We are a Company about People

Sustainability Report

for the year ended 31 December 2016

TelOne

Bringing You Together

Contents

INTRODUCTION

Over the years, TelOne has made considerable progress in redefining the business to be centered on people. We have taken active and systematic responsibility to our Customers, Shareholder, Employees, Community and the Economy. Our strategy has been driven by the realisation that the business is about people and our relevance in their lives.

For us, being about people means:

- We care about creating value for our shareholder who remains committed to investing and supporting our programmes.
- We care about our impact on the economy of Zimbabwe and we seek to contribute positively at all times.
- We care about our customers, creating memorable experiences and giving value for their money.
- We are concerned about the wellbeing of our employees and their families and we seek to uplift them in every sphere of their lives.
- We are concerned about the community to which we belong as a corporate citizen and we shall continue to play our role in its development.
- We care about the impact of our operations on the environment and we continuously seek to improve our role in environment awareness.

About This Report

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 becoming a converged multimedia communication services provider.

Our transformation means we now focus on delivering world class customer service, anchored by our efforts to continually modernise and upgrade our network, improve our business systems and processes for sustainability. The business has therefore embraced the sustainability approach to reporting to contribute to our economy, support our communities, nature our environment and comply to good governance. Over time, we expect consistent sustainable practices to bring outstanding business perfomance, bring value to all our stakeholders and shareholder.

Our report for the year ended 31 December 2016 was prepared using Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines in measuring our progress towards sustainability. This is our first sustainability report. The sustainability report is integrated with our financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Our financial statements have been audited by the Auditor-General.

This report covers TelOne operations in Zimbabwe.

Statements Of Direction

OUR VISION

Connectivity for everyone, everywhere in Zimbabwe by 2020

OUR MISSION

To provide multi-media and telecommunication services

OUR VALUES

- **Client focus**
  Our clients are the center of our existence and we deliver superior customer service at all times.
- **Innovation**
  We promote a culture of creativity and innovation to continuously improve our product and service offering.
- **Commitment**
  We are dedicated to delivering value to all stakeholders.
- **Accountability**
  We are accountable for our actions which will 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 developments in the sector

How We Are Organized

As TelOne our business is connecting people and businesses together. We are a fixed telecommunication service provider operating the second largest network in Sourthen Africa. We are also positioned as the National Telecommunication Infrastructure Company for the country.

In 2016 we reorganized our business to allow all our activities to become more customer focused and business oriented. The reorganization led to the creation of three divisions namely Retail, Infrastructure & Wholesale and TelOne Centre for Learning.

Retail

Delivers multimedia and telecommunication services to all end users who include Corporates, Government, Households and SMEs. Services cover broadband, Voice and Value Added Services

Infrastructure & Wholesale

Maintains our core network and delivers wholesale services to mobile operators, internet access providers and large enterprises

TelOne Center for Learning

Delivers a wide range of training on commercial and technical subjects to the market and is tasked with Human Capital Development for TelOne

TelOne Retail

TelOne Retail Division offers 3 broad product categories namely Broadband, Voice and Value Added Services with each contributing unique growth opportunities for TelOne.

The Division is geared to become the leading Information Communication Technology (ICT) service provider, bringing affordable connectivity for everyone everywhere in Zimbabwe through continuous network modernisation and expansion into new areas. In fulfilment of the national broadband requirements, TelOne's vast infrastructure network has the capacity to connect clients through optic fibre, satellite, wireless and copper solutions some of which are tailor made specifically for key customers.

Retail Products

Fibre to the Home (FTTH)

TelOne FTTH, which is our fibre based broadband solution has passed over 25,000 homes in new areas around Zimbabwe which did not have coverage. The footprint is expected to increase rapidly anchored by our vast backbone fibre network which is amongst the largest in the country. FTTH packages start from as low as $23 per month for 20Gig worth of data.

TelOne has a target to pass 100,000 homes with FTTH by 2020.

Asymmetric Digital Subscriber Line (ADSL)

Over 80,000 households are currently connected through ADSL which is our copper based broadband solution. The company is targeting to connect over 200,000 households by 2018. Our pricing of ADSL has become key in facilitating access as well as in attracting clients to our service with packages starting from $15 per month and a competitive uncapped package at $89 per month.

Satellite

Our Satellite service largely caters for clients who are in underserved areas which are not within reach of our fixed broadband network. A number of Schools and Hospitals in rural areas have benefited from the availability of this service. TelOne is thus playing a key role in ensuring quality education and access to information for scholars as well as communities.

To further support this, we have set ourselves a specific ambition to grow the number of Ethernet circuits we provide by 50% within the next three years.

How We Are Organized *(Continued)*

Voice

TelOne continues to offer the cheapest voice tariffs in the country at 5c per minute on net. However telecommunications voice revenues continue to decline globally, mainly due to the rise in the use of Over The Top services (OTTs) such as WhatsApp, Facebook and Viber among others. Fixed telephony has further been affected by shifting trends from fixed to mobile telephony. These two factors have affected TelOne voice business significantly. It is therefore in the face of voice business reduction that the company is moving with speed to transform the business model through a shift from a fixed voice dependency to data and multimedia services. Voice over Internet Protocol (VoIP), a cheaper alternative was launched in the third quarter of 2016 for enterprises. This has significantly helped to reduce communication cost for our enterprise customers.

TelOne Public Wi-Fi

The telecommunications landscape in Zimbabwe has significantly changed over the years from just the basic telephone to the multimedia internet based connectivity. TelOne has contributed to this revolution through the launch of the Public Wi-Fi service. This is accessible to anyone with a Wi-Fi compatible device at any of our hotspots. TelOne launched the Public Wi-Fi service in May 2015 with only 10 hotspots in Harare, which grew to over 200 countrywide in the past year. Growth is projected at over 600 hotspots by 2018.

TelOne's Public Wi-Fi, pegged at only $1 for 1 gig, continues to gain more acceptance in the market and has been deployed in high density residential areas, residential flats, informal trading sites, higher learning institutions, stadia, fast food chain stores as well as leisure spots like sports clubs.

TelOne Infrastructure and Wholesale

TelOne's Infrastructure and Wholesale Division is Zimbabwe's carrier of carriers providing bulk Internet services and is an Internet Access Provider (IAP) offering services to telecommunication operators and Internet Service Providers (ISPs).

TelOne Wholesale offers affordable and most reliable voice, broadband, backhaul and data transfer services leveraging on partnerships with regional and international operators as well as upstream bandwidth providers. It is able to deliver high speed Internet bandwidth with sufficient capacity to cater for Zimbabwe's requirements at competitive prices anchored on the shareholding in the East African Submarine System (EASSy), through a special purpose vehicle West Indian Ocean Cable Company (WIOCC). This makes TelOne the only Zimbabwean operator with direct ownership of an undersea cable. WIOCC also has a major stake in West Africa Cable System (WACS) and Europe India Gateway (EIG).

Wholesale Products and Services

Internet Protocol (IP) Transit Service
- Customized internet bandwidth solutions.

Backhaul
- Metro and intercity connectivity to other operators particularly base stations and critical sites for Mobile Network Operators (MNOs)
- Cross-border connectivity to regional countries

Virtual Private Networks
- Metro Networks - provide connectivity between customer sites over our Ethernet network in any metropolitan area within Zimbabwe
- Intercity Networks - connect business offices between major cities and towns within Zimbabwe.

Fibre and ADSL broadband Wholesale

Carrier Services
- Provides local and international voice interconnection to local and international operators.

Co-location and Hosting Services
- Sharing of infrastructure with other operators e.g. ducts, towers, troughs etc.
- Email and web hosting

Going Forward
In the coming year, the division will focus on National Broadband Project (NBB) rollout which includes:
- Replacement of legacy infrastructure,
- Expansion of national backbone network and
- Introduction of Data Centre and Cloud Computing services

[redacted]

TelOne Centre for Learning

TelOne Centre for Learning evolved over the years to become a centre of excellence in telecommunication training in the SADC region having been set up in 1956 to supply skills as an in house training centre for TelOne. The Centre was then relaunced in 1983 post independence as PTC Training Centre and served the then PTC with a view to supply strategic skills for the company. After the unbundling of PTC in 1999, the Centre was rebranded to TelOne Centre for Learning and mandated to serve a wider population and accredited with Southern African Telecommunications Association (SATA) as a Centre of Excellence. The Centre has been repositioned as a strategic business unit with a view to enhance it as a major ICT Training Centre catering for the evolving and dynamic needs of the ICT sector. Its scope was widened to cover Technical Courses, Business Courses and Facilities Provision.

The TelOne Centre for Learning Business Matrix

Strategic Partnerships

The Centre thrives on strategic partnerships and believes in tapping in the wealth of expertise from global partnerships. The following partners have been engaged to enhance the centre's capacity to meet client needs.

Over the past 12 months TelOne Centre brought for the first time in Zimbabwe, the Informa Telecoms Academy Telecoms Mini MBA, LTE Technology, LTE commercial and IP in Modern Telecoms trainings. These programs drew participants from Zimbabwean telecoms operators and the Regulator.

Student Intakes

Figure 1: The student intakes (1980-2016) by gender

Degree Program Launch

The Centre launched the Bachelor of Engineering Honours Degree in Telecommunications Engineering as an affiliate of the National University of Science and Technology in October 2016. A total of 48 students became the inaugural group to enrol for the program.

CHAIRMAN
ENG. C. S SHAMU

"We expect the $98million National Broadband Project currently underway to spur TelOne to profitable and sustainable operations that will create increased value for the Shareholder by 2019."

PERFORMANCE HIGHLIGHTS

	2016	2015	% change
Revenue	$114million	$137.7million	17%▼
EBITDA	$13.9million	$18.8million	26% ▼
EBITDA Margin	12%	14%	2%▼
Fixed broadband subscribers	80,745	73,863	9%▲
Depreciation and amortisation	$25.5million	$10.6million	141%▲
Legacy loan finance charges	$18million	$8million	125%▲

OPERATING ENVIRONMENT

It is my pleasure to present the TelOne audited Financial Results for the year ended 31 December 2016.

Economic Environment: In 2016, the country's economic performance remained depressed following low output across various sectors. Underpinning the low output in various sectors was among other things nostro funding issues, the El-Nino induced drought which had a negative effect on farming output, depressed international commodity prices on mineral exports, depressed investment, both domestic and foreign, high unemployment levels, domestic liquidity and cash challenges.

Telecoms Sector: In the period under consideration, revenues in the Telecoms Industry declined by 21% from $1.4billion in 2015 to US$1.1 billion in 2016. The decline in revenues was attributed to the increased usage of Over The Top Services (OTTS) at the expense of traditional services such as voice. The industry has seen a 19% growth in broadband revenues which increased from $800million in 2015 to $950million in 2016.

FINANCIAL PERFORMANCE

During the year under review, the company's financial performance was weighed down by a high depreciation charge that was not matched by a growth in revenue along with high legacy loan finance charges of $18million.

While the high depreciation charge is a temporary situation as data revenues are expected to grow due to uptake in broadband services, the legacy loans remain an albatross to the company's finances.

Revenue declined by 17% to $114 million in 2016 from $137.7 million in 2015 due to fixed to mobile migration as well as the increased use of OTTs in preference to traditional voice services. The decline in revenue of 17% was in line with the decline in industry revenue. Voice revenues declined by 25% and was unfortunately not been fully offset by the growth in broadband revenue of 18% as the company is still deploying its broadband network. Voice revenues moved downwards from $97 million in 2015 to $73million in 2016 while broadband revenues grew to $33million from $28million in 2015. The decline in revenues is attributed to the delay in monetization of our NBB project as infrastructure needed to be upgraded.

Operating costs have declined by 17% to $84.9 million in 2016 from $102.5 million in 2015 due to continued cost containment strategies being employed. This will remain a key area of focus for the company.

BALANCE SHEET

The TelOne Balance Sheet is in a net liability position of $111million. This is due to the legacy loan portfolio of $364million which was inherited from the Post and Telecommunication Corporation era. TelOne presented a proposal which was accepted by the Government of Zimbabwe for warehousing of the legacy loans over a five year period to allow the company to raise funding for its transformational projects that will bring the required financial stability and long term sustainability. This was the basis upon which the $98million funding was secured from China Exim Bank. However, implementation of this warehousing is still outstanding. Efforts continue to be made to get this warehousing fully implemented.

CUSTOMER EXPERIENCE MANAGEMENT

During the year, the company launched 17 improved customer service centres across the country. Formal customer feedback assessments were carried out in 2016 in order to allow for the introduction of targeted customer service improvement interventions.

NETWORK DEVELOPMENTS

The US$98.6 million facility secured at the end of 2015 from China Exim Bank to facilitate the Optic Fiber Backbone Network, Core and Access Network Modernization was finalized in 2016. The project which is one of the SINO-Zimbabwe Mega Deals signed between the Governments of China and Zimbabwe was granted national project status to become the National Broadband Project (NBB). We started implementing the project in the last quarter of 2016 and managed to complete 20% of the project. The following network elements have been completed to date:

- Harare and Mutare Metro Network expansion
- Mutare-Harare-Bulawayo-Plumtree backbone fibre upgrade
- Bulawayo-Victoria Falls microwave link upgrade
- Harare Main Data Centre Facility migration
- Core network upgrade at Harare Main Exchange

Chairman's Statement *(Continued)*

As implementation of the project continues, 70% is expected to be completed by 2017 with the remainder to be completed in the first half of 2018. We expect the National Broadband project to spur TelOne back to profitability and long term sustainability by 2019.

