real revenue growth threatened by a regulated pricing model in view of annual hyperinflation averaging 520% as at 31 December 2019.			▪ Business and other players lobbying for tariff reviews aligned to the Telecoms Pricing Index ▪ Strategy aimed at enhancing consumption continues

Special Report: Network Vandalism Awareness 2019 Update

- The vandalism of the TelOne telecommunications infrastructure for copper continued to be a challenge with more than 300 such incidents being been encountered in the year. This resulted in service disruption to more than 25,000 customers and revenue leakages.
- Joint operations with the Police and community engagements were conducted to combat the crime and more than 115 copper cable criminals were arrested and brought before the courts. Anti-vandalism campaigns were also featured on radio and ZBC Television Crime Watch programme. TelOne paid rewards of more than ZWL50 000 to members of the public for providing information that led to the arrest and conviction of criminals.

FINANCIAL STATEMENTS

- Directors' responsibility statement
- Independent Auditor's report
- Annual financial statements

Directors' Responsibility Statement

Accounting records and financial statements

The Board of Directors is responsible for the maintenance of adequate accounting records, preparation of financial statements and related information contained in the Sustainability Report, ensuring that they fairly present the state of affairs of and results of TelOne's operations.

External Auditor's Role

The company's external auditor, the Office of the Auditor General, is responsible for carrying out an independent examination of financial statements in accordance with International Standards on Auditing and reporting on findings. The external auditor's report is presented on pages 55-57 of the Sustainability Report.

Systems of internal control

TelOne's systems of internal financial control give reasonable assurance to the reliability of financial statements, safeguard assets and prevent misstatements to financial information.

Going concern

The financial statements have been prepared on a going concern basis despite the company's technical insolvency position. The Going Concern basis has been considered to remain an appropriate reporting basis due to plans that are being pursued to recapitalize the company balance sheet and transform the business. Further, the Directors are aware of Government Guarantees against the company's legacy loan balances. Further disclosure on the company's going concern have been made in note 30 to the financial statements.

Accounting standards and policies

The financial statements were prepared with the aim of complying fully with International Financial Reporting Standards (IFRS). While full compliance with IFRS has been possible in previous reporting periods, only partial compliance has been achieved for 2019. The company could not comply with the requirements to IAS 21 (The Effects of Changes in Foreign Exchange Rates) in determining the functional currency for use in preparing the 2018 financial statements due to the need to comply with Statutory Instrument 33 of 2019 which prescribed parity between the ZWL and US$. This non compliance with IAS 21 impacted 2019 financial balances which were carried over from 2018. Further, the complany could not comply with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) in restating 2018 financial statements due to the need to ensure continued compliance with Statutory Instrument 33 of 2019

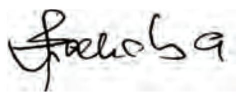
The company has however applied other requirements of IFRS and has consistently applied its policies from the date of the last Sustainability Report.

Approval of financial statements

The financial statements for the year ended 31 December 2019 as set out under pages 58-89 fairly present in all material respects the financial position and performance of TelOne (Private) Limited and have been approved by the Board of Directors.

K. MUSUNDIRE
Finance Director CA(Z)

C. MTASA
Managing Director



J. MACHOBA
Board Chairman

30 July 2020

All communication should be addressed to
"The Auditor-General"
P.O. Box CY 143, Causeway, Harare
Telephone No.: 793611/3/4, 762817/8/20-23
Telegrams: "AUDITOR"
Fax: 706070
E-mail: ocag@auditgen.gov.zw

Reference: SB 54

OFFICE OF THE AUDITOR-GENERAL
5th Floor, Burroughs House
48 George Silundika Avenue
Harare

REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF INFORMATION COMMUNICATION TECHNOLOGY AND POSTAL AND COURIER SERVICES

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE FINANCIAL STATEMENTS FOR

TELONE (PRIVATE) LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

Report on the Audit of the Financial Statements

Adverse Opinion

I have audited the accompanying financial statements of the TelOne (Private) Limited set out on pages 58 to 89, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other 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 my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph of my report, the accompanying financial statements do not present fairly, the financial position of the TelOne (Private) Limited as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard (IAS) 21" The effects of changes in foreign exchange rates"

Exchange rates
The entity translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The entity used January 01, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL using the February 22, 2019 interbank rate. The entity has not been able to assess the appropriateness of use of the interbank rate in achieving fair presentation primarily due to the need to comply with SI 33 and also the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. Additionally, the introduction of the interbank rate occurred after a period of foreign currency scarcity and constrained exchangeability of bond notes, coins and electronic money to other foreign currencies. In substance, the immediate delivery of foreign currency could not be guaranteed which impinged on the underlying concept of closing rates and definition of spot rates. This therefore impacts the basis for measuring transactions between October 2018 and February 2019, valuation of assets and liabilities as well as the accounting for exchange differences. In that regard, the entity has not been able to comply with the requirements of IAS 21.

Date of change in functional currency
TelOne adopted January 01, 2019 as date of change in functional currency despite the existence of evidence that the chosen date may not be appropriate. Based on International Accounting Standard 21 (IAS 21) "The Effects of Changes in Foreign Exchange Rates", the functional currency of an entity is the currency of the primary economic environment in which the entity operates and reflects the underlying transactions, events and conditions that are relevant to it.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. In particular, there was a requirement for banks to separate local Foreign Currency Accounts (FCAs) (RTGS$) from the FCA Nostro US$ Accounts effective October 01, 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS$ and US$. In February 2019 there was a Monetary Policy statement which introduced RTGS$ and the interbank foreign exchange market.

Due to the fundamental nature of the issues raised and interplay of variables within the existing economic environment, I have not been able to determine the extent of misstatements and any adjustments that would have been necessary to correct the historical cost financial statements. The effects on the historical financial statements have an impact on the IAS 29 inflation adjusted financial statements.

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the TelOne (Pvt) Ltd in accordance with the ethical requirements that are relevant to my audit of the financial statements in Zimbabwe, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Material uncertainty related to going concern

I draw attention to note 30 in the financial statements which shows that the Company had an inflation adjusted net liability position of ZWL4 831 951 709 (2018: ZWL1 179 920 349) as at 31 December 2019. Additionally, the entity incurred recurring inflation adjusted before tax losses amounting to ZWL5 169 485 518 (2018: $121 922 409) in the 2019 financial year. The entity has significant legacy loans and borrowings amounting to ZWL8 502 908 361 (2018: ZWL2 963 202 788) principal plus interest accruals. The fixed-term borrowings approached maturity without realistic prospects of renewal or repayment. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition to the matters described in the basis for adverse opinion section, I have determined the matters described below to be the key audit matters to be communicated in my report.

Matter	Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Valuation of trade receivables	The Company's trade receivables amount to $382 101 407. These trade receivables are adjusted for by allowance for credit losses amounting to $135 154 322. Refer to note 12. The determination of the allowance for credit losses requires significant management judgment. Accordingly, it was identified as key audit matter. The accounting policies for allowance for credit losses and trade receivables are disclosed in note 3.8.1.	My audit procedures to address the risk of material misstatement relating to the valuation of trade receivables included: • Obtaining third party confirmations of long outstanding and material trade receivables. • Performing a detailed debtors' analysis to verify accuracy and validity of debtor movements and to identify irregular debtor balances. • Assessing the reasonableness of the judgements and assumptions made in estimating the allowance for credit losses. • Evaluating the appropriateness of the presentation and disclosure of trade receivables in the financial statements for compliance with IFRS. I found the valuation, presentation and disclosure of trade receivables to be appropriate.
Revenue recognition	The entity recognised total revenue amounting to ZWL 931 384 230. Refer to note 20. The Company has various products that cut across internet, voice and data from which it generates revenue. To support these services, the company uses a complex IT based billing system. The huge volume of transactions from numerous revenue streams and the high level of regulation in the Telecoms industry results in revenue recognition being a complex area. The level of complexity and the presumed risk in revenue recognition were considered to be of most significance to the audit. The accounting policies for revenue are disclosed in notes 3.8 whilst the other related disclosures are contained in note 20.	The audit procedures to address the risk of material misstatement relating to revenue recognition included: • Testing of data input controls with the assistance of IT specialists. • With assistance of IT specialists, I tested controls over data migration from LEAP billing system to SAP accounting system to ensure accuracy, completeness and integrity of revenue per the accounting system. • Billing data analysis to confirm the accuracy and completeness of usage based revenue. • Testing the validity, accuracy and completeness of revenue in line with the changes to the business conditions and terms. I found no material errors in the computation and recognition of revenue.

Other information in the Annual Report

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report and does not include the financial statements and my auditor's report thereon.

My opinion on the Company's financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

In connection with my audit of the Company's financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

The Company's management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs) and in a manner required by the Companies Act [Chapter 24:22] and the Public Finance Management Act [Chapter 22:19], 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's and ISSAI's 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 and ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements
In my opinion, the financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Postal and Telecommunications Act [Chapter 12:05], the Public Finance Management Act [Chapter 22:19] and relevant Statutory Instruments.

______________________, 2020. ______________________

AUDITOR – GENERAL. **M. CHIRI**

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

		Inflation Adjusted (Audited)		Historical (Audited)	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	Note	ZWL	ZWL	ZWL	ZWL
ASSETS					
Non current assets					
Property, plant and equipment	4	2 005 970 319	2 025 598 769	319 304 115	326 109 822
Capital work in progress	5	27 848 857	12 409 512	6 424 729	1 998 311
Investment property	7	9 133 204	6 445 494	1 019 952	1 037 922
Intangible assets	8	391 772 657	165 278 931	257 527 062	26 614 965
Right of use assets	10	3 354 258	-	961 657	-
Investment in joint operation	9.2	4 774 432	-	3 484 987	-
Deferred tax asset	17.4	1 263 218 799	-	1 896 242 954	-
Financial assets	9.1	166 611 765	12 573 261	166 611 781	2 024 680
		3 872 684 291	**2 222 305 967**	**2 651 577 237**	**357 785 700**
Current assets					
Inventories	11	73 414 553	57 910 033	21 047 750	9 325 287
Assets classified as held-for-sale	6	129 121	815 814	129 121	131 371
Trade and other receivables	12	382 101 407	935 661 583	382 101 407	150 670 142
Cash and cash equivalents	13	152 067 244	75 574 207	152 067 244	12 169 760
		607 712 325	**1 069 961 637**	**555 345 522**	**172 296 560**
TOTAL ASSETS		**4 480 396 616**	**3 292 267 604**	**3 206 922 759**	**530 082 260**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	14	199	199	32	32
Fair value though other comprehensive income		11 339 024	2 699 195	9 074 482	434 653
Retained Income		(4 843 290 932)	(1 182 619 743)	(6 076 216 516)	(190 437 876)
		(4 831 951 709)	**(1 179 920 349)**	**(6 067 142 002)**	**(190 003 191)**
Non-current liabilities					
Foreign legacy loans	15	8 505 908 361	2 963 202 788	8 505 908 361	477 092 671
Local long term loans	16.1	35 544 436	-	35 544 436	-
Long term payable	18.3	-	38 565 377	-	6 210 206
Deferred tax liability	17.4	-	267 539 015	-	43 081 967
Deferred income	18.4	69 157 433	-	30 873 869	-
Lease liability	10	961 657	-	961 657	-
		8 611 571 887	**3 269 307 180**	**8 573 288 323**	**526 384 844**
Current liabilities					
Trade and other payables	18.1	612 164 714	1 008 850 428	612 164 714	162 455 786
Loan interest payable	18.2	1 785 240	8 656 563	1 785 240	1 393 971
Local loans due within one year	16.2	59 723 806	157 177 704	59 723 806	25 310 419
Current tax payable	17.3	17 665 477	8 801 762	17 665 477	1 417 353
Provisions	19	9 437 201	19 394 316	9 437 201	3 123 078
		700 776 438	**1 202 880 773**	**700 776 438**	**193 700 607**
TOTAL EQUITY AND LIABILITIES		**4 480 396 616**	**3 292 267 604**	**3 206 922 759**	**530 082 260**

30 July 2020

K. MUSUNDIRE,
(Finance Director CA(Z)).

30 July 2020

C. MTASA,
(Managing Director).

30 July 2020

J. MACHOBA,
(Board Chairman).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

		Inflation Adjusted (Audited)		Historical (Audited)	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	Note	ZWL	ZWL	ZWL	ZWL
Revenue	20	931 384 230	777 234 839	414 407 631	125 158 589
Payment to other operators	21	(197 157 845)	(115 137 357)	(95 526 732)	(18 540 637)
Net revenue		**734 226 385**	**662 097 482**	**318 880 899**	**106 617 952**
Other income	22	107 721 793	19 151 802	71 422 916	3 084 026
Operating expenses		(578 560 982)	(536 193 129)	(243 568 114)	(86 343 499)
Other operating expenses	23	(335 071 337)	(258 322 629)	(153 855 607)	(41 597 847)
Staff costs	23.1	(243 489 645)	(277 870 500)	(89 712 507)	(44 745 652)
Earnings before interest, tax and depreciation and armotisation		**263 387 196**	**145 056 155**	**146 735 701**	**23 358 479**
Depreciation of property, plant and equipment	4	(93 321 379)	(156 705 115)	(28 313 543)	(25 234 318)
Depreciation of investment property	7	(58 955)	(111 594)	(17 970)	(17 970)
Depreciation of right of use assets	10	(234 198)	-	(67 144)	-
Amortisation of intangibles	8	(27 381 475)	(22 469 103)	(18 168 671)	(3 618 213)
Operating profit/(loss)		**142 391 189**	**(34 229 657)**	**100 168 373**	**(5 512 022)**
Foreign legacy loans expenses	24.3	(7 922 713 720)	(64 439 966)	(7 922 713 720)	(10 376 806)
Finance income		83 260 317	84 609 805	40 114 131	13 624 767
Other finance costs	24.2	(165 611 674)	(107 862 591)	(18 321 837)	(17 369 177)
Monetary gain		2 701 988 916	-	-	-
Net exchange movement on payables and receivables	25	(8 800 546)	-	(8 800 546)	-
Loss before tax		**(5 169 485 518)**	**(121 922 409)**	**(7 809 553 599)**	**(19 633 238)**
Net tax (expense)/ income	17.1	1 515 352 292	24 231 054	1 925 500 002	3 901 941
Loss for the year		**(3 654 133 226)**	**(97 691 355)**	**(5 884 053 597)**	**(15 731 297)**
Other comprehensive income					
Impairment of property, plant and equipment	4	(8 963 271)	(9 515 502)	(2 569 745)	(1 532 287)
Deferred tax on impairment of property,plant and equipment		2 215 900	2 740 123	635 292	441 330
Net exchange movement		282 033	-	282 033	-
Deferred tax		(72 624)	-	(72 624)	-
Fair value re-measurement gain	9	11 636 133	(1 394 530)	11 636 133	(224 562)
Deferred tax		(2 996 304)	64 876	(2 996 304)	10 447
Total other comprehensive profit/ (loss)		2 101 867	(8 105 033)	6 914 785	(1 305 072)
Total Comprehensive Loss for the year		**(3 652 031 359)**	**(105 796 388)**	**(5 877 138 812)**	**(17 036 369)**

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

INFLATION ADJUSTED	Share capital ZWL	Revaluation surplus reserve ZWL	Currency translation reserve ZWL	Financial assets at Fair value through other comprehensive income ZWL	Retained earnings ZWL	Total Equity ZWL
Balance January 01 2018	**199**	**(79 435 476)**	**-**	**4 028 855**	**(998 717 533)**	**(1 074 123 954)**
Loss for the year	-	-	-	-	(97 691 355)	(97 691 355)
Impairment on property, plant & equipment	-	(6 775 380)	-	-	-	(6 775 380)
Fair value on financial assets classified as FVTOCI	-	-	-	(1 329 660)	-	(1 329 660)
Reclassification of reserve on first application of IAS 29	-	86 210 856	-	-	(86 210 856)	-
Balance at December 31, 2018	**199**	**-**	**-**	**2 699 195**	**(1 182 619 743)**	**(1 179 920 349)**
Balance at January 01, 2019	**199**	**-**	**-**	**2 699 195**	**(1 182 619 743)**	**(1 179 920 349)**
Total comprehensive income for the year	-	(6 537 962)	-	8 639 829	(3 654 133 226)	(3 652 031 359)
Profit for the year	-		-	-	(3 654 133 226)	(3 654 133 226)
Net effect of change in functional currency	-	209 409	-	-	-	209 409
Impairment on property, plant & equipment	-	(6 747 371)	-	-	-	(6 747 372)
Fair value on financial assets classified as FVTOCI	-		-	8 639 829		8 639 829
Reclassification of reserves	-	6 537 962	-	-	(6 537 962)	-
Balance at 31 December 2019	**199**	**-**	**-**	**11 339 024**	**(4 843 290 932)**	**(4 831 951 709)**

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

HISTORICAL COST	Share capital ZWL	Revaluation surplus reserve ZWL	Currency translation reserve ZWL	Financial assets at fair value through other comprehensive income ZWL	Retained earnings ZWL	Total Equity ZWL
Balance January 01 2018	**32**	**(12 791 542)**	**-**	**648 769**	**(160 824 079)**	**(172 966 820)**
Comprehensive loss for the year	-	-	-	-	(15 731 297)	(15 731 297)
Impairment of property plant & equipment	-	(1 090 958)	-	-	-	(1 090 958)
Fair value on financial assets classified as FVTOCI	-	-	-	(214 116)	-	(214 116)
Reclassification of reserve	-	13 882 500	-		(13 882 500)	-
Balance at December 31, 2018	**32**	**-**	**-**	**434 653**	**(190 437 876)**	**(190 003 191)**
Balance at January 01, 2019	**32**	**-**	**-**	**434 653**	**(190 437 876)**	**(190 003 191)**
Total comprehensive income for the year	**-**	**(1 934 453)**	**209 410**	**8 639 829**	**(5 884 053 597)**	**(5 877 138 812)**
Profit for the year	-	-	-	-	(5 884 053 597)	(5 884 053 597)
Net effect of change in functional currency	-	-	209 410	-	-	209 410
Impairment on property, plant & equipment	-	(1 934 453)	-	-	-	(1 934 453)
Fair value on financial assets classified as FVTOCI	-	-	-	8 639 829	-	8 639 829
Reclassification of reserves	-	1 934 453	(209 410)		(1 725 043)	-
Balance at 31 December 2019	**32**	**-**	**-**	**9 074 482**	**(6 076 216 516)**	**(6 067 142 002)**

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STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

		Inflation Adjusted (Audited)		Historical (Audited)	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	Note	ZWL	ZWL	ZWL	ZWL
Cash flows from operating activities					
Operating Profit/(Loss)		142,391,189	(34,229,657)	100,168,373	(5,512,022)
Adjustments for:					
Depreciation of property, plant and equipment	4	93 321 379	156 705 115	28 313 543	25 171 334
Depreciation of investment property	7	58 955	(111 594)	17 970	17 970
Depreciation of right of use assets	10	234 198	-	67 144	
Amortisation of intangible assets	8	27 381 475	22 469 103	18 168 671	3 618 213
Provision for staff costs		6 314 122	-	6 314 122	-
Exchange (gains)/ losses			(4 721 836)		(760 360)
Payable written off		(31 710 985)	-	(21 025 374)	-
Discount realised on settlement of foreign loan	22	(23 238 032)	-	(15 407 541)	-
(Loss)/profit on disposal of property, plant and equipment		(63 070)	(383 107)	(25 885)	(61 692)
Non cash other income	22	(28 167 922)	-	(18 676 213)	-
		186 521 309	139 728 024	97 914 810	22 473 443
Changes in working Capital					
Increase in inventories		(15 504 521)	(600 383)	(11 722 463)	(96 680)
Decrease / (Increase) in receivables		553 560 176	(110 791 051)	(218 585 236)	(17 840 749)
Increase in payables		396 685 714	65 642 619	268 748 605	10 570 470
Cash generated from operations		**1 121 262 678**	**93 979 209**	**136 355 716**	**15 106 484**
Tax paid		-	(2 409 710)	-	(388 037)
Net cash from operating activities		**1 121 262 678**	**91 569 499**	**136 355 716**	**14 718 447**
Cash flows from investing activities					
Dividends received	22	7 199 928	4 668 018	4 773 777	751 694
Finance income received		3 046 568	1 947 400	1 467 811	313 591
Purchase of property, plant and equipment	4	(77 192 401)	(114 419 527)	(12 430 338)	(18 425 045)
Purchase of capital works in progress equipment		(20 488 672)	(9 845 162)	(5 874 046)	(1 585 372)
Investment in Joint Operation	9.2	(4 774 432)	-	(3 484 987)	-
Proceeds from disposal of plant equipment		99 129	3 180 464	98 187	512 152
Proceeds from disposal of spares		53 646	-	53 136	-
Intangible asset development expenditure		(18 503 683)	(12 238 285)	(5 304 955)	(1 970 738)
Net cash utilised in investing activities		**(110 559 917)**	**(126 707 092)**	**(20 701 415)**	**(20 403 718)**
Cash flows from financing activities					
Finance costs paid		(71 507 176)	(15 608 642)	(7 910 933)	(2 513 469)
Proceeds from long term foreign borrowings		-	89 150 201	-	14 355 910
Proceeds from local borrowings		148 231 492	-	71 562 575	-
Repayment of local borrowings		(2 868 139)	(7 446 374)	(2 868 139)	(1 199 094)
Repayment of foreign borrowings		(127 452 638)	(13 436 924)	(36 540 321)	(2 136 711)
Net cash inflow/(outflow) from financing activities		**(53 596 461)**	**52 658 261**	**24 243 182**	**8 506 636**
Inflation effects on cash and cash equivalents		(880 613 262)	-	-	-
Net increase in cash and cash equivalents		**76 493 038**	**17 520 668**	**139 897 484**	**2 821 364**
Cash and cash equivalents at beginning of the year		75 574 207	58 053 539	12 169 760	9 348 396
Cash and cash equivalents at end of year	13	**152 067 244**	**75 574 207**	**152 067 244**	**12 169 760**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

1. NATURE OF BUSINESS AND GENERAL INFORMATION

Tel-One (Private) Limited was incorporated in Zimbabwe in 2000 in terms of the Companies Act [Chapter 24.03] pursuant to the Postal and Telecommunications Act [Chapter 12:05). The Company is wholly owned by the Government of Zimbabwe. Tel-One is a fixed mobile convergence operator whose principal activities are that of provision of telecommunication services and multimedia services. The Company is registered at the Registrar of Companies under registration number 4658/2000.

The registered offices and address: **Runhare House**
107 Kwame Nkrumah Avenue
P.O Box CY 331
Harare

2. BASIS OF PREPARATION

2.1 Authorization of Financial Statements

The financial statements are authorised for issue by the Tel-One Board of Directors and prepared under the supervision of Mr K. Musundire, CA (Z) and have been audited in terms of Section 29(1) of the Companies Act (Chapter 24:03).