SUSTAINABILITY REPORTING

The company has recently adopted the Global Reporting Initiative (GRI) which promotes the use of Sustainability Reporting which is a vital step towards achieving a sustainable global economy. Sustainability Reporting is consistent with the company's values as it promotes accountability for organization's impacts and therefore enhances trust, facilitating the sharing of values on which to build a more cohesive society.

The company has identified four pillars relevant to sustainability to measure its performance with regard to its impact to the Society, Environment, Economy and Governance.

Responsibility to our Community: Guided by the post 2015 Sustainable Development Agenda, the company has identified specific areas of intervention under its Corporate Social Investments anchored on the need for the protection of the vulnerable in society, improvement of quality of educational service delivery and the promotion of safe, resilient and sustainable cities.

A specific policy position on the three thematic areas of Education, Social Welfare and Environment has seen the company spending over $500,000 during the year through a number of social investment programmes. The business has further transformed its operations to ensure that it complies with best practises where community impact considerations are always at the fore. This will see the company running an intense environmental reclamation programme in all areas where our operations have an impact on the environment.

Responsibility to our Environment: In line with best practice and our social investments, the company has further set objectives to support the development of environmentally friendly business processes and active participation in the improvement of the environment. Going forward, the company is planning to deploy more green energy initiatives.

Responsibility to our Economy: Our business strategy continues to be anchored on being part of and supporting broader national and economic development goals set under ZIMASSET. This has seen us aggressively deploying communications infrastructure and realigning our business model to spur back TelOne to profitable and sustainable operations that will create increased value to the Shareholder by 2019. TelOne has also supported national development through tax contributions amounting to $110million since the beginning of the transformation journey in 2013. In 2016 alone the company spent $30million in local procurement supporting over 600 local companies.

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 principle of openness, integrity and accountability as required by good corporate governance guidelines stipulated in the Zimbabwe Code of Corporate Governance.

Going forward

Going forward, the operating environment is expected to improve as nostro funding issues will be addressed through a good 2016-2017 farming season and prioritization of foreign currency allocations. TelOne revenues are also expected to be boosted as more customers take up broadband services after completion of the NBB project.

The finalization of the proposed clearance of the country's debt arrears and new positive developments in nostro funding deficit, are expected to improve the country's risk profile. This will translate into increased foreign direct investment and reduced cost of borrowing on both foreign and domestic credit lines.

APPRECIATION

We acknowledge that 2016 was a difficult year for the company. However, we are satisfied that there are adequate strategies to sustain the business operations.

I wish to extend my appreciation to the Shareholder, my fellow Board Members, Management and Staff for their invaluable contribution during the course of the year. My sincere gratitude also goes to all our stakeholders, especially our customers for their unwavering support which enabled our operations to continue in the year ended December 2016.

ENG. C. S. SHAMU (MR)

TELONE BOARD CHAIRMAN

MANAGING DIRECTOR
MRS C. MTASA

"Customer experience remains a key focal point in the company's turnaround strategy."

Managing Director's Report

OUR 2016 PERFORMANCE

	2016	2015	% change
Customer Service Centres	32	15	113%▲
CAPEX	$25million	$16million	56%▲
Operating Expenses	$84.9 million	$102.5 million	17%▼
Voice revenue	$73million	$97million	25%▼
Fixed Broadband Revenue	$33million	$28million	18% ▲
Monthly Blended ARPU	$25	$32	22%▼
Staff culture index	1.84	1.67	10%▲

Despite the challenging operating environment experienced in 2016, TelOne remained steadfast in its commitment to delivering value to our clients, supporting our communities, empowering our workforce and conducting business in line with good corperate governance practices for sustainability. This resulted in rolling out of affordable broadband services in greenfield areas, expansion of the public wi-fi footprint in support of our vision of "Connectivity to everyone everywhere in Zimbabwe by 2020." Our continued engagement of ~~our~~ work force saw the employee culture index improving by 10% to 1.84 in 2016.

GROWING BROADBAND REVENUES

The year saw the commencement of the National Broadband Project though it was delayed by 2 years due to the lengthy processing requirements that needed to be met with financier, China Exim Bank. The delay impacted on the speed with which the company could transform its fortunes where revenue mix remained predominantly driven by traditional voice revenue which is on a rapid decline. The project is however bringing in capacity for the company to venture into new services and broaden its presence in the broadband market. Data revenues are expected to grow significantly as a result. The company enjoyed positive growth in fixed broadband revenue which increased by 18% from $28million in 2015 to $33milion in 2016. Supporting the growth in fixed broadband revenue is a 9% increase in the subscriber base moving from 73,863 in 2015 to 80,745 in 2016.

FINANCIAL HIGHLIGHTS

OBJECTIVE	2016	2015	2014	2013
Revenue	$114m	$138m	$157m	$148m
Earnings Before Interest, Tax, Depreciation & Amortization (EBITDA)	$13.9m	$18.8m	$24m	$17m
Operating Profit	($6.7m)	$8.2m	$7m	$0.8m
Total Cost to Revenue	106%	93%	96%	99%
Staff Costs to Revenue	35%	32%	32%	36%
EBITDA margin	12%	14%	15%	11%
Fixed broadband subscribers	80,745	73,863	50,570	30,800
Fixed voice subscribers	242,227	249,962	232,494	304,144

Revenue contribution by segment

[redacted]

TelOne revenue comparison remained largely dependent on voice services due to its legacy positioning as a fixed landline company. Voice revenue contributed 66% in the past year compared to 78% in 2015. The company continues to invest in its broadband network in order to grow this revenue segment and the broadband revenue contribution has increased to 29% compared to 21% of revenue in 2015.

In 2016, an additional 20,000 fixed broadband lines were deployed across the country and this remains a major area for growth in the next few years. Operating expenses reduced by 17% to $84.9million over period 2015 to 2016 due to continued cost containment strategies. During the year, the company focused on recovering its accounts recievables and managed to collect $123million from its debtors. The introduction of prepaid voice as part of the National Broadband project is expected to impact positively on the company's cash flows.

Accounts Receivables

The company has net accounts receivables amounting to $145.5million (2015: $145.7million). This amount includes $80million which is due from various Government Departments, Ministries and Parastatals. Debt collection initiatives including litigation are on-going for all entities and residential clients to settle amounts due to the company.

Pre-paid voice billing, which is a capability that will be enabled through the modernisation of exchanges under the National Broadband project is expected to help the company in managing its receivables and the consequent reduction of the debtor's book.

Accounts Payables

For 2016, our accounts payables of $127.9million (2015: $128.8million) remain pressing. Of the amount, $116million are overdue obligations to our vendors for maintenance fees, pension fund, statutory, interconnection and bandwidth obligations, which have become a threat to the sustainability of the business.

Cashflow challenges due to delayed settlement by our debtors have affected our ability to settle our local obligations while nostro-funding challenges have limited our ability to settle obligations due to our international creditors. The company is seized with the implementation of strategies to ensure timely collections from the debtors and settlement to creditors as this is critical in ensuring the survival of the business.

IMPACT OF LEGACY LOANS ON FINANCIAL PERFORMANCE

The company balance sheet carries legacy loans amounting to $364million as at 31 December 2016. These legacy loans arose during the Posts and Telecommunications Corporation era. The loans continue to have a detrimental effect on the company's balance sheet and income statement.

During the year, legacy loan related finance costs amounting to $18million and foreign exchange losses of $1.4million were recorded in the income statement. Presented below is our performance for the year adjusted to remove the impact of legacy loan related expenditure.

Statement of Financial Position

	2016 Without legacy loans US$	With legacy loans US$	2015 Without legacy loans US$	With legacy loans US$
ASSETS				
Non current assets				
Property, plant and equipment	**306,784,610**	306,784,610	**292,114,969**	292,114,969
Investment property	**1,034,030**	1,034,030	**1,052,000**	1,052,000
Intangible assets	**20,628,327**	20,628,327	**23,557,460**	23,557,460
Financial assets	**1,048,835**	1,048,835	**795,696**	795,696
	329,495,802	**329,495,802**	**317,520,125**	**317,520,125**
Current assets				
Inventory	**8,430,797**	8,430,797	**10,063,022**	10,063,022
Tax prepaid	**2,694,089**	2,694,089	**448,594**	448,594
Trade and other receivables	**145,537,738**	145,537,738	**145,741,594**	145,741,594
Cash and cash equivalents	**3,585,761**	3,585,761	**4,526,983**	4,526,983
	160,248,385	160,248,385	**160,780,193**	160,780,193
TOTAL ASSETS	**489,744,187**	**489,744,187**	**478,300,318**	**478,300,318**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	**32**	32	**32**	32
Legacy loans converted to equity	**364,175,674**	-	**347,762,306**	-
Non-distributable reserves	**(9,345,589)**	(9,345,589)	**(21,840,273)**	(21,840,273)
Mark to market reserve	**342,482**	342,482	**145,945**	145,945
Retained loss	**(102,191,786)**	(102,191,786)	**(77,266,905)**	(77,266,905)
	252,980,813	**(111,194,861)**	**248,801,105**	**(98,961,201)**
Non-current liabilities				
Interest bearing debt: Foreign legacy loans	-	40,351,447	-	47,834,103
Long term trade payable	**17,365,361**	17,365,361	-	-
Deferred tax liability	**63,139,834**	63,139,834	**69,895,542**	69,895,542
Deferred income	**741,169**	741,169	**1,058,592**	1,058,592
	81,246,364	**121,597,811**	**70,954,134**	**118,788,237**
Current liabilities				
Trade and other payables	**127,924,769**	127,924,769	**128,769,661**	128,769,661
Loan interest payable: Legacy loans	-	190,492,220	-	172,005,427
Current portion of interest bearing debt: Legacy loans	-	133,332,007	-	127,922,776
Current portion of interest bearing debt: Local loans	**25,228,717**	25,228,717	**27,975,828**	27,975,828
Provisions	**2,363,524**	2,363,524	**1,799,590**	1,799,590
	155,517,010	479,341,237	**158,545,079**	458,473,282
TOTAL EQUITY & LIABILITIES	**489,744,187**	**489,744,187**	**478,300,318**	**478,300,318**
Net asset/(liability) position	**252,980,813**	(111,194,861)	**248,801,105**	(98,961,201)
Working capital position	**4,731,375**	(319,092,852)	**2,235,114**	(297,693,089)

Due to the legacy loans, the company has a weak balance sheet which affects its ability to raise own funding. The legacy loans are guranteed by the Government of Zimbabwe and proposals have been made for the government to take over these loans in a loan to equity conversion arrangement so as to strengthen the company's balance sheet. The solid balance sheet will then enable the company to address further funding requirements for the capital intensive and highly competitive ICT sector.

Managing Director's Report *(Continued)*

Statement of Profit or Loss

	2016 Without legacy loans US$	2016 With legacy loans US$	2015 Without legacy loans US$	2015 With legacy loans US$
Revenue	**114,042,934**	114,042,934	**137,670,239**	137,670,239
Payments to other operators	**(20,969,400)**	(20,969,400)	**(27,277,485)**	(27,277,485)
Net operating revenue	**93,073,534**	**93,073,534**	**110,392,754**	**110,392,754**
Other Income	**5,425,198**	5,425,198	**10,618,133**	10,618,133
Finance income	**319,901**	319,901	**260,627**	260,627
Operating expenses	**(84,920,435)**	(84,920,435)	**(102,492,206)**	(102,492,206)
Earnings before interest, tax, depreciation & armotization	**13,898,198**	**13,898,198**	**18,779,308**	**18,779,308**
Depreciation & armotization	**(25,525,565)**	(25,525,565)	**(10,550,830)**	(10,550,830)
Finance costs	**(1,807,460)**	(1,807,460)	**(1,970,585)**	(1,970,585)
Legacy loan expenses: finance costs and exchange losses/gains	-	(19,274,082)	-	3,663,211
Profit before tax	**(13,434,827)**	**(32,708,909)**	**6,257,893**	**9,921,104**
Tax expense	**7,784,027**	7,784,027	**(4,108,685)**	(4,108,685)
Profit for the year	**(5,650,800)**	**(24,924,882)**	**2,149,208**	**5,812,419**

As shown above, the company's loss position narrows from $24.9million to $5.7million without the impact of legacy loans. This shows the extent of the impact of the legacy loans on the company's ability to perform.

Furthermore, the company's loss position was exacerbated by an increased depreciation charge of $25.5million in 2016 compared to $10.6million in 2015. The depreciation charge increased by 142% following an asset revaluation exercise carried out during the year.

DELIVERING SERVICE TO OUR CUSTOMERS

The business continued with its thrust of providing reliable and affordable communication services to our customers by maintaining the network uptime at levels around 99.68% throughout the year in 2016. The company has also improved on its turnaround time delivering service to our customers from an average of 48 hours in 2015 to an average of 19 hours in 2016.