2.2 Compliance

2.2.1 Compliance with IFRS

The financial statements were prepared with the aim of complying with International Financial Reporting Standards (IFRS). While full compliance with IFRS has been possible in previous reporting periods, only partial compliance has been achieved for 2019.

The company could not comply with the requirements to IAS 21 (The Effects of Changes in Foreign Exchange Rates) in determining the functional currency for use in preparing the financial statements for the year ended 31 December 2018 (comparative financial statements) due to the need to comply with Statutory Instrument 33 of 2019 which prescribed parity between the RTGS and USD up to the effective date of 22 February 2019. The company has not complied with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) which requires restatement of 2018 financial statements due to the need to ensure continued compliance with Statutory Instrument 33 of 2019. Due to the significance of 2018 balances carried forward to 2019, the company financial statements for the year ended 31 December 2019 could not fully comply with IFRS requirements. The company has however consistently applied its policies from the date of the last Sustainability Report.

2.2.2 Compliance with Legal and Regulatory requirements

The financial statements for the year ended 31 December 2019 have been prepared in accordance with the Companies Act [Chapter 24.03]. During the year under review various new legislations were issued. These included statutory instruments 32, 33, 41 and 142. The Reserve Bank of Zimbabwe also issued exchange control directives R102 and R28 which were applied in the preparation of financial statements for the year ended 31 December 2019.

2.3 Going Concern Basis

The Company is in a net liability position of ZWL4.8 billion, the net liability position is mainly due to the presence of foreign legacy loans which are carried on the company balance sheet amounting to ZWL8.5billion. The company shareholder, the Government of Zimbabwe has commenced a process to warehouse these foreign loans off the company balance sheet resulting in a healthy net asset position. Further disclosures on appropriateness of the Going Concern basis are made in note 30 to these financial statements.

2.4 Currency of reporting

The financial statements are presented in Zimbabwe Dollars (ZWL) which became the functional currency of the company as from 1 January 2019.

In February 2019, the Government issued Statutory Instrument 33 of 2019 (S133 of 2019) which directed that all assets and liabilities that were denominated in United States dollars (USD) before 22 February 2019 be deemed to have become RTGS dollars at a rate of 1:1 to the USD. The financial reporting and audit guidance on currency considerations under the environment prevailing issued by the Public Accountants and Auditors Board (PAAB) on 21 March 2019 urged preparers of the financial statements to comply with the laws and regulations of the country although this would result in an inability to comply with IAS 21. The statement of financial position was translated as at 1 January 2019.

All transactions post this date were translated to ZWL at the official interbank rate prevailing at the time of transacting.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2019

The functional currency of the company changed in the current year to ZWL from USD into the previous year as a consequence of the above. The company also changed its presentation currency to ZWL.

2.5 Consistency of Presentation and Accounting policies

Accounting policies have been selected and applied consistently for similar transactions, other events and conditions unless an International Financial Reporting Standards (IFRS) specifically requires or permits categorization of items. The policy, shall be selected and applied consistently to each category for which different policies may be appropriate. If an International Financial Reporting Standards (IFRS) requires or permits such categorization, an appropriate accounting policy shall be applied.

2.6 Basis of Measurement

The financial statements of the company are prepared under the historical cost convention, except for the fair value of certain financial instruments and property, plant and equipment that are carried under the revaluation model.

2.7 Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and formulate assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. They are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could require a material adjustment to the carrying amount of the asset or liability in the future. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Estimates and judgements were applied on the following

i. Useful life of assets, depreciation rates and residual values.
ii. Exchange rates for the period 01 January to 22 February 2019.
iii. Consumer price index was judged to be the most appropriate index to be applied for inflation accounting.
iv. Allowance for credit losses.
v. Discount rate to be applied for IFRS 16 purposes.

2.8 Financial Reporting in Hyperinflationary Economies

On 11 October 2019, the Public Accountants and Auditors Board (PAAB) announced that the requisite economic factors and characteristics necessary for the application of IAS 29 in Zimbabwe had been met. This pronouncement applies to reporting for financial periods ending on or after 1 July 2019. The financial statements prepared on the historical cost basis have been adjusted to fully comply with IFRS; these adjustments include the restatement of current financial information to comply with IAS 29 which requires that financial statements be prepared and presented in terms of the measuring unit current at the reporting date with comparative information being restated in the same manner.

The date of application of inflation accounting was 01 January 2019 as it was prudent to do so. The Consumer Price Index (CPI) was elected as the general price index to restate amounts. The restatements cater for the changes in the General Purchasing Power of the Zimbabwean Dollar (ZWL) are based on indices and conversion factors derived from the Consumer Price Index (CPI) compiled by the Central Statistical Office, which are shown below:

The following general price indices and conversion factors were applied:

Date	General Price Index	Conversion factor
31 December 2019	551.60	1.00
31 December 2018	88.10	6.26
Average CPI for 12 months to:		
31 December 2019	240.28	
31 December 2018	62.70	

Restatement of financial statements approach

1. Select a general price index
2. Calculate the adjusting factor
3. Segregate monetary and non-monetary items
4. Restate non-monetary items excluding shareholders' equity
5. Restate shareholders' equity
6. Restate the statement of comprehensive income
7. Calculate the monetary gain or loss
8. Restate comparative figures

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The gain or loss on the net monetary position was recognized as part of profit or loss before tax in the statement of profit or loss and other comprehensive income.

2.9 New and Revised Financial Reporting Standards implemented during the year

New standards, amendments and interpretations effective January 01 2019, which have been adopted and applied

i. IFRS 16 Leases

IFRS 16 Leases, issued by the IASB in January 2016, is effective for reporting periods beginning on, or after, 1 January 2019 and will be adopted by the company on 1 January 2019. IFRS 16 was adopted using the modified retrospective approach. There was no restatement of prior periods. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Leases where the company acts as lessor IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases.

Leases in which the company is a lessee, the adoption of the standard will result in a significant increase in the asset and liability position from the recognition of right-of-use assets and lease liabilities representing the present value of future minimum lease payments discounted at a rate appropriate after taking the lease term into account, attributable to the property leases.

The right-of-use assets will be subsequently measured using the cost model as set out in IAS 16 Property, Plant and Equipment. The right-of-use liabilities will subsequently be measured at amortised cost.

The lessee shall recognize the lease payments associated with leases as an expense on either a straight line basis over the lease term or another systematic basis for short term leases or leases for which the underlying asset is of low value.

Practical Expedients applied

In applying IFRS 16 for the first time, the entity has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

ii. IAS 12 Income Taxes and IFRIC 23

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The effective date is 1 January 2019. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

2.10 New Standards, Amendments and Interpretations issued but not yet effective for financial year beginning 01 January 2019 and not yet adopted

i. IFRS 17 Insurance Contracts

It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts. It is effective for periods beginning on or after 01 January 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2019

iii. IAS 1 and IAS 8

The amendment relates to the definition of material information. According to the new definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The threshold of materiality influencing users has been changed from could influence to could reasonably be expected to influence. The amendments are applied prospectively for annual periods beginning on or after 01 January 2020 with earlier application permitted.

3. Significant Accounting Policies

3.1 Property, Plant and Equipment

Items of property, plant and equipment are measured initially at cost, less accumulated depreciation and accumulated impairment. Cost includes purchase price and any costs 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. Cost also includes the cost of replacing part of the plant and equipment and borrowing costs for long term projects if the recognition criteria is met. Costs of repairs and maintenance are recognized in profit and loss as they are incurred.

Assets in the course of construction are carried at cost less any recognized impairment. Cost includes professional fees, import clearance charges and borrowing costs for qualifying assets. Depreciation for these assets is on the same basis as other assets and only commences when the assets are ready for intended use.

Property, Plant and Equipment are measured at fair value at date of revaluation less subsequent accumulated depreciation and accumulated impairment losses. Items of property, plant and equipment are depreciated using the straight-line method, so as to write off the assets over the anticipated useful lives. The depreciation methods, useful lives and residual values of assets are reviewed and adjusted if appropriate at each reporting date with the effect of any changes in accounting estimate accounted for on a prospective basis. The useful life of the different categories of property, plant and equipment is estimated as follows:

Asset class	Years
Buildings	20-40
Telecommunications plant	5- 20
Stores plant	5-10
Fixtures and fittings	5-20
Transport equipment	3-10
Computer Equipment	3-5

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Statement of Profit or Loss and other Comprehensive Income.

3.2 Intangible Assets

Intangible Assets acquired separately are measured on initial recognition at cost. The costs are amortized over the estimated useful lives using the straight line method. Subsequently they are carried at cost less accumulated amortization and accumulated impairment losses. Amortization commences when the intangible assets are available for their intended use and is recognized on a straight-line basis over their expected useful lives. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Amortization ceases at the earlier of classification as held for sale or derecognition.

Intangible assets comprise mainly of acquired computer software licenses and Indivisible Rights of Use (IRU), which are capitalized on the basis of the costs incurred to acquire and bring to use the specified software, Billing systems and Synchronous Transport Module (STMs). Computer software development costs recognized as assets are amortized over their estimated useful lives as follows:

Intangible Asset	Years
SAP software	5
Leap billing software	5
Indefeasible Rights of Use	20

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from de-recognition of an intangible asset measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss when the asset is derecognized.

3.3 Investment Property

Investment properties are properties held to earn rentals or for capital appreciation rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. An investment property shall be measured initially at cost. Transaction costs shall be included in the initial measurement. At subsequent measurement investment property shall be measured at cost less any accumulated depreciation and any accumulated impairment losses. Fair values are determined for disclosure purposes in terms of IAS 40 paragraph 32. Fair values are determined based on valuation performed by an accredited independent valuer. Where valuation is not determined by an independent valuer that fact will be disclosed.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between net disposal proceeds and the carrying amount is recognized in profit or loss in the year of de-recognition.

3.4 Non- Current Assets Held for Sale

Non-current assets held for sale are assets whose carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are carried at the lower of carrying amount and fair value less costs to sell. For an asset to qualify for classification under IFRS 5 it must meet the following conditions:

- asset must be available for immediate sale in its present condition
- its sale must be highly probable

Defining a highly probable sale

- Appropriate level of management must be committed to a plan to sell the asset (e.g. recommendation to dispose of specific asset in a board of survey is approved at director level)
- An active programme to locate a buyer and complete the plan must have been initiated (e.g. advertising through appropriate media platforms)
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of qualification (except where circumstances beyond the entity's control prevent this)

When a sale does not take place within a year because of circumstances beyond an entity's control that fact shall be stated. Reclassification can also be done to original class when the decision to sell the asset changes. Reclassification shall be at the carrying amount.

3.5 Impairment of Non-Financial Assets

The company at each reporting date assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing is required the company estimates the recoverable amount. Recoverable amount being the higher of fair value less costs to sell and the value in use of the asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount and that reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss unless the asset is carried at revalued amount. An impairment loss of a revalued amount is treated as a revaluation decrease. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

3.6 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments in lieu of the right to use an asset for an agreed period of time. The company at inception assesses whether the contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The lessee may elect not to apply requirements of the standard to short term leases or leases for which the underlying asset is of low value. Lessee shall recognize the lease payments as an expenses on either straight line basis or another systematic basis. If the contract conveys the right to control the use of an identified asset a right of use asset and lease liability shall be recognized. At commencement date the right of use asset shall be measured by applying the cost model. The right of use asset shall be depreciated over the duration of the lease period in a systematic basis. At the reporting date the value of the right use asset shall be the value at commencement date less any accumulated depreciation.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2019

As at January 2019 IFRS 16 became effective replacing IAS 17. An assessment of the leases register was carried out and two assets were identified as Right of Use Assets.

3.7 Inventory

Inventories are assets held for sale in the ordinary course of business; or in the process of production for such sale; or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories that the company still carries but which are no longer available on the market are carried at nil value. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. Items accounted for as inventory include installation material, maintenance material and network equipment.

3.8 Trade and Other Receivables

Trade and other receivables are measured at their transaction price initially and subsequently at amortised cost. Trade receivables are composed of an extensive customer base, covering residential, government, wholesale, local authorities and state owned entities. When a trade receivable is uncollectible, it is written off against the allowance for expected losses. Subsequent recoveries of amounts previously written off are credited in profit or loss.

3.8.1 Allowance for Expected Credit Losses

The company has a credit policy that is applied to all categories of trade receivables. Summary of the credit policy is as follows:

TelOne Credit Policy

The major impact of the application of IFRS 9 is on trade and other receivables. IFRS 9 stipulates three approaches to calculating expected credit losses i.e. the General Approach, the Simplified Approach and the Credit Impaired Approach.

- TelOne adopted the simplified approach as this is the approach specifically designated for trade receivables or contract assets that arise from transactions that are within the scope of IFRS 15 (para 5.1.15).
- TelOne has a large number of trade receivables (most of them with small balances) and it would be difficult to obtain/monitor forward-looking credit information on each customer hence the company has applied the portfolio basis when assessing changes in credit risk of its customers.
- Seven markets within the company's trade receivables portfolio have been identified as Portfolios as follows:

1. Corporates
2. Government
3. Wholesale
4. Local authorities
5. State owned Entities
6. Residential
7. Internet Service Providers (ISP)

- The portfolios have been identified on the basis of their shared characteristics (particularly payment patterns) and also that these markets are already demarcated as such in our books for reporting purposes.
- In calculating the expected credit loss for each portfolio of trade receivables, a default rate for the given portfolio is determined on the basis of the value of trade receivables accounts in default for a particular period divided by the total value of trade receivables. Customers/Accounts that are in default are those who have not paid their accounts for at least a period of twelve months.
- Adjustments are made to the default rate in order to take into account reasonable and supportable forecasts affecting collectability. The forecasts may be external e.g. macro-economic conditions or may be portfolio specific.
- The default rates adjusted in line with forward looking information are then applied on the total value of receivables for the particular market to come up with expected credit losses.

3.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. Financial assets and financial liabilities are recognized when the company becomes party to the contractual provisions of the instrument.

3.9.1 Financial Assets

Financial assets are classified on the basis of both

a) The business model for managing the financial assets and
b) The contractual cash flow characteristics of the financial asset.

The Business Model Test

The Business Model Test considers the objective/motive of an entity in holding a financial asset as follows:

- is the objective of the entity's business model to hold the financial asset in order to collect contractual cash flows?
- or is the financial asset held to achieve an objective of both collecting contractual cash flows and to sell

Initially all financial instruments are measured at fair value plus transaction costs (or minus transaction costs in the case of a financial asset/liability not at Fair Value through Profit or Loss).

On subsequent measurement, IFRS 9 classifies financial assets according to categories that reflect the measurement basis (i.e. measurement determines the category), namely

- amortized cost
- fair value through other comprehensive income
- fair value through profit or loss

The critical issues that are considered in determining the class of a financial asset on subsequent measurement is the Business Model Test and the Cash flow Characteristic Test

The Cash flow Characteristics Test (also known as the SPPI test)

This test considers the characteristics of the cash flows of the financial asset whether they are 'solely payments of principal and interest (SPPI)'

Financial assets are classified initially as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

i) Financial assets are measured at amortized cost if
a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
ii) Financial assets shall be measured at fair value through other comprehensive income if both of the following conditions are met
a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
iii) Financial assets shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

An entity can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

Financial instruments carried in the Statement of Financial Position comprise cash and cash equivalents, trade and other receivables, trade and other payables debentures, equity instruments and amounts owing to and from related parties. These instruments are measured initially at fair value, for instruments not at fair value through profit or loss and directly attributable costs.

3.9.2 Financial Liabilities

Financial liabilities are classified as subsequently measured at amortized cost except for those financial liabilities at fair value through profit or loss. At initial recognition an irrevocable election can be made to designate a financial liability as measured at fair value through profit or loss for hybrid contracts or when doing so results in more relevant information. Financial liabilities of the company include trade and other payables and loans.

3.9.3 Provisions

Provisions are liabilities of uncertain timing or amount. Provisions are recognized when the company has a present obligation, legal or constructive, as a result of past event. It should be probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount of the obligation shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditure expected to be required to settle the obligation. The discount rate applied shall be a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2019

3.10 Revenue

Revenue is recognized when the following criteria are met

The parties to the contract have approved the contract whether in writing, orally or in accordance with other customary business practices and are committed to perform their respective obligations

- The entity can identify each other's rights regarding the goods or services to be transferred
- The entity can identify the payment terms for the goods or services to be transferred
- The contract has commercial substance
- It is probable that the entity will collect consideration to which it will be entitled in exchange for the goods and services that will be transferred to the customer.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognized by applying the 5 step model of IFRS 15 as follows

Step 1 Identify the contract with the 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 Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is from the provision of telecommunication services, rental, sale and repair of telecommunication equipment. The company provides five broad categories of goods and services.

- Voice
- Broadband
- Satellite
- Centre For Learning Services
- Sale of accessories and client premise equipment

3.10.1 Voice

The company provides voice telephone services. Revenue includes installation fees for first time service, monthly rentals and usage charges. The service can be prepaid or postpaid. For the postpaid service billing is done monthly and revenue is recognized when the client is billed. For the prepaid service revenue is based on actual usage or upon expiration of the usage period. Installation fees revenue is recognized on date of connection to our service. Monthly rentals are recognized as revenue as the clients are provided access to network based on the agreed fixed charges.

3.10.2 Broadband

The company provides leased circuits services. The service is a data service. Revenue includes installation fees and rental fees for the data services. The service is postpaid and revenue is recognized on accrual basis that is when the client is billed at the end of each month. The company also provides internet services in the form of broadband services. The company provides broadband connectivity through Asymmetric Digital Subscriber Line (ADSL) and Fibre to the Home/Premise (FTTH).

3.10.3 Satellite

The company offers satellite services that can deliver voice, data and video services. The service can also provide broadband via satellite through the Ka Band VSAT. Satellite services are postpaid and revenue is recognized on accrual basis that is when the client is billed at the end of each month.

3.10.4 Other Income

This is income from non-core activities for the business that is it is income from the sale of goods and services that are non-telecommunication. Income from the sale of goods is recognized when the performance obligations under the contract have been satisfied. Income from services rendered is recognized by reference to the stage of completion of the transaction at the reporting date. Other income also includes income from the rental of properties and income from training services.

3.10.5 Finance Income

This is income earned from financial assets, money market placements and accounts at financial institutions. As a way of encouraging customers to settle all current bills on time interest is now being levied on all overdue accounts in line with the client service contracts.

3.10.7 Deferred Revenue

Revenue is deferred when revenue has not yet been earned. The Company has deferred income arising from loan and debt forgiveness agreements which are conditional. Revenue is deferred over the period of condition. Revenue is realized as the condition is met and through profit and loss.

3.11 Taxation

3.11.1 Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or to be paid to the tax authorities. The tax rates and tax laws used to compute the tax amount are those that are enacted or substantially enacted at the reporting date. Current income tax relating to items recognized directly in equity shall also be recognized in equity and not in the statement of comprehensive income. Current tax for current and prior periods shall to the extent unpaid be recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset.

3.11.2 Deferred tax

Deferred tax is provided using the Financial Position Approach on temporary differences between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liability is recognized for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits. Deferred tax asset are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences , carry forward of unused tax losses and unused tax credits can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled based on tax rates and tax laws that are enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current liabilities and deferred taxes relate to the same taxable authority.

3.11.3 Value Added Tax (VAT)

Expenses and assets are recorded net of amount of VAT except when the VAT incurred on the purchase of assets or services is not recoverable from tax authorities, in which case, the tax is recognized as part of the expenses items as applicable. All receivables and payables are stated with the amount of Value Added Tax included. The company remits output VAT to the Revenue authority on a cash basis.

3.12 Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.

3.12.1 Short Term Employee Benefits

Employee benefits other than termination benefits that are expected to be settled wholly before twelve months after the year end of the annual reporting period in which the employees render the related service. The short term benefits comprise remuneration in the form of salaries, wages, bonuses, employee entitlement to leave pay and medical aid. When an employee has rendered service during an accounting period the entity shall recognize the undiscounted amount of the short term benefits expected to be paid in exchange for that service as an expense or as a liability (accrued expense).

3.12.2 Post-employment Benefits

Employee benefits other than termination benefits and short term benefits that are payable after the completion of service. They comprise retirement benefits provided through a Defined Benefit Plan administered by the Communication and Allied Industries Pension Fund, a multi-employer plan. The company also contributes to National Social Security Authority. When an employee has rendered service during an accounting period the entity shall recognize the contribution payable to a defined contribution plan as an expense or as a liability (accrued expense).

3.12.3 Termination Benefits

Employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The company recognizes a liability and expense at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes costs for restructuring that is within the scope of IAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2019

37 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits. Termination benefits are measured according to the terms of the termination contract.

3.13 Fair Value Measurement

The company measures financial instruments such as financial assets at fair value through other comprehensive income at each balance sheet date. 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 measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the absence of a principal market in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the company. The fair value of the asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The valuation techniques that are used are those that are appropriate in the circumstances and for which sufficient data are available to measure fair value maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3.13.1 Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

External valuers are engaged for the valuation of significant assets like property, plant and equipment and investment property. Selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained.

3.15 Foreign Currency Transactions

The company's presentation currency is the Zimbabwe Dollar (ZWL). The functional currency is also the Zimbabwe Dollar (ZWL). Foreign currency transactions are recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction period. At each reporting date monetary items are translated using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value shall be translated using the exchange rates at the date when the fair value was measured.

3.16 Government Grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants including non-monetary grants at fair value shall not be recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no related costs shall be recognized in profit or loss of the period in which it becomes receivable. Grants related to income are presented as part of profit or loss. Grants related to assets shall be presented in the Statement of Financial Position as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

3.17 Current and Non-Current classification

The company presents assets and liabilities in the statement of financial position using the current and non-current classification.

An asset is current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle or

- held primarily for the purpose of trade
- expected to be realized within twelve months after the reporting period
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

The company classifies all other assets that do not meet the above definition as non-current.

A liability is current when
- it is expected to be settled in the normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities that do not meet the above definition as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

3.18 Events after the Reporting Period

Events after the reporting period favourable and unfavourable that occur between the end of the reporting period and the date when the financial statements are authorized for issue. They can be either adjusting events after the reporting period that is those that provide evidence of conditions that existed at the end of the reporting period or adjusting events after the reporting period that is those that are indicative of conditions that arose after the reporting period. An entity shall adjust the amounts recognized in its financial statements to reflect the adjusting events after the reporting date. No adjustments shall be done in the financial statements to reflect the non-adjusting events after the reporting date. Material events after the reporting period shall be disclosed stating the nature of the event and an estimate of its financial effect or a statement that such an estimate cannot be made.

Subsequent Events

Covid-19 Pandemic

On 30 January 2020, the World Health Organization (WHO) declared the COVID 19 pandemic a "Public Health Emergency of International Concern" This pandemic saw many countries implementing lock down measures in order to contain the spread of the disease. At national level, The Government of Zimbabwe declared COVID 19 a national disaster. On 27 March 2020, the Government ordered a 21 days national lockdown from the 30th of March 2020 which resulted in the total shut down of most businesses except essential services.