Customer experience enhancement remains a key focal point in the company's turnaround strategy. During the year, various customer service improvement initiatives were implemented and regular customer engagements were promoted throughout the company. A formal customer service feedback exercise was carried out and it was noted that our Customer Satisfaction index improved to 60% in 2016. Our target Customer Satisfaction index is 90%. Rebranding and re-positioning brought about improved customer service and visibility where the business transformed from being technical orientated to customer centric. During the year, we transformed 70% of our exchanges into customer service centres bringing about convenience to customers.

The year closed with 32 customer service centres opened in all the major cities and towns. This has been complemented by the opening of a Contact Centre and establishment of a Customer Self Service portal. Looking ahead, more centres will be opened and where TelOne facilities are not adequate, the company will continue to cooperate especially with other state owned entities in underserved areas to utilize their facilities as customer service centres thereby fulfilling our mandate as a national operator. Further online service access will be promoted through our refreshed website and the TelOne mobile application which were launched in 2016.

INVESTING IN OUR COMMUNITIES AND SOCIAL RESPONSIBILITIES

TelOne continued to contribute to the well-being of our communities through targeted social investment programs in the Education, Environment and Social Welfare areas. In line with the Sustainable Developmental Goal on Environment for zero tolerance on littering in cities, TelOne donated 1,000 bins to municipalities and participated in cleanup programs.

TelOne further supported infrastructure development in some tertiary institutions, implemented charitable programs under the Social Welfare and mentored a total of 50 girls. The company invested $500,000 in 2016 an increase of 178% from 2015 investment of $180,000.

OUR EMPLOYEES KEY TO SERVING OUR CUSTOMERS

In order to execute our Transformation Strategy, TelOne realigned the organizational structure for the effective delivery of planned goals. The company now has Strategic Business Units in the form of three divisions namely Retail, Infrastructure & Wholesale and Centre for Learning.

2016 witnessed a more engaged workforce working in cross functional teams for improved delivery of service. The Employee Culture index grew by 10% to 1.84 in 2016. However, our target is to score 3 out of 5 for the Employee Culture Index. To achieve this, a number of programmes which include team building, intensive training and rigorous performance management are being undertaken. The period under review also saw the company staging its second "worker of the year ceremony". Best employees and teams from across departments were appreciated in a move to encourage the organization's value for hard work and continue to boost a culture for continuous improvement to meeting customer expectations. A total of 60 employees were awarded.

Employee wellness continued to be addressed throughout the year. The organization held Wellness Fairs across the country where medical examinations were carried out at no cost to the employees. Relevant Health Education was provided during the fairs with a number of service providers participating and providing critical training in healthy and responsible lifestyles for our employees. The Wellness programs have been complemented by Sports Galas held in each region which culminated to the much anticipated annual MD's Sports Gala where employees participated in various disciplines.

We closed the year with a total workforce of 1,963 permanent employees (2015: 2,007).

NETWORK AND SYSTEM UPGRADES

The signing of the $98 million Preferential Buyers Credit Facility between Government of Zimbabwe and China Exim Bank in December 2015 gave traction to the business model as funds became available for much needed modernization program and expansion of the fibre network. During the period under consideration, the project now known as the National Broadband Project was granted a national project status. A number of projects were initiated which are expected to be completed by first half of 2018. These include:

- Harare and Mutare Metro Network expansion
- Mutare-Harare-Bulawayo-Plumtree backbone fibre upgrade
- Bulawayo-Victoria Falls microwave link upgrade
- Harare Main Data Centre Facility migration
- Core network upgrade at Harare Main Exchange

The National Broadband Project effectively positions TelOne as the National Infrastructure Company, in line with the mandate of the Government of Zimbabwe. Through this, TelOne will become the carrier of carriers providing efficient wholesale telecommunication and Data services.

The company also worked tirelessly in a bid to embrace the use of online channels such as Skype for Business, SharePoint and Yammer to enhance internal collaboration and communication which reflected in the decline in operating overheads. The company also introduced and intensified the use of platforms such as ZESA Distribution, TelPay, TelOne Online Merchant Integration and Self-Service Portal. This saw a total of 66,946 transactions being processed during the year.

OTHER CAPITAL PROJECTS

In a bid to curb continued decline in voice revenues which dropped by 25% over the past year, the company spent $25million in capital projects with $8million being own funding. The expansion of the broadband network is in view of the opportunities in growing broadband revenue. This resulted in additional 15,580 houses passed with FTTH, 31,000 ADSL lines, 133 hotspots and IP core upgrade among other projects.

INNOVATION

TelOne values the culture of innovation. The company, in the face of a changing operating environment due to economic and technological changes established an innovation unit which came up with new ideas so as to remain relevant in the market. So many of the ideas are under incubation and are expected to come to fruition in 2017 going forward. The aim being to curb TelOne's revenue declines owing to OTTs providing solutions that enable the company to thrive and even collaborate with OTTs to earn some revenue. Looking ahead, TelOne is looking forward to engaging universities and institutions to broaden the catchment area for new ideas.

Managing Director's Report *(Continued)*

RISK MANAGEMENT

TelOne's Board of Directors holds the ultimate responsibility for the company's risk management and the evaluation of its effectiveness. This function is fulfilled through the Board Finance and Audit Committee which receives quarterly risk and internal audit reports which measure effectiveness of the risk management process. The company's Internal Audit function has adopted a risk-based approach which considers output from the Enterprise-wide Risk Management to ensure effective monitoring of key risks faced by the business.

Executive Management is accountable for identifying major risks, designing, implementing and monitoring the risk identification process and integrating risk management into the company's daily activities. This function is executed through monitoring key risk pillars comprised of strategic, compliance, financial, operational, reputational and technological risks.

APPRECIATION

I would like to thank the Shareholder, the Ministry of ICT, Postal and Courier Services, and the Board for their unwavering commitment and guidance over the past year. I thank all members of Management and staff for their efforts in a difficult year.

We continue to remain indebted to our customers without whose support our existence would not be possible. You remain a core pillar of focus in TelOne.

Cmtasa

C. MTASA (MRS)

MANAGING DIRECTOR

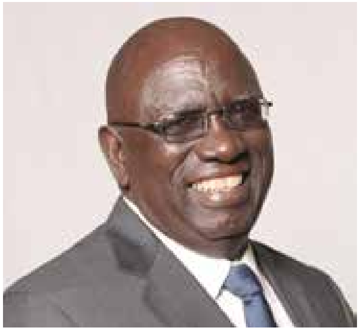
CORPORATE GOVERNANCE

Corporate Governance

THE BOARD OF DIRECTORS

Engineer C. S. Shamu
Chairman

Rtd. Brig J. C. Wekwete
Deputy Chairman



Mr C. S. Chigwamba
Non-executive Director

Mrs V. M. Chasi
Non-executive Director

Dr. S. Z. Gata
Non-executive Director

Rtd Flt. Lt. W. Musungwa
Non-executive Director

Ms S. E. Sibanda
Non-executive Director

Mrs C. Mtasa
Managing Director

The TelOne Board attaches great importance to good Corporate Governance. The Board is responsible for setting the right tone from the top and ensuring that a robust governance structure is in place to enable the business to succeed and deliver sustainable growth. The Board ensures that the company's operations are in compliance with the legislation, policies and directives governing its operations, including the Posts and Telecommunications Act (Chapter 12:05), Companies Act, the Public Finance Management Act, the Procurement Act, the Corporate Governance framework for State Enterprises and Parastatals (2010) and the National Code on Corporate Governance (Zimbabwe) 2014.

Since the attainment of good corporate governance is a key objective, the company continues to observe the highest standards of ethics and professional conduct in executing the business through the governance structures. The Board has a balance of technical and administration skills and meets on a quarterly basis and has a Board Charter and Code of Ethics which are reviewed annually.

Board Committee and Meetings

The Board is responsible for the oversight of management on behalf of the Shareholder. In order to exercise its duties, the Board has delegated some of its duties and responsibilities to three Board Committees which meet quarterly through scheduled meetings and whenever the need arises.

The Board has report-back meetings with the Shareholder, the Ministry of Information Communication Technology, Postal and Courier Services which meetings provide an important feedback mechanism where critical issues are discussed.

The Board Committees are as follows:

Finance and Audit Committee

The Finance and Audit Committee assists the Board to fulfill its corporate governance and oversight responsibilities in relation to the financial reporting, internal control systems, enterprise risk management and the internal and external audit functions.

The Committee is responsible for evaluating and recommending matters for approval by the Board pertaining to:

- Financial strategic plans;
- Audit plans and budget;
- Corporate governance;
- Operating budgets
- Capital expenditure programme and funding;
- Financial Reporting;
- Internal audit matters and the Internal control environment;
- Enterprise risk management;
- External audit matters;
- Company financial policies and procedures; and
- Other matters that the Board may refer to the Committee from time to time in connection with Company's financial position and sustainability.

External Auditors are invited to attend all meetings.

Members of the Committee

Ms S.E. Sibanda	Non-Executive Director (Chairperson)
Mrs V.M. Chasi	Non-Executive Director
Dr. S.Z. Gata	Non-Executive Director
Rtd. Brig. J.C. Wekwete	Non-Executive Director
Mrs C. Mtasa	Managing Director

2. Human Resources 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 management. The Committee provides oversight, evaluates and considers for approval matters pertaining to;

- Human Resources Strategic Plans
- Human Resources 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 with the Company's Human Resources.

Members of the Committee

Mrs V.M. Chasi	Non-Executive Director (Chairperson)
Mr C.S. Chigwamba	Non-Executive Director
Rtd. Flt. Lt. W. Musungwa	Non-Executive Director
Ms S.E. Sibanda	Non-Executive Director
Mrs C. Mtasa	Managing Director

3. Business Development, Marketing and Technical Committee

The role of the Business Development, Marketing and Technical 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 on matters pertaining to:

- The Company Strategy and broad business objectives;
- Business Development Issues;
- 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.

Members of the Committee

Rtd. Brig. J.C. Wekwete	Non-Executive Director (Chairman)
Mr C.S. Chigwamba	Non-Executive Director
Dr. S.Z. Gata	Non-Executive Director
Rtd. Flt. Lt. W. Musungwa	Non-Executive Director
Mrs C. Mtasa	Managing Director

Annual board evaluation

A Board Self Evaluation System is in place for the evaluation of the performance of individual Board Members on an annual basis. The last such evaluation was carried out in 2016.

Directors' meeting attendance

All directors attended at least 70% of meetings during the year as shown below.

MEETINGS	NO. OF MEETINGS	C. S.SHAMU	J.C. WEKWETE	C.S. CHIGWAMBA	S.E. SIBANDA	V.M. CHASI	S.Z. GATA	W. MUSUNGWA	C. MTASA
MAIN BOARD	7	6	5	7	6	5	7	6	7
HUMAN RESOURCES	4	N/A	N/A	4	4	3	N/A	3	4
FINANCE & AUDIT	5	N/A	3	N/A	5	3	3	N/A	5
BMT	5	N/A	5	4	N/A	N/A	4	4	5
AGM	1	1	1	1	1	1	1	1	1
Meeting attendance %		88%	78%	94%	94%	71%	83%	82%	100%

Director tenure

Corporate Governance *(Continued)*

Mrs C. Mtasa
Managing Director

Executive Committee

Mrs E. Chivaviro
Finance and Administration Director

Mr H. Zinyau
Corporate Services Director

Engineer L. Nkala
Divisional Director Infrastructure and Wholesale

Mr J. Machiva
Divisional Director Retail

Mrs C. Sandura
Company Secretary and Legal Advisor

Mr K. Musundire
Audit and Risk Executive

Engineer J. Munembe
Innovation Executive

Corporate Governace *(Continued)*

Management Committees

Management has put in place a number of Management Committees to assist in managing operations of the business as follows:

Executive Committee

The Executive Committee has the responsibility to manage the affairs of the Company between meetings of the Board. The Executive Committee reviews significant functions of the Company and recommends appropriate action to be taken to the Board. The Committee is tasked with the responsibility of implementation of the company strategy, ensuring that there are sound policies and procedures in place to guide the organisation in its operations. It also ensures that there are adequate systems of internal control to safeguard company assets. It is chaired by the Managing Director and all direct reportees to this office are members of the Executive Committee

Risk and Compliance Committee

This Committee meets monthly to review the company's risk profile and monitor the implementation of appropriate actions to mitigate identified risks.

Membership of the Risk Committee is as follows:

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

Other Management Committees

Other Management Committees that exist within TelOne structures include the following:

- Purchasing Committee;
- Liquidity Management Committee
- Regional Management Committee (REGCO)
- Cross functional Management Committee (MANCO)
  All these Committees provide input and feedback to the Executive Committee on a monthly basis.

Performance management

We have in place a performance management system which is derived from the results based management system. The performance management system involves the setting of performance targets which are driven by the company's strategy and a continuous monitoring of performance. Quarterly performance reviews are conducted for all members of management.

Internal audit

TelOne has in place an independent risk based internal audit function which reports functionally to the Finance and Audit Committee. The TelOne internal audit is governed by an audit charter which defines the purpose, authority and responsibilities of the function. Internal Audit continuously seeks to ensure that it is a forward looking function, focusing on strategic, business and operational risks with the largest stakeholder impact. This has involved aligning the audit focus with company strategy, identifying and responding to risk, and an expanding risk universe.