The entity took various measures that were necessary to protect its employees, customers, surrounding community and also to ensure that it continues as a going concern which include the following:
- Decongesting the work place by ensuring some employees work from their homes
- Providing employees with suitable protective clothing
- Sanitizing all public areas
- Encouraging customers to utilize digital delivery channels
- Suspending unnecessary capital and operating expenditure.

As at the date of approval of the financial statements, the entity had not established any significant impact on its operations as a result of the pandemic, however active monitoring of the situation remains key so as to be enable management to react swiftly to any possible outcome which may affect business continuity and sustainability. The COVID outbreak was therefore a non-adjusting event as at 31 December 2019.

The COVID 19 health pandemic has been identified as a development that has potential to affect the company's principal activities. At the time of reporting the full extent of this threat on the company's business model, sources of revenue, cost base and cash flows was yet to be fully understood. However, preliminary assessment done supported reporting on the going concern assumption for the year ended 31 December 2019.

4.1 Property, plant and equipment - Inflation Adjusted

	Land and Buildings ZWL	Telecoms Plant ZWL	Stores Plant ZWL	Fixtures and Fittings ZWL	Computer Equipment ZWL	Transport Equipment ZWL	Total 31 Dec 2019 ZWL	Total 31 Dec 2018 ZWL
Opening carrying amount	**380 261 885**	**1 627 661 213**	**2 013 282**	**7 662 516**	**12 446 400**	**18 680 648**	**2 025 598 769**	**1 733 175 655**
Gross carrying amount	441 416 640	1 960 457 015	5 126 141	15 964 802	18 629 438	50 288 117	2 448 556 381	2 005 860 354
Accumulated depreciation	(61 154 755)	(332 795 802)	(3 112 859)	(8 302 286)	(6 183 038)	(31 607 469)	(422 957 611)	(273 075 526)
Additions	16 764 361	6 754 804	234 398	10 847 070	22 535 487	20 056 280	77 192 401	114 419 527
Equipment donated	-	15 492 357	-	-	-	-	15 492 357	-
Reclassification from Capital Works in Progress (Note 5)	-	5 049 327	-	-	-	-	5 049 327	343 270 182
Transfer to Assets Held for Sale	-	-	-	-	-	-	-	-
Gross carrying amount	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Transfer from Assets Held for Sale	-	-	-		-	-	-	1 353 792
Gross carrying amount	-	-	-	-	-	-	-	2 401 426
Depreciation charge for the year	-	-	-	-	-	-	-	(391 131)
Accumulated depreciation	-	-	-	-	-	-	-	(656 503)
Impairment of assets	-	(8 963 271)	-	-	-	-	(8 963 271)	(9 515 502)
Gross carrying amount of assets impaired		(15 112 598)	-		-	-	(15 112 598)	(17 395 107)
Accumulated depreciation of assets impaired		6 149 327	-	-	-		6 149 327	7 870 663
Carrying amount of disposed items	-	-	-	-	-	(448 998)	(252 191)	-
Deemed cost	-	-	-	-	-	(1 186 920)	(666 663)	-
Accumulated depreciation	-	-	-	-	-	737 922	414 472	-
Depreciation charge for the year	(11 453 322)	(74 400 012)	(256 640)	(1 210 708)	(2 298 972)	(3 701 726)	(93 321 379)	(156 705 115)
Closing carrying amount	**385 572 924**	**1 571 594 418**	**27 504 371**	**17 298 879**	**32 682 916**	**35 773 124**	**2 005 970 319**	**2 025 598 769**
Gross carrying amount	458 181 001	1 972 640 905	30 873 869	26 811 873	41 164 925	70 344 397	2 515 685 511	2 448 556 381
Accumulated depreciation	(72 608 077)	(401 046 487)	(3 369 498)	(9 512 994)	(8 482 010)	(34 571 273)	(509 715 191)	(422 957 611)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2019

4.2 Property, plant and equipment - Historical

	Land and Buildings ZWL	Telecoms Plant ZWL	Stores Plant ZWL	Fixtures and Fittings ZWL	Computer Equipment ZWL	Transport Equipment ZWL	Total 31 Dec 2019 ZWL	Total 31 Dec 2018 ZWL
Opening carrying amount	**60 528 904**	**259 086 048**	**320 468**	**1 219 695**	**1 981 179**	**2 973 527**	**326 109 822**	**279 031 373**
Gross carrying amount	70 263 328	312 059 449	815 963	2 541 228	2 965 376	8 004 706	396 650 049	323 004 887
Accumulated depreciation	(9 734 424)	(52 973 400)	(495 495)	(1 321 532)	(984 197)	(5 031 179)	(70 540 227)	(43 973 515)
Additions	2 699 575	1 087 730	37 745	1 746 710	3 628 903	3 229 675	12 430 338	18 425 045
Equipment donated	-	10 271 917	-	-	-	-	10 271 917	-
Reclassification from Capital Works in Progress (Note 5)	-	1 447 628	-	-	-	-	1 447 628	55 277 002
Transfer to Assets Held for Sale	-	-	-	-	-	-	-	(131 371)
Gross carrying amount	-	-	-	-	-	-	-	(148 000)
Accumulated depreciation	-	-	-	-	-	-	-	16 629
Transfer from Assets Held for Sale	-	-	-		-	-	-	280 986
Gross carrying amount	-	-	-	-	-	-	-	386 703
Accumulated depreciation	-	-	-	-	-	-	-	(105 717)
Impairment of assets	-	(2 569 745)	-	-	-	-	(2 569 745)	(1 532 287)
Gross carrying amount of assets impaired		(4 332 740)	-		-	-	(4 332 740)	(2 801 145)
Accumulated depreciation of assets impaired		1 762 995	-	-	-		1 762 995	1 267 418
Carrying amount of disposed items	-	-	-	-	-	(72 302)	(72 302)	(69 590)
Deemed cost	-	-	-	-	-	(191 130)	(191 130)	(295 588)
Accumulated depreciation	-	-	-	-	-	118 828	118 828	225 998
Depreciation charge for the year	(3 474 918)	(22 572 834)	(77 864)	(367 327)	(697 504)	(1 123 097)	(28 313 543)	(25 234 318)
Closing carrying amount	**59 753 561**	**236 478 828**	**280 349**	**2 599 079**	**4 912 578**	**5 007 802**	**319 304 115**	**326 109 822**
Gross carrying amount	72 962 903	310 262 067	30 873 869	4 287 938	6 594 279	11 043 250	416 276 062	396 650 049
Accumulated depreciation	(13 209 342)	(73 783 239)	(573 359)	(1 688 859)	(1 681 701)	(6 035 448)	(96 971 947)	(70 540 227)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2019

5 CAPITAL WORKS IN PROGRESS

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Opening carrying amount	**12 409 512**	**349 049 271**	**1 998 311**	**56 207 612**
Additions	20 488 672	9 845 162	5 874 046	1 585 372
Reclassification - property, plant and equipment	(5 049 327)	(343 270 182)	(1 447 628)	(55 277 002)
- intangible assets	-	(3 214 740)	-	(517 671)
Closing carrying amount	**27 848 857**	**12 409 512**	**6 424 729**	**1 998 311**

TelOne recently completed phase one of a major capital project to modernise the telecommunications network. The completed components of the project have been transferred to Property, Plant and Equipment.

6 ASSETS CLASSIFIED AS HELD FOR SALE

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Opening carrying amount	**131 371**	**1 744 923**	**131 371**	**280 986**
Reclassification to property, plant and equipment	-	(1 744 923)	-	(280 986)
Reclassification from property, Plant and equipment	-	815 814	-	131 371
Disposals	(2 250)	-	(2 250)	-
Closing carrying amount	**129 121**	**815 814**	**129 121**	**131 371**

Assets transfered to Non Current Assets Held for Sale are residential properties in Chiredzi which are occupied by former TelOne employees which were classified as such. A year has lapsed since classification to assets held for sale. The standard requires that the sale of the assets should be completed within a year. Circumstances or events may require that the period to complete the sale beyond a year. This is only if the delay is caused by circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the assets. Agreements of sale have since been signed with most of the tenants. The ones who signed the agreements to date have since paid the sale price. Management is still trying to get the remainder to sign the agreements of sale. The company's legal department has been engaging the tenants and their legal representatives to come to an agreement. TelOne management is still committed to the plan to sell the houses. The house will remain classified as non-current held for sale as there are reasonable prospects the houses will be sold during the year 2020.

7 INVESTMENT PROPERTY

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Opening carrying amount	**9 294 117**	**6 557 071**	**1 037 922**	**1 055 892**
Cost	7 555 755	7 555 757	1 216 708	1 216 708
Accumulated depreciation	(1 110 261)	(998 686)	(178 786)	(160 819)
Additions	-	-	-	-
Depreciation charge for the year	(58 955)	(111 594)	(17 970)	(17 970)
Closing carrying amount	**9 133 204**	**6 445 494**	**1 019 952**	**1 037 922**
Cost	7 555 755	7 555 755	1 216 708	1 216 708
Accumulated depreciation	(1 169 216)	(1 110 261)	(196 756)	(178 786)

The investment property portfolio has commercial property (Memorial Building) leased to third parties and commercial land. Leases have varied running periods and all renewals are negotiated with the lessee. Contingent rentals are chargeable for all the tenants equivalent to the monthly rental charge. Owner occupancy is less than 20% of the total leasable area for all the buildings classified as investment property.

The fair value of Memorial Building was determined to be ZWL27,255,840 as at 31 December 2019

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2019

7 INVESTMENT PROPERTY (CONT'D)

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Operating leases:				
Included in the statement of profit or loss and other comprehensive income is the following rental income and expenses:				
Rental income	6 747 606	5 837 828	1 934 520	940 069
Operating expenses that generated rental income	(2 798 856)	(4 022 333)	(802 424)	(647 719)
Net rental income	**3 948 749**	**1 815 496**	**1 132 096**	**292 350**
Future rental income				
Up to 1 year	6 747 606	6 988 519	1 934 520	1 125 365
Over 1 year; less than 5 years	26 990 423	27 954 078	7 738 080	4 501 462
Over 5 years	33 738 029	34 942 597	9 672 600	5 626 827
Total expected receipts	**67 476 058**	**69 885 194**	**19 345 200**	**11 253 654**

8 INTANGIBLE ASSETS

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Opening carrying amount	**165 278 931**	**172 295 008**	**26 614 965**	**27 744 768**
Gross carrying amount	259 397 797	243 944 772	41 770 982	39 282 572
Accumulated Amortisation	(94 118 867)	(71 649 764)	(15 156 017)	(11 537 804)
Additions: Billing software	18 503 683	12 238 285	5 304 955	1 970 738
Donation: LTE Software	12 675 565	-	8 404 296	-
Reclassification	-	3 214 740	-	517 671
Exchange gain on indefeasable right of use asset	235 371 518	-	235 371 518	-
Amortisation for the year	(27 381 475)	(22 469 103)	(18 168 671)	(3 618 213)
Closing carrying amount	**91 772 657**	**165 278 931**	**257 527 062**	**26 614 965**

9 FINANCIAL ASSETS

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
9.1 Financial assets at fair value through other comprehensive income				
Opening balance	**2 024 664**	**13 967 791**	**2 024 680**	**2 249 242**
ZB Shares	388 200	4 679 858	388 200	753 600
WIOCC Shares	1 570 565	8 878 605	1 570 565	1 429 727
Cairns Debentures	54 615	339 159	54 615	54 615
Tetrad Shares	11 284	70 169	11 284	11 300
Exchange movement	152 950 968	-	152 950 968	-
Fair value adjustment	11 636 133	-1 394 530	11 636 133	(224 562)
Closing balance	**166 611 765**	**12 573 261**	**166 611 781**	**2 024 680**

Financial instruments include shares in ZB Holding ZSE listed company and shares in the West Indian Ocean Cable Company. Investments in the equity instruments are measured at fair value through other comprehensive income. WIOCC shares are measured at fair value using level 3 inputs in accordance with the fair value hierarchy. The fair value movements are recorded in other comprehensive income. ZB shares are measured at fair value using level 1 inputs , the market value as per the Zimbabwe Stock Exchange values is applied.