Business Ethics, Integrity and Transparency

TelOne is committed to maintaining the highest standards of integrity and corporate governance practices in order to maintain excellence in its daily operations and to promote confidence in its governance systems.

TelOne will conduct its business in an open, honest and ethical manner. TelOne recognizes the importance of protecting all its human, financial, physical, informational, social, environmental and reputational assets. TelOne is committed to measuring, auditing and publicly reporting performance on its business performance including Corporate Social Investment programs. TelOne shall not offer, give, seek or receive, either directly or indirectly, inducements or other improper advantages for business or financial gain and no employee may offer, give, seek or receive any gift or payment which is, or could be construed as such. TelOne's accounting and other records and supporting documents shall accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained. TelOne will not facilitate, support, tolerate or condone any form of money laundering and corruption. TelOne subscribes to an independent whistle-blowing channel operated by Deloitte called Tip Offs Anonymous. During the year TelOne launched a revised code of conduct which discourages unearthical and unlawful behaviour.

Deloitte. TIP-OFFS ANONYMOUS

Our Strategy

Transforming TelOne into a Converged Telecommunications Company

TelOne business model continues to evolve to a modern converged services operator offering multi-media and telecommunication services to all customer segments. Our strategy focuses on transforming the business from a traditional fixed voice dependent business to a model that allows predominantly internet based services. The strategy is anchored on four core pillars which are Funding, Marketing, Technology and Human Capital Development.

CONNECTIVITY FOR EVERYONE EVERYWHERE IN ZIMBABWE

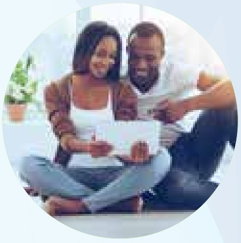
The Technology Master Plan aims at providing fibre access across strategic areas in the country while the remainder will be serviced through enhanced copper, satellite and wireless technologies.

The Marketing Transformation Plan aims to adapt to the ever changing needs of a dynamic market. This involves a redefining of the market across the geographical, economic and demographic spread within and beyond borders of Zimbabwe. To this end, TelOne aims to address needs of a young, dynamic and self-employed market while also attending to the needs of the enterprise market which remains vibrant in the country.

WHY TRANSFORM?

TelOne's transformation is in line with the evolving needs of our customers as well as the rapidly advancing global trends.

Fixed voice revenues are declining world over



Growing demand for broadband services

Demand for secure storage of information & applications

High demand for video streaming & bundling services

As a business, we are responding to these needs leveraging on our existing countrywide presence, our access to undersea cables, our status as the National Infrastructure company and our engaged workforce to deliver, while continuing to create solutions for future market needs. TelOne's transformation strategy does not only focus on delivering value to the shareholder but it also aims at creating value to all stakeholders with the customer being at the centre of our endeavours. The transformation journey to becoming a converged company gives us the opportunity to develop our human capital and create a sustainable environment.

Plans are already underway where the company is focusing on using more of green energy to reduce carbon emissions from use of diesel engine generators, recycling waste and to start planting trees to alleviate deforestation as we lay our cables, thereby contributing to sustainable development.

DELIVERING OUR STRATEGY

We are challenging ourselves to continuously transform and be prepared for the future by rolling out appropriate networks and systems as guided by our Transformational Plan. The strategic focus areas from the plan are to:

- Ensure the business is appropriately structured to deliver our strategy and operate profitably
- Accelerate development of new products and services to the satisfaction of our customers
- Monetize the National Broadband Project
- Address differences in the balance sheet
- Continuously develop our human capital skills in line with technological changes

Our Strategy *(Continued)*

OUR SUSTAINABILITY PLAN

This complements our Transformational Plan and addresses the following areas:
Economic – delivering return on investment and employment creation
Social – improving quality of life in our communities
Environment – use of more of green energy for a healthy environment
Governance – transparency and accountability in all that we do and compliance to governing statutes

As we execute our strategy, our sustainability plan ensures that we also deliver on our commitment to creating a better world to our customers, communities, employees and the shareholder. Alignment of our plans, policies and processes is key to leveraging the company's full potential to creating value and address sustainability issues.

OUR KEY BUSINESS PROCESSES

There are core companywide processes that we follow to deliver on our Transformational strategy these include:

- Continuous monitoring of our ever changing business environment for risks and opportunities in view to sustainability
- Engagements with all stakeholders for continuous improvement
- Corporate Plan which is cascaded to all levels to come up with individual annual performance contracts
- Assigning accountability levels in setting, tracking and reporting progress against set targets on all sustainability metrics leading to performance assessment and performance based compensation
- Quarterly business performance review processes coupled by monthly and weekly performance reviews.

These processes enable us to review key elements of our business, make long term decisions and develop strategic inputs to our Board of Directors.

TelOne has defined Corporate Social Investment (CSI) as a necessary element of the company's value system. In the same vein, social profit has thus become a critical part of the company's profit matrix. Our CSI initiatives help establish TelOne as a responsible corporate citizen that participates beyond the provision of quality and affordable services by impacting communities in supporting some of their critical needs.

The CSI program has been anchored on three thematic areas under which all programs run. These are:

- Education
- Environment
- Social Welfare

We are continuously working to refine our goals and strategies for CSI to prepare for and embrace the changes in the business environment and our communities.


SUSTAINABILITY REPORT

Our Sustainability Strategy

The company is guided by a sustainability strategy that is developed and approved by the board of directors. The guiding principle for our sustainability strategy is that of creating value for our shareholder, delivering exceptional service to our customers, creating awareness as well as accountability for the general well-being of the environment and the communities in which we operate. This has entailed TelOne taking responsibility of the fact that we contribute significantly to environmental degradation through trenching, bush cutting, carbon emissions and accumulation of waste.

A Corporate Social Investment function is in place that is accountable to the Board through the office of the Managing Director. Quarterly reports are compiled for tracking implementation and effectiveness. CSI is also guided by a stakeholder matrix that requires inclusiveness, transparency and accountability.

Determination of Materiality for Reporting Purposes

TelOne's approach to identifying material aspects for disclosure is influenced by the stakeholder engagement process and areas relevant to the business under the ZIMASSET blueprint. Material sustainability issues are identified as those areas which have a high impact on our shareholder, the company's operations, our customers, our employees and the communities we operate in.

Our approach to determining materiality for reporting is guided by the GRI's Sustainability Reporting Guidelines. It is our expectation that with stakeholder engagements planned for 2017 and beyond there will be improved alignment of materiality as observed by our different stakeholders.

Stakeholder engagements

Our relations with stakeholders remain an integral part of our operations and successful implementation of our business strategy. We therefore engage stakeholders with the spirit of inclusivity and responsiveness. The stakeholders are engaged systematically and informally through organized meetings and events as well as informal discussions.

Stakeholder feedback is monitored centrally through the Corporate Communications office. Monthly reports are tabled and assessed by the Executive Management Committee from which implementation of various actions is also monitored.

Our operating divisions are expected to maintain excellent stakeholder relations and this remains a key performance issue for the respective divisions through their heads. The Board monitors the overall stakeholder performance and the Managing Director is assessed on this matrix.

The table below shows a summary of key engagements held during the year:

Stakeholder	Significant issues discussed in engagements	Outcome	Mitigating actions taken to resolve issues
Shareholder	• AGM held to approve financial statements and provide feedback on operations • Strategic planning and target setting • Quarterly performance feedback and monitoring to be held with the Minister of ICT, Postal and Courier Services.	• Shared vision and goals • Improved Corporate Governance	• Continued engagement on legacy loans, Government debtors and set-off arrangements
Customers	• Customer feedback campaigns • Customer Satisfaction Surveys • Social media forums	• Product and e-commerce platform launch events • 31 new client service centres opened • Business re-organized into Retail and Infrastructure divisions • 24 hour customer contact centre established.	Service turnaround times revised and monitored systematically. Corporate clients help desk established Network redundancy addressed through new upstream and terrestrial links.
	• Credit control interventions • Recovery of amounts owed to the business	• Collections affected by inconsistent Government set-off arrangements in year 2016. • Collected $85million cash in 2016 (2015: $88million).	• Payment plans revised and accepted • Set-off arrangements encouraged • Litigation in some cases • Increased payment platforms

Our Sustainability Strategy *(Continued)*

Media	• Quarterly media events • Timely response to ad-hoc media issues • Formal press releases on company updates	• Improved media coverage and brand presence and prominence in the market place.	• Continuous engagement and monitoring of reports.
Communities	• Discussions with local authorities and institutions of higher learning	• Donate a bin and clean up campaigns • Community awareness and uptake of TelOne services • Add-a-brick campaign was launched • Provide a meal-campaign for drought alleviation	• Assessment of impact of activities underway
Employees	• Conditions of service engagements • Productivity awareness programs • Strategic planning and target setting • Performance monitoring and evaluation	• Improved work culture index from 1.61 in 2015 to 1.84 in 2016. • Revenue per employee remains low, however various performance monitoring measures are being implemented to improve revenue.	• Continued staff engagement campaigns. • Automation of key business processes
Regulator- POTRAZ	• Settlement of obligations • Quality of service and pricing issues • Technical approval of projects • Quarterly performance returns • Consultative workshops	• Payment plans for obligations • Quality of service legislation • Infrastructure sharing framework • Spectrum allocation • Telecoms market performance reports • Pricing guidelines	• Offset arrangement sought against Government debt and services taken up. • Continued regular engagements with Regulator
Pension Fund	• Restructuring of the Pension Fund • Debt settlement meetings	• Proposals submitted to Pension Fund. • Conversion of Pension Fund from a Defined Benefit to Defined Contribution scheme. • Debt restructuring proposals presented and are being considered.	• Continued engagement underway.
Financiers/ Bankers	• Formal meetings	• Settlement of loan obligations. • Clearing of transaction gridlocks • Limited foreign payments due to NOSTRO funding challenges.	• Further funding proposals explored • Daily engagements to clear numerous online transactions • Regular consultations as well as appeals to Central Bank.

OUR PROGRESSIVE SUSTAINABILITY TARGETS

We have set the following progressive sustainability targets for ourselves for 2017 going forwards.

- To plough back 0.5% of our revenues to our communities for sustainable environment management practises targeting zero littering in cities and towns where we operate.
- Reforestation- planting 100,000 trees over the next 4 years.
- Recycling paper and electronic waste- harmful chemicals from exchange equipment, auction, recycle, EMA engagement, breaking down components and dispose
- Human resources
    - Targeting zero injuries at the work place
    - Improving our work culture index from 1.84 to 3 out of 5.

Responsibility to Our Shareholder

TelOne is driven to create value for the Shareholder underpinned by the transformation of the business through the implemention of a sustainable strategy. Network modernisation, organisational culture change and client centricity have seen the business become a competitive player in the market. The refocus of the business in terms of broadening the broadband and the enterprise services will arrest the revenue decline and bring the company back to profitability and long term sustainability in the next 24 months.

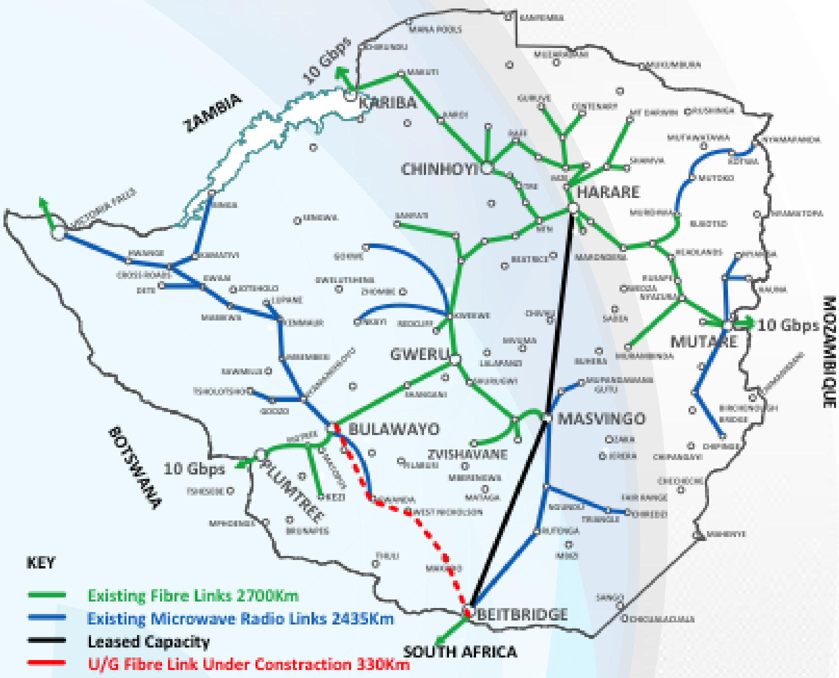
Good corporate governance and the drive to sustainable profitable operations remain priority areas for TelOne. We are targeting to pay a dividend at 3 times cover by 2021.

Responsibility to our Economy

Connectivity for Economic Development

Our business strategy is anchored on being part of and supporting broader national and economic development goals. For each investment, we have made deliberate effort to be an enabler for other economic sectors which include manufacturing, retail, banking, education, health, mining and agriculture. Social inclusion through the provision of reliable and cost effective connectivity to unserved and underserved areas including the informal market has contributed to economic development.

Existing TelOne National Backbone Network Map



Empowerment and Employment Creation

Deliberate effort to procure specific services from local companies, employment of casual labour from communities and engagement of informal traders like vendors has ensured TelOne's relevance to the economy. We are targeting to contribute more than $30million annually to the fiscus in taxes. We shall play our role in employment creation by providing opportunities to more than 10,000 youths country-wide through business partnerships.

Responsibility to our Economy *(Continued)*

Empowerment and Employment Creation	• 619 local companies supported through $30million worth of business under a deliberate strategy to procure specific goods and services from local firms. This has further translated to supporting thousands of downstream jobs. • 3,649 casual jobs created for youths, men and women in communities where TelOne implemented projects. • 200 jobs created for youths to run TelOne Public wi-fi sites as ambassadors • 2,000 vendors employed to resell TelOne Public wi-fi.
Tax Contribution	• $110million generated in taxes since 2013. • 98% business given to tax compliant vendors.
Compliance	• 100% compliance with the Procurement Act and regulations achieved in 2016.
Supporting Economic Development through Connectivity	• 12.4 Gbps capacity of international bandwidth delivered. • $2.8m International Interconnection revenue generated in 2016

Responsibility to our Community

Our Environmental Commitment and Responsible Business Practices

As part of our responsibility to the community, environmental considerations are being taken seriously at the business operational level where waste disposal, our carbon footprint and restoration activities are now incorporated in our day to day operations.

TelOne is committed to mitigate any adverse impact of our operations on the environment by working with all stakeholders, peers and others to restore, protect and promote responsible environmental practices while at the same time providing a safe and healthy working environment for our employees.

TelOne recognizes that pollution prevention, biodiversity and resource conservation are key to a sustainable environment and have effectively integrated these concepts into our business decision-making and CSI programmes. All employees are responsible and accountable for contributing to a safe working environment, for fostering safe working practices and for operating in an environmentally responsible manner.

We are committed to plough back at least 1% of our revenues to communities for sustainable environment protection practices and awareness on:

- Zero littering in cities and towns where we operate
- Reforestation through planting 100,000 trees over the next 4 years
- Recycling paper waste
- Disposal of redundant ICT waste
- Participating in infrastructure projects for institutions of higher learning

The CSI Programmes:

Provide-A-Bin: This programme runs under the Environment theme, where the company is on a drive to support cleaning of Zimbabwe's towns and cities through the provision of litter bins. The programme is driven through recycling of materials recovered from TelOne operations. A total of 1,000 litter bins have been donated in 2016 to Harare, Bulawayo, Mutare, Nyanga and Masvingo City Councils.

Responsibility to our Community *(Continued)*

Add-A-Brick: University education being key to the country's development forms part of the focus areas for both TelOne's business and social investments under the Education thematic area. The company is thus supporting infrastructure development in Tertiary Institutions including Bindura University Library project, Harare Institute of Technology Innovations Lab resuscitation project and Africa University Library project.

Provide-A-Meal: This has been implemented as the charitable programme under the Social Welfare thematic area. Mudzi District received a total of 20 tonnes of grain in 2016.

Mentor-A-Student: TelOne works with organized groups of students with a specific focus on the vulnerable groups through opening our doors for job shadowing and mentorship of students by management and staff. A total of 50 girls benefited from this programme in 2016.

Impact to our Community

INITIATIVE	PERFORMANCE	IMPACT
Environment Initiative Provide-A-Bin	• 1,000 bins donated to 5 Cities • Cost of $50,000	• Over 1million pedestrians impacted daily. • Over 30% of EMA requirements met through TelOne donation for each benefiting City/Town.
Education Initiatives Add-A-Brick	• $100,000 towards university library construction. • $5,000 towards university innovations laboratory equipment.	• 7,500 students benefitting from the library annually. • An average of 1,000 users from the community accessing the library every month. • 5,000 students benefiting from the lab annually.
Connected Schools	• 15 schools given free internet connectivity	• 15,000 school children, 1,000 teachers benefiting directly.
Mentor-A-Student and Internship Programmes	• 50 girls taken through job shadowing and mentorship by female managers • Supported development of education through internship opportunities.	• 50 girls benefited from the program. • 134 tertiary students benefited at a total Cost of $312,000 for the year 2016
Social Welfare Initiative Provide-A-Meal	• 20 tonnes of maize sourced and donated to Mudzi District to families affected by the El Nino induced drought.	• 200 families benefited.

The Future

TelOne intends to build long lasting relationships with communities in general through acting responsibly, respecting both the communities and the environment. In other words, TelOne shall continue to plough back part of its profit to the communities it serves. This thrust will see the company in the new financial year establishing a fully-fledged TelOne Foundation as a unit to strengthen and systematically manage the company's social investments. Through this vehicle, it shall seek partnerships and raise resources to enhance its capacity to invest in the community.

We are targeting to invest 0.5% of our revenues towards social investment programmes. In addition, we are working to plant 100,000 trees over the next 4 years to reverse impact of our operations on the environment.

Responsibility to our Customers

We are driven to provide affordable and reliable services to our customers at all times. Initiatives to ensure convenience and reduced customer effort to access our services continue to be implemented and the business is expected to be anchored on customer convenience into the future.

We continuously orient our staff to improve on customer focus in executing their duties. An Annual Customer Service Month was declared to provide a rallying point for all year round client appreciation messages and customer oriented culture among staff, to provide a feedback platform for customers and to create a serving culture in the management teams.

Product Performance	• 160,000 TelOne Public Wi-Fi users monthly. • 200 new Public Wi-Fi sites countrywide. • 23,591 new broadband customers. • 23,687 new voice customers. • 119 new satellite customers.
Customer Satisfaction	• Customer Service Charter launched • 10% improvement in the satisfaction index rating
Convenience	• 222,658 online transactions through TelOne in-house payment platform TelPay and merchant platforms for the year. • 17 banks, 10 chain stores and mobile money operators signed on as agencies for TelOne transactions. • 4 mobile shops acquired.

We are driven to provide the best service and experience at the least price. Initiatives to ensure convenience and reduced customer effort to access our products and services have been implemented and the business is expected to be anchored on these into the future.

Our Contact Centre has been enhanced both in skills and head count and a special unit for corporate enquiries and queries has been established. This segmentation has helped in refining our support service to all our customers.

We are targeting deployement of Wi-fi hotspots country-wide. All 154 of existing exchanges shall be converted to fully fledged client service centres by 2019. We are targeting a customer satisfaction index of 90% by 2019.

Responsibility to our Customers *(Continued)*

TelOne Customer Service

The company adopted a new culture that puts the customer at the centre of everything that TelOne does. Being a key value for the company, Client Focus has become a philosophy across the business and all team members. A new Client Service Charter was launched during the year as TelOne's promise to adhere to the service standards that meet customer expectations. Specifically we undertake to:

- Bring convenience and reduced effort in accessing our products and services.
- Bring standardised experience at all touch-points.
- Be prompt and timely in the provision of our products and services

Our internal customer satisfaction index rating score was at 60%. Service quality attributes considered included: Product functionality, Fault turnaround time, general service quality, shop physical evidence, staff friendliness and staff product knowledge.

In a quest to promote customer convenience and reduce turnaround times, we have upgraded our call centre, increased its head count and are now offering 24/7 support services on Toll-Free 950 or 04 700 950 from mobile networks. We have also unified our touch points to allow more options for clients to launch complaints through social media, Facebook (TelOneZW), Twitter (@TelOneZW), email (clientservices@telone.co.zw), website live chat (www.telone.co.zw) and on WhatsApp number +263 718 700 950.

Our Customer Experience Drivers

- **Product Reliability.** We have installed new equipment to enable improvement and stability of broadband lines seeing a 7% decline in broadband faults. Customer educational campaigns have enhanced product knowledge. A network uptime of 99.68% was achieved.
- **Service Quality.** A Customer Service Charter, which clearly defines the service quality parameters or other experience requirements was launched as a guiding framework for all our operations. Training of all staff and touch points on customer experience as well as establishment of service quality circles from management to the shop-floor has also helped to improve service quality.
- **Customer Communication.** Consistent and timeous feedback with customers is a key priority for the business, which has helped increase customer satisfaction by 10%. Work to entrench this within the business practice is continuous. A total of 8 customer feedback activities were conducted across the country.
- **Convenience through E-Commerce.** TelOne continues to leverage on technology to enhance customer experience. We made it easier for clients to acquire our services by simplifying the service application process while the online experience was also improved through adding new features to the online service portal and website which we launched in August 2016. Clients are now able to apply for service online reducing the turnaround times for service delivery. Payment platforms also increased customer convenience with 222,658 online transactions worth $3.5million through TelOne in-house payment platform TelPay and other merchant platforms.

Nick Morgan IT Manager Windmill (Pvt)Ltd

"We are using TelOne Virtual Private Network (VPN), VOIP and internet services. We are absolutely impressed by the 100% uptime we have enjoyed. Very reliable cost effective products which have helped us cut our organisational communication costs."

- TelPay is an online transaction processing platform selling ADSL, FTTH, WiFi vouchers and ZESA tokens that was developed in-house. The platform is integrated with CBZ VISA, Ecocash and Telecash thereby providing unprecedented customer convenience.
- Branch opening hours were adjusted to suit customer needs while partnerships with agencies, banks and chain stores were put in place to increase access and enhance convenience.
- **Self-Service Portal -** The Self-service portal was developed with capabilities for automation of recharge processes, launching of prepaid voice and broadband services and vouchers, customer usage history, usage notifications, balance enquiry, pin less and pin based recharge, Ecocash, Telecash, CBZ Master Card and VISA. These capabilities helped improve customer experience, convenience, trust and satisfaction.

Responsibility to our Employees

At TelOne we value the people who make service delivery possible – our employees. We have asserted a culture change programme that ensures progress for both the business and our employees. Staff wellness and the well-being of their families has been made part of the business. A culture of continuous learning, adaptability to change, agility to customer needs, ownership of the business and positivity is encouraged.

We are committed to improving our work culture index from 1,84 to 3 out 5 over the next 3 years. We are targeting zero injuries at the workplace by 2020.

Safety

Occupational Injuries

ACCIDENT STATISTICS ANALYSIS			
Year	Minor Injuries	LTI	Lost Days
2015	5	11	231
2016	8	10	134

LTI-Lost Time Injury

- Programs have been put in place to quickly identify hazards that come with tasks performed routinely and this has contributed to the 42% reduction in time lost through injuries.
- An accident investigation process is in place as part of our strategies aimed at reducing the rate of accidents.

Responsibility to our Employees *(Continued)*

Safety Involvement and Participation

The National Safety Committee was formed in 2016 as a platform for the employees to meet with the employer and discuss and resolve SHE matters. 18 National Committee members were trained by NSSA and subsequently used the training to formulate Regional and District Committees. These committees sit once a month to discuss SHE issues and come up with action items.

Tool box initiative for all vehicles that have to carry handy equipment. The tool was designed in-house at TelOne Msasa Mechanical Workshop.

To ensure quality purchases of SHE equipment like extension ladders, poles and hand tools, committees were formed to provide a specification and final inspection of the products before accepting them for use.

Staff Wellness Fair Programme

Employee health risk assessment is a work related programme that is conducted annually and continually monitors the health of our employees working in different environments. TelOne in its Wellness Fair programme has focused its effort and resources in trying to manage and mitigate non-communicable diseases [NCD] as these have a toll on the productivity of employees.

From 2015 to date the company has held wellness fairs in each of its 5 regions namely; Harare, Midlands, Masvingo, Manicaland and Matabeleland. Various medical conditions are assessed and these include among others; cancer, diabetes and blood pressure checks.

Pre-employment medical examinations are mandatory in TelOne and are conducted to determine a baseline for all employees and thereafter medical evaluations are conducted periodically in accordance with specific risk profiles. We apply simple, consistent health and safety standards across our organization to prevent occupation-related illnesses. Other mandatory health checks are done in compliance with health and safety regulations.

Responsibility to our Employees *(Continued)*

Wellness through Sports

TelOne has instilled a sporting culture among its staff members both as a wellness intervention and team building opportunity.

The following sporting disciplines are available to all staff

- Soccer
- Netball
- Darts
- Pool
- Table tennis
- Tug of war
- Chess

The annual Managing Director's Sports Gala brings the annual climax to staff sporting activities with members from across the country coming together to compete. A total of 600 staff members participated in the sports gala in 2016. Harare region was the overall winner at the 2016 MD's Sports Gala.

Responsibility to our Employees *(Continued)*

Talent Management

TelOne implemented a Talent Management System to segment and differentiate staff in line with modern human capital management trends. This system has seen a team of senior managers conducting talent reviews assisted by line managers and Human Resources.

Strategic Human Resource Development

Over the year, TelOne provided the technical skills training to its staff members, to capacitate teams to navigate the changing technology landscape.