9.2 Investment in Joint Operation

During the year, TelOne entered into a joint arrangement with the Government of Zimbabwe and Inspur of China for the manufacture of Information Communication Technology (ICT) gadgets at the TelOne factory in Msasa Harare. TelOne owns 30% of the joint venture company, Zimbabwe Information Technology Company (ZITCO), through a wholly owned subsidiary company Telecommunication Infrastructure and Gadgets Company (TIG). TIG does not have active operations other than the ownership of the stake in the joint venture. The joint venture company ZITCO has not started trading and the historical cost of ZWL3,484,987 represents the value of TelOne's investment in the joint venture.

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The parties to the joint arrangement had not finalized the terms of the shareholding agreement as at 31 December 2019. Due to this ongoing process to finalise the shareholding agreement, the company therefore elected to account its investment in the joint arrangement as a Joint Operation while the rights and obligations to the arrangement are being finalized. This treatment has been deemed to be consistent with the requirements of IFRS 11.18. The company has therefore proceeded to account for its investment in the joint operation at cost.

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
ZITCO Joint Operation	**4 774 432**	**-**	**3 484 987**	**-**

10 Right of use assets

	Inflation Adjusted			Historical			31 Dec 2019	31 Dec 2018
	Runhare House	Msasa Factory	Total	Runhare House	Msasa Factory	ZWL Total		ZWL
Right of use asset 01 January 2019	**1 661 971**	**1 926 485**	**3 588 456**	**476 483**	**552 318**	**1 028 800**	**-**	
Accumulated depreciation	(41 549)	(192 648)	(234 198)	(11 912)	(55 232)	(67 144)	-	
Right of use asset	**1 620 422**	**1 733 836**	**3 354 258**	**464 570**	**497 086**	**961 657**	**-**	
Lease liabilty	**464 570**	**497 086**	**961 657**	**464 570**	**497 086**	**961 657**	**-**	

Right of use assets include leases of Runhare House and Msasa Factory. The buildings are leased from the Communication and Allied Industries Pension Fund.

11 INVENTORIES

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Manufacturing	8 850 597	3 407 212	2 537 442	548 665
Telecomms	36 738 334	44 787 590	10 532 779	7 212 172
Transport	8 235 993	756 317	2 361 237	121 790
General	19 589 629	8 958 914	5 616 292	1 442 659
	73 414 553	**57 910 033**	**21 047 750**	**9 325 287**

Inventories are carried at the net realisable values. All inventories are expected to be consumed within 12 months.

12 TRADE AND OTHER RECEIVABLES

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Trade receivables	396 178 747	1 600 790 313	396 178 747	257 776 218
Allowance for credit losses	(135 154 322)	(759 534 502)	(135 154 322)	(122 308 293)
Net trade receivables	**261 024 425**	**841 255 812**	**261 024 425**	**135 467 925**
Other receivables	36 914 628	13 398 030	36 914 628	2 157 493
Centre for learning receivables	2 449 889	14 275 289	2 449 889	2 298 758
Real estate receivables	1 491 654	6 570 974	1 491 654	1 058 128
IDBZ receivables	2 216 738	13 765 943	2 216 738	2 216 738
Stanbic Escrow	28 960 289	19 419 349	28 960 289	3 127 109
China Exim Escrow	49 043 784	26 976 186	49 043 784	4 343 991
	382 101 407	**935 661 583**	**382 101 407**	**150 670 142**

Included in receivables are restricted funds in the IDBZ Bank Account, Stanbic Escrow Account and The Debt Service Reserve Fund. These funds are classified as other receivables as they are not accessible for the company's use in the short term and are pledged as security for the China Exim loan.

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12 TRADE AND OTHER RECEIVABLES (CONT'D)

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
12.1 PROVISION FOR IMPAIRMENT TRADE RECEIVABLES				
At January 1	122 308 293	540 299 127	122 308 293	87 004 690
Impact of adopting IFRS 9	-	168 213 580	-	27 087 533
Adjusted balance as at 1 Jan	**122 308 293**	**708 512 707**	**122 308 293**	**114 092 223**
Charge for the year	12 846 029	51 021 795	12 846 029	8 216 070
As at December 31	**135 154 322**	**759 534 502**	**135 154 322**	**122 308 293**
13 CASH AND CASH EQUIVALENTS				
Bank and cash balances	152 067 244	68 526 887	152 067 244	11 034 925
Short term money market investments	-	7 047 320	-	1 134 834
	152 067 244	**75 574 207**	**152 067 244**	**12 169 760**
14 AUTHORISED SHARE CAPITAL				
Authorized share capital				
32 000 ordinary shares of ZWL0.001	199	199	32	32
	199	**199**	**32**	**32**
Issued and fully paid				
32 000 ordinary shares of ZWL0.001 each	199	199	32	32
	199	**199**	**32**	**32**

The issued shares are held by nominees on behalf of the Government of Zimbabwe.

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15. FOREIGN LEGACY LOANS

NAME OF LOAN	INTEREST %	CURRENCY	REDEMPTION COMMENCES	FINAL REDEMPTION DATE	CLOSING BALANCE 31.12.2018 ZWL	ADDITIONS AS AT 31.12.2019 RTGS	FLUCTUATION AS AT 31.12.2019 RTGS	MOVEMENTS AS AT 31.12.2019 ZWL	PAYMENTS AS AT 31.12.2019 ZWL	PRINCIPAL OUTSTANDING 31.12.2019 ZWL	CLOSING BALANCE 31.12.2019 ZWL
AFRICAN DEVELOPMENT BANK (ADB 11)	7,45%	US	1999	2014	88 646 024	-	-	1 404 699 200,88	-	36 050 816	1 493 345 225
BANQUE NATIONALE DE PARIS (BNP)	7,68%	EURO	1997	2005	33 962 490	-	-	589 315 024,89	-	7 029 261	623 277 515
EKSPORTFINANS	8,30%	NOK	1993	2003	13 381 696	-	-	242 218 462,93	-	1 610 611	255 600 159
KREDITANSTALT FUR WIEDERAUFBAU (KFW) 1 PORTION 1	0,75%	EURO	1993	2033	7 525 206	-	-	122 764 577,20	-	5 310 951	130 289 784
KREDITANSTALT FUR WIEDERAUFBAU (KFW) 11 PORTION 1	2,00%	EURO	1994	2014	12 442 313	-	-	205 053 439,17	-	6 609 344	217 495 752
KREDITANSTALT FUR WIEDERAUFBAU (KFW) 111	4,50%	EURO	1995	2012	10 776 451	-	-	177 484 320,23	-	5 817 186	188 260 771
KREDITANSTALT FUR WIEDERAUFBAU (KFW) V PORTION 1	0,75%	EURO	2003	2032	10 541 823	-	-	171 755 077,82	-	7 825 271	182 296 900
PORTION 11	2,00%	EURO	2003	2022	8 067 983	-	-	133 158 287,14	-	4 662 010	141 226 270
OVERSEAS ECONOMIC CO-OPERATION FUND (OECF) III	3,00%	YEN	2003	2023	155 233 827	-	-	2 676 446 065,29	-	80 804 799	2 831 679 892
OVERSEAS ECONOMIC CO-OPERATION FUND (OECF) IV	2,60%	YEN	2005	2025	4 286 231	-	-	73 724 898,72	-	2 368 825	78 011 130
OVERSEAS ECONOMIC CO-OPERATION FUND (OECF) V	2,30%	YEN	2006	2026	26 018 974	-	-	446 875 257,94	-	15 344 441	472 894 232
EXIMBANK OF JAPAN (SUMITOMO 11)	6,00%	YEN	1995	2004	9 773 404	-	-	167 975 123,77	-	3 580 661	177 748 528
TCF (INGBANK 1 & 3)	4,000%	US	1997 & 2000	2019	3 449 690	-	46 674 439	-	(36 888 064)	-	-
					-	-	-	-	(13 236 065)	-	
CHINA EXIM BANK	5,00%	US	2017		92 986 559	6 210 206	-	1 614 585 439	-	99 196 765	1 713 782 203
TOTAL FOREIGN LEGACY LOANS					**477 092 670**	**6 210 206**	**46 674 439**	**8 026 055 175**	**(50 124 129)**	**276 210 942**	**8 505 908 361**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2019

15 FOREIGN LEGACY LOANS (CONT'D)

FOREIGN LEGACY LOANS SUMMARY	31 DEC 2019 ZWL
Principal outstanding	8 302 266 116
Interest and overdue charges	203 642 245
Total Foreign Legacy Loans	**8 505 908 361**

RECONCILIATION OF OPENING TO CLOSING BALANCES

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Balance at 1 January	**2 963 202 788**	**2 829 093 004**	**477 092 671**	**455 570 532**
Interest expense	109 148 740	77 233 015	52 884 644	12 363 239
Additions	-	89 150 201	-	14 355 910
Exchange movements	8 026 055 175	(12 335 749)	8 026 055 175	(1 986 433)
Net effect of monetary adjustments	(2 489 047 034)	-	-	-
Balance at 31 December	**8 505 908 361**	**2 963 202 788**	**8 505 908 361**	**477 092 671**

16 LOCAL LOANS

				Historic		Inflation Adjusted	
				31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	Government	CAIPF	IDBZ	TOTAL	TOTAL	TOTAL	TOTAL
Opening balance	-	-	25 310 419	25 310 419	25 093 028	25 310 419	155 827 702
Additions	35 000 000	36 562 575		71 562 575	-	71 562 575	-
Repayments	-	(1 018 139)	(1 850 000)	(2 868 139)	(1 199 094)	(2 868 139)	(7 446 374)
Charges capitalized	-	-	1 263 386	1 263 386	1 416 486	1 263 386	8 796 376
Closing balance	**35 000 000**	**35 544 436**	**24 723 806**	**95 268 242**	**25 310 419**	**95 268 242**	**157 177 704**
16.1 Long term portion	-	35 544 436	-	35 544 436	-	35 544 436	-
16.2 Short-term portion	35 000 000	-	24 723 806	59 723 806	25 310 419	59 723 806	157 177 704
	35 000 000	**35 544 436**	**24 723 806**	**95 268 242**	**25 310 419**	**95 268 242**	**157 177 704**

16.3 The IDBZ local loan is in respect of the loan that was received from the Government of Zimbabwe through the Infrastructure Development Bank for the Mutare-Harare and Harare-Bulawayo Optic fibre projects. The terms of the loan are as follows:

Interest rate	5% p.a
Repayment period	18 months
Interest calculation period	Monthly
Penalty rate	1% p.a
Effective penalty rate	6% p.a

16.4 Communication and Allied Industries Pension Fund Loans

During the year 2019 the company entered into an agreement with the Communication and Allied Industries Pension Fund (CAIPF) to convert the outstanding from pension contributions and interest thereof into loan arrangements loans. The terms of the loans are as follows:

	Loan 1: Principal Contributions Arrears	Loan 2: Interest on Principal Contributions
Loan Amount	27 057 905	10 773 686
Interest rate	7% p.a	0%
Repayment period	10 years	3years
Interest calculation period	Monthly	n/a
Expiry date	31-Jul-29	31-Jul-22