Number of employees trained on soft and commercial skills per quarter

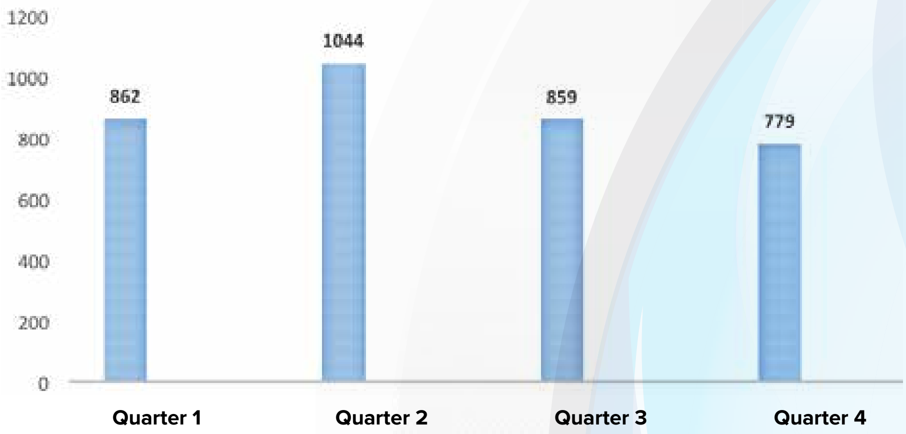


Figure 1: Soft and Commercial Skills Training delegates for 2016.

Number of employees trained on technical skills per quarter

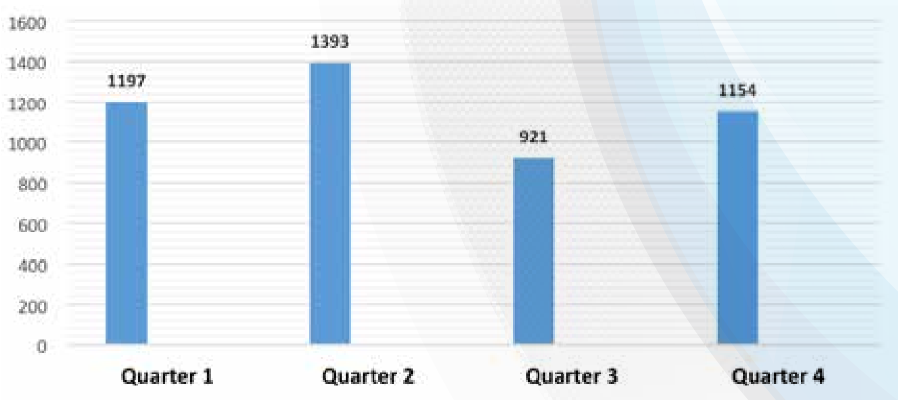


Figure 2: TelOne Technical delegates for FY 2016

The average training was 4.2 days per year out of the global benchmark of 5 training days per year.

Our Performance Summary
As a Sustainable and Responsible Business

The table below demonstrates our performance against the pillars of a sustainable and responsible business. These metrics demonstrate the impact of our various business sustainability initiatives.

Performance pillar	Performance target	2016 performance	2015 performance
Our customers	Increase customer satisfaction and achieve a customer satisfaction index of 90%	60%	Not measured
	Attend to new service installations within an average of 24 hours	19 hours	22 hours
	Attend to client service faults within an average of 24 hours	15 hours	17.5 hours
	Increase service reliability and archive a network uptime of 99.99%	99.68%	99.62%
Our environment	50% of employees to participate in cleaning the environment we operate	50%	New program
	Distribute 2,000 bins per annum to a total of 12 towns and cities, to improve sanitation and hygiene for 5million Zimbabweans per annum	1,000 bins donated to 5 cities at a cost of $50,000	New program
Our communities	Improve the livelihoods of rural communities by “providing a meal” to at least 600 families in areas affected by drought	200 families were provided with meals	New program
	Increase the number of rural broadband connections to schools and clinics	1,352 connections	1,251 connections
	Community employment opportunities created through projects	6,500	2,400
	Number of university students recruited for work related learning	134	115 (2014: 16)
	Value of downstream business created	$14million	$17million
	Contribute in the development of educational facilities by investing at least $50,000 per annum in aiding the development of infrastructure at educational institutions in the country.	$100,000	New program
Our employees	Achieve 5 training days per year	4.2	New target
	Rate of staff turnover	3%	3%
	Eliminate time lost through injuries at the work place (LTI days)	10 days	11 days
	Improve a work culture index score to 3 out of 5	1.84	1.61

Our incremental sustainability targets for 2017

- Our business’ operations contribute to carbon emissions whose quantity and impact have not been established. We have however made plans to contribute towards reversing the impact of our carbon footprint to the environment by investing in re-forestation initiatives starting in 2017.
- We have planned for investments to facilitate our increased reliance on green energy solutions in our business operations.

[redacted]

Our Year In Pictures

The Mainway Meadows FTTH tour by Minister of ICT, Postal and Courier services

Vice President Honourable E. Mnangagwa, flanked by Minister of ICT, Postal and Courier Services and other Stakeholders at TelOne Centre for Learning at the launch of our Bachelor of Telecommunications Engineering Degree programme

Members of the Parliamentary Portfolio Committee during a tour of TelOne projects

TelOne Managing Director Mrs Chipo Mtasa and the late N.U.S.T Vice Chancellor Professor L. Ndlovu at a collaboration MOU signing ceremony

2016 TelOne Centre for Learning Graduation

Customers accessing service at a TelOne mobile shop in Mainway Meadows.

Our Year In Pictures *(Continued)*

End of year TelOne staff awards

TelOne donated US$100,000 to Bindura University of Science and Technology as part of the Add-A-Brick CSI programme

Invited guests experiencing the revitalized TelOne Website and Mobile App during the launch in Harare

TelOne technical team rolling out fibre

TelOne staff participating in a clean up and bin donation in Bulawayo

TelOne Harare Region Netball team scooped the first prize at the 2016 Inter regional MD's sports Gala

Recognitions & Awards In 2016

Zimbabwe National Chamber of Commerce

- Best Public Sector Company 2016

Zimbabwe Institute of Management

- **1st** Runner up in Customer Service Excellence
- **2nd** Runner up Human Resources Development

2016 Public Sector Financial Management Awards

- Overall Best Financial Management
- Financial Turnaround of the Year
- **1st** Runner Up Innovative Resource Management
- **1st** Runner Up in Budgeting and Financial

Zimbabwe Mega Project Management

- Best Corporate Governance Company of the year
- **1st** runner up Telecom Category

Marketers Association of Zimbabwe Superbrands Awards 2016

- **1st** Runner Up Data and Telecoms Category

Harare Metropolitan Province Social Responsibility Awards

- **1st** Runner Up Environment Category

4th Excellence in Governance Awards 2016

- **2nd** Runner Up State Enterprises and Parastatals

ZITF 2016

- Best Exhibit ICT Category

Harare Agricultural Show 2016

- Best ICT Exhibit (Potraz Award)

Our Risks

ENTERPRISE-WIDE RISK MANAGEMENT

The business is affected by a number of risks and uncertainties emanating from both internal and external factors hence the need for an ongoing Enterprise Risk Management function.

RISKS AND UNCERTAINTIES

The key risks and uncertainties that affect the business have an impact on strategies, business, revenues, brand, profits, liquidity and ultimately the shareholder value. Key risks described in the previous reporting year have evolved and so did our business risk management responses. The Enterprise Risk Management framework in place, which is depicted below, gives reasonable assurance that we continue to identify and address our business risks.

TELONE'S ENTERPRISE RISK MANAGEMENT FRAMEWORK

Figure 1: TelOne's enterprise risk management framework

The business adopted enterprise risk management as its risk management approach in 2015 to allow effective integration of risk management into all processes. This approach entails that all levels of management have a responsibility for risk management, while the established risk function provides a mechanism for monitoring risks and the implementation of mitigating actions and reporting on identified risks and business impact there-of.

ENTERPRISE RISK MANAGEMENT ACHIEVEMENTS AND PRIORITIES

Enterprise risk management achievements in 2016

In the period under review TelOne addressed the integration of Enterprise Risk Management in the business through the following initiatives:

- Improved focus on project risk management, in particular, sufficient risk management focus was given over the National Broadband Project, implementation of which commenced during the year.
- Integration of additional management layers in the risk management process
- Enhanced our level of corporate compliance by internal compliance reviews monitoring major risks.
- Development of a Business Continuity Management Framework (BCM) and Disaster Recovery Plan (DRP)

Enterprise risk management priorities for 2017

Information security risk governance will be given more prominence in risk assessments and risk mitigation plans. Strategies are in place to develop further skills in the information security domain. This area remains critical due to the evolution of our network and systems from an outdated legacy network into a modern IP based network.

Implementation of the Business Continuity Management Framework (BCM) and Disaster Recovery Plan (DRP) will be given priority in order to ensure the business is ready to respond to disruptions.

Fraud risk management will be enhanced by training staff on ethics and effective reporting of fraud through the fraud hotline in place through Tip-Offs Anonymous, which is administered independently by Deloitte. A new code of conduct was launched in 2016 and the new code has set high standards of ethical conduct for all staff, this new code of conduct will be critical in the management of internal fraud risk.

Our Risks *(Continued)*

MAJOR RISKS

Strategic Risk

The telecommunications market has been characterized by:

- Rapid and constant change
- Strong competition with more choice to consumers
- Market and product convergence
- Technology changes
- Declining sectorial revenues with consumers prefering cheaper VOIP service therefore resulting in a decline in traditional voice revenues.

Strategic risks which the business is aware of and is actively managing relate to the adverse impact on earnings due to changes in the economic and operating environment in line with the evolving customer preferences.

Impact	What changed in 2016?	Risk Mitigation
This risk can result in our inability to grow revenue and profitably. This may result in strained cash flows limiting the business' ability to reinvest and grow. This risk has also presented an opportunity for growth in the business' broadband market.	Restructuring the organization in order to be more customer centric Increased deployment of our fibre network Modernization of the business network through IP transition and service convergence.	Increased customer engagements to allow the business to identify areas of need to its customer. Engagements were done with over 10,000 customers located in various parts of the country in 2016. Striving to deliver superior customer service. To support this initiative, our call centre has been transformed into a customer experience centre and with the increased company-wide focus on delivering exceptional customer service, a net promoter score index of 3.8% has been achieved in 2016. Realigning our cost structure through various cost containment initiatives. This initiative has resulted in a 10.5% decline in our operating costs between 2015 and 2016.

Compliance Risk

The risk of material financial loss, penalties or loss of reputation the business may suffer as a result of failure to comply with laws, regulations and contractual obligations.

Compliance risk rating of the business is considered high mainly due to liquidity and solvency issues which affect the company's balance sheet.

Legacy loans

The business is exposed to unsettled contractual obligations emanating from legacy loans amounting to $364 million as at 31 December 2016 dating back to the period of the unbundling of the Postal and Tele-Communications (PTC). Constraints in financial resources continue to affect the business ability to settle the legacy loans. The legacy loans have contributed $18million in finance costs recorded by the business in 2016 therefore affecting overall profitability.

Pension fund

The business owes $23million to its defined benefit pension fund as at 31 December 2016. The company was exposed to sanctions due to this unsettled obligation. To mitigate this risk, the company has engaged the Pension Fund to restructure this obligation into an interest bearing loan, with a 10 year tenor.

Our Risks *(Continued)*

The pension fund has an actuarial deficit of $65.1million as at 31 December 2015. The company's portion of this actuarial deficit has not been determined. Full disclosure of this deficit has been made in the audited financial statements in note 23.

The company's financial position and credit rating may be further affected by recognition of this deficit.

Impact	What changed in 2016?	Risk Mitigation
Non-compliance with various regulatory and contractual obligations may affect the business' credit rating and may lead to penalties.	POTRAZ regulatory activity has increased in the past year in different aspects including the introduction of service quality standards which the business has surpassed in 2016. Conversion of the pension fund into a defined contribution.	Regular compliance reviews are carried out by our internal Legal and Compliance, and Audit & Risk departments. Findings are monitored and reported to the Board. Increased stakeholders and regulator engagement

Financial Risk

The risks attributed to liquidity and solvency risks, credit risks and foreign exchange risk. Rating of the business financial risk landscape is considered high as a result of the following:

Liquidity risk- settlement of creditors balances

Liquidity risk for TelOne mainly relates to the company's ability to timely service its obligations to local and international creditors and various lenders.

Impact	What changed in 2016?	Risk Mitigation
Delayed settlement of creditors may affect the business' operations.	We increased our focus on managing our receivables so as to improve liquidity and our capacity to settle obligations. Cost containment strategies have been implemented to improve the company's liquidity position. Operating expenses have reduced from $102million in 2015 to $85million in 2016.	Continuous engagement of the Central Bank for nostro funding support to settle foreign creditors. Engagement of the Government of Zimbabwe to settle balances due to the business to allow the business to service its creditors.

Credit Risk

Credit risk for TelOne mainly relates to the company's ability to timely recover its debtors book which has a net value of $145.5million as at 31 December 2016 (31 December 2015: $145.7 million).

Impact	What changed in 2016?	Risk Mitigation
Delayed recovery of the company's debtor's book may result in cashflow constraints which may affect the business' ability to service its obligations on time.	Increased our focus on managing our receivables. Restructured organization into divisions with greater responsibility over managing its receivables. This approach has decentralized the management of the debtors' book, thereby replacing our previously centralized approach. It is our view that this approach will give more efficiency in managing our credit risk.	An integrated debtor's management strategy has been developed and implemented in line with the organizational restructure carried out in 2016. Introduction of prepaid billing to reduce accumulation of debtors book to be implemented as part of the National Broadband project. Engagement of debt collectors and credit bureaus to intensify collections and where appropriate legal action is being taken.

Technological Risk

The telecommunications industry continues to experience constant technological changes to support changes in customer preferences, vast modernized infrastructure requirements and short turnaround time for identifying and reacting to technological threats and opportunities. The modernization of our network also inherently introduces information security risks which are being continuously monitored.

Impact	What changed in 2016?	Risk Mitigation
Delayed reaction to changing customer preferences may result in a loss of revenue and market share. Skills base may become irrelevant to the changing environment and technology.	National Broadband Project (NBB) Implementation commenced resulting in the modernization of our network elements. Undertook re-training of our critical staff members to allow them to remain relevant to the changing technology We improved on our reliance of efficiency work tools such as workflow systems for our administrative functions	Implementation of network modernization under the NBB Project commenced in 2016. The project will result in improved and converged service features and reliability to support customer needs. Re-training and practical exposure in the management of modern IP networks and cyber security by our different partners. Prominence given to project management related risks.

Operational risk

Operational risk exposure may result from failure of people, processes or systems that may potentially disrupt the business operation. Risk sources for operational risks include: Information and Cyber security issues, Fraud risk- internal and external fraud risks, Safety, Health and Environment risks as well as Processes and systems.

Impact	What changed in 2016?	Risk mitigation
Disruption of the business' operations.	Completed an enterprise-wide review and update of policies and procedures which is now a continuous process. Carried out an external review of our information security processes and controls. Formed a Committee to oversee the management of Safety, Health and Environment issues. Implemented a new Code of Conduct.	Safety, Health and Environment (SHE) committee and regional committees to track SHE issues. Asset and staff protection through asset tracking, education, provision of appropriate processes and working tools. Whistle blowing program in place to support the reporting of fraud and ethical breaches. This facility is managed independently by Deloitte's under Tip-Offs Anonymous. Ongoing education and awareness campaigns on fraud, theft and vandalism of infrastructure. BCM and DRP Framework has been developed and is being implemented.

Our Risks *(Continued)*

Reputational risk

This is a threat or danger to the good name or standing of an entity. Managing this risk is largely about managing and delivering stakeholder expectations. Our customers are the most critical stakeholder in this regard.

Impact	What changed in 2016?	Risk mitigation
Reputational damage may result in loss of stakeholder confidence which is key in securing our revenue and capital markets.	Implemented stakeholder engagements which included setting up feedback sessions with our clients and other stakeholders in various parts of the country.	Stakeholder engagements are carried out as part of our strategic planning process to allow us to understand stakeholder expectations. We conduct regular research to obtain feedback from our stakeholders for guidance.

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 Annual Report ensuring that they fairly present the state of affairs and results of TelOne's operations.

EXTERNAL AUDITORS' ROLE

The External Auditors are responsible for carrying out an independent examination of financial statements in accordance with International Standards on Auditing and reporting on findings.

SYSTEMS OF INTERNAL CONTROL

TelOne's systems of internal financial control give reasonable but not absolute assurance to reliability of financial statements, safeguard, verify maintain accountability of assets, prevent and detect misstatements and losses.

GOING CONCERN

Review of TelOne's budgets and financial projections have given directors no reason in all material aspects to believe that the company will not continue to operate in the foreseeable future as the financial statements have been prepared on a going concern basis.

ACCOUNTING STANDARDS, POLICIES AND PROCEDURES

Relevant International Financial Reporting Standards have been applied. Policies and procedures are being continually reviewed in line with the Transformational Strategy the company is pursuing in order to guide operations as the organisations transforms from a Fixed to a FMC company.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2016 as set out under pages 60 to 79 fairly present in all material respects the financial position and performance of TelOne (Pvt) Ltd and have been approved by the Board of Directors and are signed on its behalf by:

C. MAUNGANIDZE
(Acting Director Finance ACIS RPAcc)

C. MTASA
(Managing Director)

ENG C.S SHAMU
(Board Chairman)

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Reference: SB 54

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Harare

REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF INFORMATION COMMUNICATION TECHNOLOGY, POSTAL AND COURIER SERVICES

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE FINANCIAL STATEMENTS FOR

TELONE (PRIVATE) LIMITED

FOR THE YEAR ENDED DECEMBER 31, 2016

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of TelOne (Private) Limited set out on pages 60 to 79, which comprise the statement of financial position as at December 31, 2016, 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, the accompanying financial statements present fairly, in all material respects, the financial position of TelOne (Private) Limited as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISA) and International Standards of Supreme Audit Institutions (ISSAI). 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 TelOne (Private) Limited 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 opinion.

Report on the Audit of the Financial Statements

Material uncertainty related to going concern

Without qualifying my opinion, I draw attention to note 26 in the financial statements which shows that the Company had a net liability position of US$111,194,861 (2015: US$98,961,201) as at December 31, 2016. Fixed-term borrowings, mainly legacy loans, 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 TelOne for the year ended December 31, 2016. These matters were addressed in the context of my audit of the TelOne 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 matter described in the 'Material uncertainty related to going concern section',

I have determined the matters described below to be the key audit matters to be communicated in my report.

Key audit matter	How the matter was addressed in the audit
Valuation of property, plant and equipment. Refer to notes 3.1 and 4 of the financial statements. Reassessment of useful lives and determination of depreciation rates requires significant management judgement. The carrying amount and depreciation rates are reviewed annually by management with reference to current and forecast technical factors, therefore valuation of property, plant and equipment was considered a key audit matter. The carrying amount of the Company's property, plant and equipment as at December 31, 2016 was $306,784,610 after recognising a gain on revaluation of $12,677,314 and depreciation amounting to $ 22,872,765 during the year.	**My procedures in relation to management 's assessment of the valuation of property, plant and equipment included:** • Evaluating management's estimates regarding useful lives and residual values of assets in relation to the Company's historical experience and industry practice. • Discussions with management and inspection of documentary evidence of the state of the assets. • Assessing the methodology used by management to estimate the useful life of the assets taking into account the Company's future plans. • Evaluating the capabilities and the competencies of the management technical team. **Based on the evidence gathered, I found management's assumptions in relation to useful life and carrying amount reasonable. The related disclosures are considered to be appropriate**
Valuation of trade receivables. Refer to notes 3.7, 9 and 25.1 of the financial statements. The valuation of trade receivables is dependent on certain key assumptions that require significant management judgement. As a result, the valuation of receivables was significant to my audit. Management has estimated the recoverable amount of the trade receivables to be $139,407,402 as at December 31,2016 after recognising an allowance for credit losses of $66,669,335.	**My audit procedures to address the risk of material misstatement relating to the valuation of trade receivables included:** • Assessment of the recoverability of long outstanding receivables by making comparison of the rate of collection in the current year and prior year. • Analysis of the debtors age analysis for long outstanding amounts and assessment of the reasonability of provisions for irrecoverable amounts. • Evaluated the reasonability of management judgements and assumptions made in estimating the allowance for credit losses considering the nature and suitability of any historic data used to support these assumptions. **I found the key assumptions used in the valuation of trade receivables to be appropriate.**

Report on the Audit of the Financial Statements
(Continued)

Key audit matter	How the matter was addressed in the audit
Revenue recognition. Refer to notes 3.9 and 17 of the financial statements. The Company has various products that cut across internet, voice and data from which it generates revenue using a complex IT based billing system. The huge volume of transactions from numerous revenue streams 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 Company recognised revenue amounting to $114,042,935 during the year ended December 31, 2016.	**The audit procedures to address the risk of material misstatement relating to revenue recognition included:** • Testing of controls over the Company's information technology revenue system assisted by my information technology specialist. • Conducting substantive analytical procedures on revenue. • Scrutinising manual journals related to revenue to assess the timing and fair values of revenue recorded. • Evaluated the adequacy of the disclosures regarding revenue. **Based on the transactions tested, I found no material errors in the computation and recognition of revenue. The relevant disclosures are considered to be appropriate.**

Other information

The directors are responsible for the Other Information. The Other Information comprises all the information in the TelOne (Private) Limited 2016 annual report and does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cater for 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 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.

Directors' responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in a manner required by the Companies Act [Chapter 24:22] 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, Directors are 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 responsibility for the Audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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.

Report on the Audit of the Financial Statements
(Continued)

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism 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 Company'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 Company'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 Company 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 also 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 Companies Act [Chapter 24:22], the Public Finance Management Act [Chapter 22:19] and relevant Statutory Instruments

02 June 2017

mchiri

M. CHIRI,

AUDITOR – GENERAL

STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2016

	Notes	31 Dec 2016 USD	31 Dec 2015 USD
ASSETS			
Non current assets			
Property, plant and equipment	4	306,784,610	292,114,969
Investment property	5	1,034,030	1,052,000
Intangible assets	6	20,628,327	23,557,460
Financial assets	7	1,048,835	795,696
		329,495,802	317,520,125
Current assets			
Inventory	8	8,430,797	10,063,022
Taxation	14.3	2,694,089	448,594
Trade and other receivables	9	145,537,738	145,741,594
Cash and cash equivalents	10	3,585,761	4,526,983
		160,248,385	160,780,193
TOTAL ASSETS		**489,744,187**	**478,300,318**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	32	32
Non-distributable reserves		(9,345,589)	(21,840,273)
Mark to market reserve		342,482	145,945
Retained loss		(102,191,786)	(77,266,905)
		(111,194,861)	(98,961,201)
Non-current liabilities			
Interest bearing debt:foreign legacy loans	12	40,351,447	47,834,103
Long term trade payable	15.2	17,365,361	-
Deferred tax liability	14.2	63,139,834	69,895,542
Deferred income		741,169	1,058,592
		121,597,811	118,788,237
Current liabilities			
Trade and other payables	15	127,924,769	128,769,661
Loan interest payable:legacy loans	15.1	190,492,220	172,005,427
Current portion Interest bearing debt:foreign legacy loans	12	133,332,007	127,922,776
Current portion Interest bearing debt:local loans	13	25,228,717	27,975,828
Provisions	16	2,363,524	1,799,590
		479,341,237	458,473,282
TOTAL EQUITY AND LIABILITIES		**489,744,187**	**478,300,318**

C. MAUNGANIDZE
(Acting Director Finance ACIS RPAcc)

C. MTASA
(Managing Director)

ENG C.S SHAMU
(Board Chairman)

02 June 2017

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	31 Dec 2016 USD	31 Dec 2015 USD
Revenue	17	114,042,935	137,670,239
Payment to other operators	18	(20,969,400)	(27,277,486)
Net operating revenue		**93,073,535**	**110,392,753**
Other income	19	5,425,198	10,618,133
Finance income	21	319,901	260,627
Operating expenses		(84,920,435)	(102,492,205)
Other operating expenses	20	(43,091,658)	(55,968,595)
Staff costs	20.1	(41,828,777)	(46,523,610)
Earnings before interest tax and depreciation		**13,898,199**	**18,779,308**
Depreciation of property, plant and equipment	4	(22,872,765)	(8,689,116)
Depreciation of investment property	5	(17,969)	(11,093)
Amortisation of intangibles	6	(2,634,830)	(1,850,621)
Operating/ (loss) profit		**(11,627,365)**	**8,228,478**
Finance cost on legacy loans	21	(17,838,856)	(8,429,575)
Finance cost on current loans	21	(1,807,460)	(1,970,585)
Net exchange (losses)/gains on legacy loans	22	(1,435,228)	12,092,786
(Loss)/Profit before tax		**(32,708,909)**	**9,921,104**
Tax expense	14.1	7,784,027	(4,108,685)
(Loss)/Profit for the year		**(24,924,882)**	**5,812,419**