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2019

16.6 Government of Zimbabwe (GoZ) Loan Facility

TelOne owed Telcom Capital Finance (TCF) of Mauritius the sum of USD 3,400,293 and the lender had issued a Pre-enforcement notice to attach shares in WIOCC of Mauritius. TelOne applied to Ministry of Finance for a loan amounting to ZWL 35,000,000.00 for the purpose of purchasing foreign currency to pay off the debt to TCF. The terms of the loan are as follows:

Loan Amount	ZWL 35,000,000
Interest rate	0%
Repayment period	4months

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
17 INCOME TAX EXPENSE				
Net income tax expense/ (income)	**(1 515 352 292)**	**(24 231 054)**	**(1 925 500 002)**	**(3 901 941)**
Current tax expense	16 258 553	26 854 216	16 258 553	4 324 350
Deferred tax expense/ (income)	(1 531 610 845)	(51 085 270)	(1 940 035 277)	(8 226 291)
Deferred tax impact of change in tax rate (income statement)	-	-	(1 723 279)	-
17.1 Tax rate reconciliation				
Profit before tax	(5 169 485 518)	(121 922 409)	(7 809 553 599)	(19 633 238)
Notional tax charge based on profit for the year at 25.75%	(1 331 142 521)	(31 395 020)	(2 010 960 052)	(5 055 559)
Net effect of temporary/permanent differences	(184 209 771)	7 163 966	85 460 050	1 153 618
	(1 515 352 292)	**(24 231 054)**	**(1 925 500 002)**	**(3 901 941)**
17.2 Deferred Taxation				
Analysis of deferred tax liability				
Property, plant and equipment accelerated	752 862 459	396 828 265	119 838 304	63 901 492
Accruals	(2 379 967)	(603 917)	(2 379 967)	(97 249)
Fair value remeasurement gain	2 876 452	(64 779)	2 876 452	(10 431)
Change in functional currency	(11 434 730)	-	(11 434 730)	-
Provisions	(71 421 871)	(4 994 036)	(71 421 871)	(804 193)
Unrealized exchange losses	(1 900 310 992)	24 559 250	(1 900 310 992)	3 954 791
Allowance for credit losses	(33 410 148)	(148 185 769)	(33 410 148)	(23 862 443)
Net deferred tax liability	**(1 263 218 799)**	**267 539 015**	**(1 896 242 954)**	**43 081 967**
17.3 Current Tax Payable	**17 665 477**	**8 801 762**	**17 665 477**	**1 417 353**
17.4 Reconciliation of deferred tax balances				
Opening balance	**267 539 015**	**321 429 814**	**43 081 967**	**51 760 034**
Income statement movement	(1 531 610 841)	(51 085 267)	(1 941 758 556)	(8 226 291)
Other comprehensive income movement	853 028	(2 805 532)	2 433 635	(451 777)
Closing balance	**(1 263 218 799)**	**267 539 015**	**(1 896 242 954)**	**43 081 967**
18 TRADE AND OTHER PAYABLES				
18.1 Trade payables				
Local	164 275 353	191 726 729	164 275 353	30 873 869
Foreign	310 760 445	168 632 170	310 760 445	27 154 939
	475 035 798	**440 484 994**	**475 035 798**	**70 931 561**
Lease liability	961 657	-	961 657	-
Other payables- customer advances	110 992 360	-	110 992 360	
Statutory payables	**95 215 755**	**568 365 434**	**95 215 755**	**91 524 225**
Postal and Telecommunications Regulatory Authority of Zimbabwe	36 142 571	221 756 686	36 142 571	35 709 611
Zimbabwe Revenue Authority	54 045 969	82 548 122	54 045 969	13 292 773
Communication and Allied Industries Pension Fund	5 027 215	264 060 626	5 027 215	42 521 840
	612 164 714	**1 008 850 428**	**612 164 714**	**162 455 786**

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18 TRADE AND OTHER PAYABLES (CONTD')

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
18.2 Loan interest payable	**1 785 240**	**8 656 563**	**1 785 240**	**1 393 971**

Loan interest payable relates to accumulated interest on foreign loans

18.3 Long-term payable	**-**	**38 565 377**	**-**	**6 210 206**

The company has completed the National Broadband Project (NBB) and Huawei was the supplier of the equipment for project. The NBB was being funded by a loan from the China Exim Bank. The loan was secured through an on-lending facility with the Government of Zimbabwe. The long term payable represents equipment received as part of the NBB Project which had not yet been paid at year end.

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
18.4 Deferred income				
Deferred income	69 157 433	-	30 873 869	-

This is income received in advance from West Indian Ocean Cable Company for backhaul lease of the Harare Kariba link.

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
19 PROVISIONS				
Leave pay	4 590 536	18 412 455	4 590 536	2 964 969
Gratuity	4 561 023	-	4 561 023	-
Bonus	285 642	981 861	285 642	158 110
	9 437 201	**19 394 316**	**9 437 201**	**3 123 078**
19.1 Leave pay				
Opening balance	2 964 969	18 504 447	2 964 969	2 979 782
Additions	4 429 253	7 737 095	4 429 253	1 245 909
Payments	(2 803 685)	(7 829 087)	(2 803 685)	(1 260 723)
Closing balance	**4 590 536**	**18 412 455**	**4 590 536**	**2 964 969**
19.2 Bonus				
Opening balance	158 110	949 451	158 110	152 891
Additions	3 591 419	12 087 060	3 591 419	1 946 386
Payments	(3 463 887)	(12 054 647)	(3 463 887)	(1 941 167)
Closing balance	**285 642**	**981 864**	**285 642**	**158 110**
19.3 Gratuity	**-**	**-**	**-**	**-**
Opening balance	-	-	-	-
Additions	4 561 023	-	4 561 023	-
Payments	-	-	-	-
Unused amounts reversed	-	-	-	-
Closing balance	**4 561 023**	**-**	**4 561 023**	**-**
20 REVENUE				
Revenue comprises:				
Voice revenue	332 892 305	356 663 440	148 116 220	57 433 726
Data revenue	100 853 128	99 919 134	44 873 323	16 090 038
Internet revenue	371 172 587	271 493 294	165 148 547	43 718 727
V-Sat revenue	16 720 503	8 195 148	7 439 576	1 319 670
Interconnection revenue	96 374 540	22 755 806	42 880 632	3 664 381
Centre for Learning revenue	10 180 369	14 402 296	4 529 626	2 319 210
Accessories sales	3 190 799	3 805 721	1 419 706	612 838
	931 384 230	**777 234 839**	**414 407 631**	**125 158 589**

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		Inflation Adjusted (Audited)		Historical (Audited)	
		31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
21	**PAYMENTS TO OTHER OPERATORS**				
	VSAT handling costs	15 679 620	5 895 596	7 597 074	949 371
	Telephone foreign handling costs	29 024 111	7 905 916	14 062 735	1 273 094
	Data handling costs	74 285	1 626 535	35 993	261 922
	Internet handling costs	54 181 037	41 799 261	26 251 744	6 730 960
	Local interconnection costs	98 198 793	57 910 049	47 579 186	9 325 290
		197 157 845	**115 137 357**	**95 526 732**	**18 540 637**
22	**OTHER INCOME**				
	Insurance recoveries/excess paid	202 092	(2 031)	133 993	(327)
	Discount on loan renegotiation	23 238 032	-	15 407 541	-
	Equipment grant	28 167 922	-	18 676 213	-
	Payable write off	31 710 985	-	21 025 374	-
	Rental income	2 917 690	5 837 828	1 934 520	940 069
	Dividends	7 199 928	4 668 018	4 773 777	751 694
	Net income from sale of processed copper cables	2 173 693	-	1 441 226	-
	Sundry income	12 111 451	8 647 986	8 030 271	1 392 590
		107 721 793	**19 151 802**	**71 422 916**	**3 084 026**
23	**OTHER OPERATING EXPENSES**				
	Stores handling costs	25 571 677	23 266 367	11 741 816	3 746 597
	Electricity,rent and rates	37 282 891	48 135 896	17 119 285	7 751 352
	Transport costs	57 692 925	24 504 134	26 491 015	3 945 915
	Write off expenses	36 485	-	16 753	-
	Office and administration expenses	57 682 126	34 783 928	26 486 057	5 601 277
	Software licenses	27 363 601	11 451 784	12 564 618	1 844 088
	Marketing expenses	29 879 852	20 184 881	13 720 012	3 250 383
	Provision for bad debts	46 662 374	45 265 168	15 527 542	7 289 077
	Operational costs	65 745 435	50 730 472	30 188 508	8 169 158
		335 071 337	**258 322 629**	**153 855 607**	**41 597 847**
23.1	**Staff Costs**	**243 489 645**	**277 870 500**	**89 712 507**	**44 745 652**
24	**FINANCE INCOME AND COSTS**				
24.1	**Finance Income**	**83 260 317**	**84 609 805**	**40 114 131**	**13 624 767**
	Interest income received	3 046 568	1 947 402	1 467 811	313 591
	Interest income receivable	80 213 748	82 662 404	38 646 320	13 311 176
	Interest was charged on overdue receivables at 5% interest per annum				
24.2	**Other finance Costs**	**(165 611 674)**	**(107 862 591)**	**(18 321 837)**	**(17 369 177)**
	Interest expense on current loans	(71 507 176)	(17 668 999)	(7 910 933)	(2 845 249)
	Interest expense on trade payables	(94 104 498)	(90 193 592)	(10 410 904)	(14 523 928)
24.3	**Foreign legacy expenses**	**(7 922 713 720)**	**(64 439 966)**	**(7 922 713 720)**	**(10 376 806)**
	Interest expense on foreign legacy loans	-	(76 775 715)	-	(12 363 239)
	Exchange gain/(loss) foreign on foreign legacy loans	(7 922 713 720)	12 335 749	(7 922 713 720)	1 986 433
25	**EXCHANGE GAINS/LOSSES**	**(8 800 546)**	**-**	**(8 800 546)**	**-**
	Exchange gain arising from foreign receivables balances	133 620 030	-	133 620 030	-
	Exchange loss arising from foreign payables balances	(142 420 576)	-	(142 420 576)	-

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for the year ended 31 December 2019

26 EMPLOYEE BENEFITS

26.1 Pension Fund

The Company makes contributions for all eligible employees to a multi employer defined benefit plan administered by the Communications and Allied Industries Pension Fund(CAIPF). The fund is run collectively for the former Posts and Telecommunications Corporations successor companies.

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
EMPOYEE BENEFITS				
Short term benefits	294 684 012	277 289 002	84 485 095	44 652 013
Post employment benefits	13 450 835	28 073 274	3 856 317	4 520 656
Other long term benefits	2 550 038	1 242 813	731 089	200 131
	310 684 886	**306 605 089**	**89 072 502**	**49 372 800**

The Fund's financial position and Employers's contribution rate have been assessed using the Projected Unit Method.

The Pension Fund is a defined benefit plan. It is being accounted for as a defined contribution plan because no sufficient information available to use defined benefit accounting in line with the requirements of IAS 19. The expense for the year ended 31 December 2019 amounted to ZWL13,450,835 (2018: ZWL28,073,274). Liability as at 31 December 2019 ZWL5,166,776 (2018: ZWL30,829,483). The contributions have been discounted using a discount rate of 7% per annum.

The rules of the fund requires employees to contribute at a rate of 7.5% of pensionable salaries towards retirement benefits whilst the employer also contributes 22.5% contributions towards retirement benefits. The rules of the CAIPF require an actuarial valuation to be performed at least every three years but the current practice of CAIPF is to perform annual valuations. Subsequent to year end, the CAIPF recorded a surplus of ZWL755 million with a funding level of 420%.

Based on the post year end valuation performed in March 2020, the Fund is in a sound financial position as at 31 December 2019 in terms of Section 37(4) of the Pension and Funds Regulations 1991.

Efforts are underway to convert the Pension Fund from a Defined Benefit (DB) scheme to a Hybrid scheme. Past service benefits will be parked in a DB Scheme whilst future service will be provided under a DC arrangement.

26.2 National Social Security Authority Scheme

This is a defined contribution scheme promulgated under the National Social Security Act of 1989. The Company's obligations under the scheme are limited to specific contributions as legislated from time to time. The contributions for the year ended 31 December 2019 amounted to ZWL565,784 (2018: ZWL525,503).

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
27 RELATED PARTY TRANSACTIONS				
27.1 Transactions				
Communications and Allied Industries Pension Fund Pension fund contributions	18 021 714,69	28 073 274	5 166 776	4 520 656
Net One (Pvt) Ltd - lease of microwave sites Cell phone charges, leased circuits and interconnect income	46 117 579,91	178 038 521	13 221 783	28 669 649
Zimpost -rental of property and postage and use of telecom products	3 600 755,36	1 879 355	1 032 327	302 634
	67 740 050	**207 991 150**	**19 420 886**	**33 492 939**

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for the year ended 31 December 2019

27 RELATED PARTY TRANSACTIONS (CONT'D)

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
27.2 Amounts owing from related parties (debtors)				
Government of Zimbabwe departments and parastatals				
Net One (Pvt) Ltd	486 826	45 366 963	139 572	7 305 469
Zimpost (Pvt) Ltd	216 838	5 595 055	62 167	900 975
	703 663	**50 962 018**	**201 738**	**8 206 444**
27.3 Amounts owing to related parties (creditors)				
Zimpost (Pvt) Ltd	2 365 396	576 151	678 152	92 778
NetOne (Pvt) Ltd	5 895 457	10 496 213	1 690 211	1 690 211
Communication and Allied Industries Pension Fund	17 534 926	264 060 626	5 027 215	42 521 840
	25 795 779	**275 132 990**	**7 395 579**	**44 304 829**

27.4 Compensation to the Board of Directors and Key Management personnel

The remuneration of Directors and members of Key Management during the year was as follows:

	Inflation Adjusted (Audited)		Historical (Audited)	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Board of Directors				
Non executive directors' fees	1 518 689	466 308	435 404	75 090
Members of Key Management				
Short term employee benefits	5 297 201	4 762 397	1 518 693	766 892
Post employment benefits	1 051 702	347 621	301 520	55 978
Total emoluments	**7 867 592**	**13 124 864**	**2 255 617**	**897 959**

Compensation to key management is in respect of five members of senior management. Compensation to key management is determined by the Board of Directors with reference to individual performance, company performance and market trends.

28 FINANCIAL RISK MANAGEMENT

28.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

	Inflation Adjusted		Historical	
Carrying amount	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Trade receivables	261 024 425	841 255 812	261 024 425	135 467 925
Other receivables	36 914 628	13 398 030	36 914 628	2 157 493
Financial Instruments	166 611 765	11 698 564	166 611 781	1 883 827
Cash and cash equivalents	152 067 244	75 574 207	152 067 244	12 169 760
	616 618 063	**941 926 613**	**616 618 078**	**151 679 004**

Exposure to credit risk was increased by the poor economic performance, however, adequate provision was made against trade receivables considered doubtful. The Company's exposure to credit risk on government debtors is reduced by the fact that Government Treasury has promised to pay all government outstanding amounts.

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for the year ended 31 December 2019

Impairment losses
The ageing of trade receivables at the reporting date was as follows:

			31 Dec 2019	31 Dec 2018
	Gross ZWL	Impairment ZWL	Net ZWL	Net ZWL
Not past due	70 825 769	-	70 825 769	9 755 208
Past due 0-30 days	61 705 439	-	61 705 439	8 755 861
Past due 31-120 days	49 420 281	-	49 420 281	20 979 342
More than 120 days	267 467 884	(135 154 322)	132 313 563	220 370 998
	449 419 373	**(135 154 322)**	**314 265 051**	**259 861 409**

The allowance account in respect of trade receivables records impairment losses up to the point the company is satisfied that no recovery of the amount owing is possible. At that point, the amount is considered irrecoverable and written off against the financial asset directly.

28.2 Liquidity risk
The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying Amount ZWL	Contractual cash flows ZWL	0-12 Months ZWL	12 Months or more ZWL
31 Dec 2018				
Non-derivative financial liabilities				
Trade payables	70 931 561	70 931 561	70 931 561	-
Other payables	91 524 225	91 524 225	91 524 225	-
Loans	502 403 090	502 403 090	25 310 419	477 092 671
	664 858 876	**664 858 876**	**187 766 205**	**477 092 671**
31 Dec 2019				
Non-derivative financial liabilities				
Trade payables	475 035 798	475 035 798	475 035 798	-
Other payables	95 215 755	95 215 755	95 215 755	-
Loans	8 601 176 603	8 601 176 603	59 723 806	8 541 452 797
	9 171 428 156	**9 171 428 156**	**629 975 359**	**8 541 452 797**

The above non derivative financial liabilities are all classified as financial liabilities measured at amortized cost. The Company had no derivative financial liabilities as at 31 December 2019.

28.3 Currency risk

Exposure to currency risk
The company's exposure to foreign currency risk is attributable to the Euro (EURO), Japanese Yen (YEN), and Norwegian Kroner (NOK) denominated monetary assets and liabilities. The exposure was as follows at 31 December 2019, based on notional amounts:

	Receivables	Payables	Net exposure
2018			
EURO	-	30 522 278	22 248 512
YEN	-	105 164 323	103 030 275
NOK	-	1 658 921	1 757 330
2019			
EURO	-	524 375 831	524 375 831
YEN	-	72 906 958 126	72 906 958 126
NOK	-	7 830 893	7 830 893
USD		2 229 314 210	2 229 314 210

The following significant exchange rates applied during the year :

	31 Dec 2019	31 Dec 2018
EURO	19,64	1,14
YEN	0,16	110,41
NOK	1,84	8,69
USD	17,28	-

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28.4 Currency risk

Sensitivity analysis

A 10% fluctuation of the Zimbabwe dollar against the Euro, Japanese Yen United States dollar and Norwegian Kroner would have increased/decreased equity and profit or loss by the amounts reflected below. This analysis is based on foreign currency exchange rate variances that the company considered to be reasonably possible at the end of the reporting period. The analysis assumes all variables remain the same.

Effect	Equity ZWL	Profit or loss ZWL
31 Dec 18		
EURO		
10% appreciation	(2 224 851)	(2 224 851)
10% depreciation	2 224 851	2 224 851
YEN		
10% appreciation	(10 303 027)	(10 303 027)
10% depreciation	10 303 027	10 303 027
NOK		
10% appreciation	(175 733)	(175 733)
10% depreciation	175 733	175 733
31 Dec 2019		
EURO		
10% appreciation	(52 437 583)	(52 437 583)
10% depreciation	52 437 583	52 437 583
YEN		
10% appreciation	(7 290 695 813)	(7 290 695 813)
10% depreciation	7 290 695 813	7 290 695 813
NOK		
10% appreciation	(783 089)	(783 089)
10% depreciation	783 089	783 089
USD		
10% appreciation	(222 931 421)	(222 931 421)
10% depreciation	222 931 421	222 931 421

29 Interest rate risk

	31 Dec 2019 ZWL	31 Dec 2018 ZWL
As at 31 December 2019, the interest rate profile of the company's interest bearing- financial instruments was:		
Fixed rate risk		
Financial assets	-	1 134 834
Financial liabilities	8 601 176 603	273 450 426
	8 601 176 603	**274 585 260**

29 Treasury and financial risk management

The main risks arising from the company's financial instruments are market risk (which includes currency risk and interest rate risk), credit risk and liquidity risk. The company does not use derivative financial instruments for speculative purposes. The Board of Directors has the overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are reviewed by management on a regular basis for adequacy in being able to manage any changes in risks arising from changes in the operating environment.

30 Going concern

Loan repayments

The company defaulted in interest and principal repayments on foreign legacy loans. Outstanding loans are detailed in notes 15 and 16.

Net Liability Position

	Inflation Adjusted		Historical	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL	31 Dec 2019 ZWL	Dec 31,2018 ZWL
Total Assets	4 480 396 616	3 292 267 604	3 206 922 759	530 082 260
Total Liabilities	(9 312 348 325)	(4 472 187 954)	(9 274 064 761)	(720 085 451)
Net Position	**(4 831 951 709)**	**(1 179 920 349)**	**(6 067 142 002)**	**(190 003 191)**

The company has a net liability position of ZWL4.8 billion as at year end. The financial statements have however been prepared using the going concern basis, which remains appropriate due to the following:

- The net liability position is due to foreign legacy loans amounting to ZWL4.8 billion. The legacy loans were inherited from the Postal and Telecommunications Corporation (PTC) on its unbundling in the year 2000. The loans were all guaranteed by the Government of ZImbabwe. In March 2019, the Government passed a resolution to take over these loans in order to capitalise the company balance sheet. Subsequent to year end, the Ministry of Finance and Economic Development has commenced formal engagements with legacy lenders so as to implement the Government resolution. The take over of these loans will see the company return to profitability and strengthen the company balance sheet.
- The Government of ZImbabwe has also announced plans to partially privatise TelOne so as to allow the company to access fresh capital to support network expansion and upgrade plans.
- During the year, the company archieved an operating profit of ZWL142 million an improvement from the operating loss position of ZWL34 million in 2018. The operating profitability is confirmation that the company will be able to trade profitably once the balance sheet restructuring is concluded.

The above will give TelOne a competitive advantage and result in a return to profitability with a healthy net asset position.

ANNEXURES

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Glossary of Terms

The following abbreviations are used through-out the report, they have been explained below for ease of reference.

ADSL	Asymmetric Digital Subscriber Line
ARPL	Average Revenue Per Line
ARPU	Average Revenue Per User
ASTT	Average Service Turnaround Time
BoP	Beginning Opening Balance
CAPEX	Capital Expenditure
CPE	Customer Premise Equipment
CRM	Customer Relationship Management
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EBIT	Earnings Before Tax
FMC	Fixed Mobile Convergence
FMCG	Fast Money Consumer Goods
GIS	Geographical Information System
GISP	Government Internet Service Provider
GoZ	Government of Zimbabwe
GRI	Global Reporting Initiative
GSM	Global System for Mobile
HSPA	High Speed Packet Access
ICT	Information Communication Technology
IP	Internet Protocol
IMS	IP-Multimedia Subsystem
KPI	Key Performance Indicators
KRA	Key Result Area
LTE	Long Term Evolution
MVNO	Mobile Virtual Network Operator
MPLS	Multiprotocol Label Switching
MSAN	Multi-Service Access Node
NOC	Network Operations Center
OPEX	Operating Expenditure
OPGW	Optical Ground Wire
PABX	Private Automated Branch Exchange
RBM	Result Based Management
RFP	Request For Proposal
ROI	Return On Investment
SME	Small to Medium Enterprise
SOHO	Small Office Home Office
TMT	Telecoms, Media and Technology
T&S	Travel and Subsistence
USF	Universal Service Fund

VAS	Valued Added Services
VAT	Value Added Tax
VOBB	Voice Over Broadband
VoIP	Voice Over Internet Protocol
VPN	Virtual Private Network
VSAT	Very Small Aperture Terminal
Wi-Fi	Wireless Fidelity
WiMAX	Worldwide Interoperability for Microwave Access
WIOCC	West Indian Ocean Cable Company
ZIM CODE	National Code on Corporate Governance (Zimbabwe)

NOTES

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Bringing You Together

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