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

		31 Dec 2016 USD	31 Dec 2015 USD
(Loss)/profit for the year		(24,924,882)	5,812,419
Other comprehensive income			
Fair value re-measurement gain	7	196,538	(145,944)
Revaluation surplus		12,494,683	58,804,034
Total other comprehensive income		12,691,221	58,658,090
Total comprehensive income for the year		**(12,233,661)**	**64,470,509**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital USD	Non distributable reserve USD	Mark to market reserve USD	Retained loss USD	Total reserves USD
Balance at January 1, 2015	**32**	**(80,644,306)**	**291,888**	**(83,079,324)**	**(163,431,710)**
Profit for the year	-	-	-	5,812,419	5,812,419
Revaluation Surplus Property, Plant and Equipment	-	58,501,434	-	-	58,501,433
Revaluation Surplus Investment Property	-	302,600	-	-	302,600
Fair value remeasurement loss	-	-	(145,943)	-	(145,943)
Balance at December 31, 2015	**32**	**(21,840,272)**	**145,945**	**(77,266,904)**	**(98,961,200)**
Balance at January 1, 2016	**32**	**(21,840,272)**	**145,945**	**(77,266,904)**	**(98,961,200)**
Loss for the year	-	-	-	(24,924,882)	(24,924,882)
Revaluation surplus	-	12,494,683	-	-	12,494,683
Fair value remeasurement gain	-	-	196,537	-	196,538
Balance at December 31, 2016	**32**	**(9,345,589)**	**342,482**	**(102,191,786)**	**(111,194,861)**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	Notes	31 Dec 2016 USD	31 Dec 2015 USD
Cash flows from operating activities			
Operating (loss)profit		(11,627,365)	8,228,478
Adjustments for:			
Depreciation of property, plant and equipment	4	22,872,765	8,689,116
Depreciation of investment property	5	17,969	11,093
Amortisation of intangible assets	6	2,634,830	2,748,453
Deferred Income		(317,423)	(327,619)
Payable Write Off		-	(5,875,590)
Debt Write Off		-	4,571,252
Loss on disposal of property, plant and equipment		(61,964)	(124,105)
Unrealized exchange (gains)/losses	22	408,242	(2,232,178)
Finance income		(319,901)	(260,627)
		13,607,153	15,428,273
(Increase)/decrease in inventories		1,632,226	900,364
(Increase)/decrease in receivables		203,856	10,699,997
Increase (decrease) in payables		18,205,834	(1,379,966)
Cash generated from operations		**33,649,069**	**25,648,668**
Interest received		133,577	260,627
Interest paid		(416,691)	(657,713)
Taxation paid	14.3	(803,160)	(1,668,086)
Net cash from operating activities		**32,562,795**	**23,583,496**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(24,917,081)	(16,268,400)
Proceeds from disposal of equipment		213,222	437,783
Intangible asset development expenditure		(1,561,869)	(4,161,894)
Net cash utilised in investing activities		**(26,265,728)**	**(19,992,511)**
Cash flows from financing activities			
Repayment of local borrowings	13	(4,137,879)	(2,746,736)
Repayment of foreign borrowings		(3,100,410)	(3,200,004)
Net cash outflow from financing activities		**(7,238,289)**	**(5,946,740)**
Net increase /(decrease) in cash and cash equivalents		**(941,222)**	**(2,355,755)**
Cash and cash equivalents at beginning of the year		4,526,983	6,882,738
Cash and cash equivalents at end of year	**10**	**3,585,761**	**4,526,983**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. NATURE OF BUSINESS AND GENERAL INFORMATION

TeOne (Pvt) Ltd was incorporated in Zimbabwe in 2000 in terms of the Postal and Telecommunications Act (Chapter 12:05). The company is wholly owned by the Government of Zimbabwe. The Company is a fixed mobile convergence company whose main business is that of provision of telecommunication services and products. The company is registered at the Registrar of Companies under registration number 4658/2000.

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

2. BASIS OF PREPARATION

2.1 Authorization of Financial Statements

The financial statements are authorized for issue by the TelOne Board of Directors.

2.2 Statement of Compliance

2.2.1 Compliance with IFRS

The financial statements for the year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations (collectively IFRS), approved by the International Accounting Standards Board (IASB) through the due process.

2.2.2 Compliance with Legal and Regulatory requirements

The financial statements for the year ended December 31, 2016 have been prepared in accordance with the Companies Act (Chapter 24.03).

2.3 Going Concern Basis

The financial statements have been prepared on a going concern basis. The company is in a net liability position. The directors are not aware of any other material uncertainties related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern.

2.4 Functional and presentation currency

The financial statements are presented in United States Dollars (USD) which is both the functional and presentation currency.

2.5 Consistency of presentation and accounting policies

The financial statements have retained the presentation and classification of items from one period to the next unless a new IFRS requires a change or it is apparent following a significant change in the nature of the business or a review of the financial statements. Accounting policies have been selected and applied consistently for similar transactions, other events and conditions unless an IFRS specifically requires or permits categorization of items. The policy, shall be selected and applied consistently to each category which different policies may be appropriate. If an IFRS requires or permits such categorization, an appropriate accounting policy shall be applied.

2.6 Basis of measurement

The financial statements are prepared using the accrual basis of accounting except for cash flow information. Material classes of similar items are presented separately and items of dissimilar nature or function are presented separately unless they are immaterial. The financial statements of the company are based on the statutory records that are maintained under the historical cost convention, except for financial instruments and investment property which are measured at fair value. Historical cost is generally based on the fair value of consideration given.

2.7 Use of estimates and judgments

The preparation of financial statements requires management to make judgements, 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. Areas of significant judgement include useful lives and residual values of Property, Plant and Equipment and the fair valuation of account receivables.

2.8 New and revised financial reporting standards

New standards, amendments and interpretations effective January 01 2016, which have been adopted and applied

i. **IAS 16 Property, Plant and Equipment**
Amendments providing clarification on acceptable methods of depreciation and amortization. Effective date 1 January 2016.

ii. **IAS 38 Intangible Assets**
Amendments regarding the clarification of acceptable methods of depreciation and amortization. Effective date 1 January 2016

iii. **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**. Effective date 1 January 2016
11

iv. **IFRS 7 Financial Instruments: Disclosures**
Additional hedge accounting disclosures and consequential amendments resulting from the introduction of the hedge accounting chapter in IFRS 9. Effective date 1 January 2016

v. **IAS 1 Presentation of Financial Statements**
Amendments resulting from the disclosure initiative. Amendment aiming to ensure that an entity does not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Effective date 1 January 2016

vi. **IAS 7 Statement of Cash Flows**
Amendments resulting from the disclosure initiative.
Effective date 1 January 2016

vii. **IAS 12 Income Taxes**
Amendments regarding the recognition of deferred tax assets for unrealized losses. Effective date 1 January 2016

viii. **IAS 19 Employee Benefits**
Amendments resulting from the September 2014 Annual Improvements. Discount rate: requirement to use the market yields on government bonds denominated in the currency of high quality corporate bonds in cases where there is no deep market for such bonds for the purpose of discounting post-employment benefit obligations. Effective date 1 January 2016

ix. **IAS 34 Interim Reporting**
Amendments resulting from the September 2014 Annual Improvements. Certain disclosures are to be given either in the interim financial statements or incorporated by a cross-reference from the interim financial statements to some other statement. These disclosures must also be available to users on the same terms and at the same time as the interim financial statements for the interim financial report to be complete.
Effective date 1 January 2016

x. **IFRS 1 First-time Adoption of International Financial Reporting Standards Consequential amendment to IFRS 7 Financial Instruments Disclosures:** Servicing contracts disclosures and offsetting of financial assets and liabilities disclosures in condensed interim financial statements. Effective date 1 January 2016.

2.9 New standards, amendments and interpretations issued but not yet effective for financial year beginning 01 January 2016 and not yet adopted

i. **IFRS 15 Revenue from Contracts with Customers**
This new standard provides principles on the measurement, timing and recognition of revenue. Effective date 1 January 2018

ii. **IFRS 16 Leases**
Establishes principles for the recognition, measurement, presentation and disclosure of leases with the objective of ensuring that lesees and lessors provide relevant information that faithfully represents lease transactions.
Effective date 01 January 2019

iii. I **FRS 7 Financial Instruments Disclosures**
Amendments requiring disclosures about the initial application of IFRS 9. Additional hedge accounting disclosures resulting from the introduction of a hedge accounting chapter in IFRS 9.
Effective date 1 January 2018

iv. I **FRS 9 Financial Instruments**
Replaces IAS 39. In July 2014 the IASB issued IFRS 9 Financial Instruments. The Standard which will replace IAS 39 for annual periods beginning on or after 01 January 2018 and early adoption being permitted. From a classification and measurement perspective the new standard will require all financial assets except equity instruments and derivatives to be assessed based on a combination of the entity's business model for managing the asset and the instruments' contractual cash flow characteristics. Effective 01 January 2018

v. **IAS 39 Financial Instruments: Recognition and Measurement**
Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception, Effective date 1 January 2018

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 which were previously carried at historical cost, are now subsequently measured at fair value at date of revaluation less subsequent accumulated depreciation and accumulated impairment losses. The change will ensure the financial statements provide reliable and more relevant information. The change in accounting policy, being the initial application of the policy to revalue assets, has been dealt with in accordance with IAS 16. 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- 10
Stores plant	5-10
Fixtures and fittings	5-20
Transport equipment	3-10
Computer Equipment	5

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. 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 de-recognition.

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 and Synchronous Transport Module (STM). The costs are amortized over the estimated useful lives using the straight line method.

Costs associated with developing or maintaining computer software programmes are recognized as expenses when incurred. Internally generated intangible assets are measured at their directly attributable cost and only expenditure incurred after the project has entered its development phase can be included as part of the cost. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

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
Indivisible 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 which were previously carried at historical cost shall be measured at fair value at date of revaluation less any accumulated depreciation and any accumulated impairment losses. The change will ensure the financial statements provide reliable and more relevant information. The change in accounting policy, being the initial application of the policy to revalue assets, has been dealt with in accordance with IAS 40. Fair values were determined based on valuation performed by an accredited independent valuer.

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 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. If any such indication exist, the company shall estimate the recoverable amount of the asset. Recoverable amount being the higher of fair value less cost 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.

3.5 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The company classifies as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Leases that do not meet the finance lease recognition criteria are classified as operating leases. Assets leased in term of finance lease agreement are capitalized at amounts equal at lease inception to the fair value of the leased asset or if lower at the present value of the minimum lease payments. Capitalized assets are depreciated in terms the policy applicable to property, plant and equipment.

3.6 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.

3.7 Trade and Other Receivables

Trade and other receivables are measured at their cost less impairment losses. Trade receivables are composed of an extensive customer base, covering residential, and government, wholesale, global and corporate customers. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of contracts with customers. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the trade receivables are impaired. When a trade receivable is uncollectible, it is written off against the allowance for credit losses. Subsequent recoveries of amounts previously written off are credited against the trade receivables impairment provision in profit or loss.

3.71 Doubtful Debts Provision

The company policy applies to all categories of trade receivables. A general provision and a specific provision for doubtful debts is regularly calculated in relation to payment patterns of customers continually re-assessing the payment patterns and status of credit limits availed to the customers.
A provision for doubtful debts will be established on an account by account basis for aged debts greater than 90 days, taking into account:

- The size and nature of the debt
- The debtor in question

The specific and general provisions as at year end are summed up and added to the debtors control accounts balances in the ledger. The resultant total is then multiplied by 19.5%. This effectively becomes the provision for doubtful debts at year end, which is subsequently compared with the provision in the company's books. An adjustment, to cater for the change (increase or decrease) in the provision is then effected in the company's books.

3.8 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.

3.8.1 Financial Assets

Financial assets are classified at initial recognition as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets or as derivatives designated as hedging instruments in an effective hedge.

Non derivative financial instruments carried in statement of financial position comprise cash and cash equivalents, trade and other receivables, trade and other payables and amounts owing to and from related parties. These instruments are measured initially at fair value and for instruments not at fair value through profit or loss and directly attributable costs.

3.8.2 Financial Liabilities

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge. All financial liabilities are initially recognized at fair value. Financial liabilities of the company include trade and other payables and loans.

3.8.3 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.

3.9 Revenue

Revenue is recognized to the extent that it is probable the economic benefits will flow to the company and the revenue can be measured reliably, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable. Revenue is from the provision of telecommunication services, rental, sale and repair of telecommunication equipment.

The company provides the following services

- Voice Services - Fixed Telephony
- Fixed Broadband
- Leased Lines
- Data - VSAT data connectivity
- Optical fibre data links
- Data links

3.9.1 Voice Services

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.

3.9.2 Broadband Internet

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. This is a prepaid service and revenue is recognized upon usage or on 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.

3.9.3 Data

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.

3.9.4 Sale of Goods

Revenue from the sale of goods shall be recognized when all the following conditions have been satisfied:

(a) The entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) The amount of revenue can be measured reliably;
(d) It is probable that the economic benefits associated with the transaction will flow to the entity; and
(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.9.5 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. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have passed to the buyer. Revenue from the sale of goods is measured at the fair of consideration received or receivable. Revenue from services rendered is recognized 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.

3.9.6 Finance Income

This is income earned from financial assets, money market placements and accounts at financial institutions.

3.9.7 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.

3.10 Taxation

3.10.1 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 date amount are those that are enacted or substantially enacted at the reporting date. Current income tax relating to items recognized directly 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.

3.10.2 Deferred tax

Deferred tax is provided using the liability method 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.

3.10.3 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. When 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.

3.11 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.

3.11.1 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).

3.11.2 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 benefit plan as an expense or as a liability (accrued expense).

3.11.3 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 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.

3.12 Fair value measurement

The company measures financial instruments such as available for sale financial assets at fair value 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.

3.12.1 Fair value hierarchy

All assets and liabilities for which fair value is measures 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.

3.13 Foreign currency transactions

The company's presentation currency is the United States Dollar (USD). 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.

3.14 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.

3.15 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 ex changed or used to settle a liability for at least twelve months after the reporting period

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.

4 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings USD	Telecoms Plant USD	Stores Plant USD	Fixtures and Fittings USD	Computer Equipment USD	Transport Equipment USD	Capital work in Progress USD	Total December 31 2016 USD	December 31 2015 USD
Opening carrying amount	**61,360,093**	**221,629,999**	**890,623**	**1,418,101**	**58,340**	**6,757,812**	**-**	**292,114,969**	**209,514,366**
Gross carrying amount	61,360,093	221,629,999	890,623	1,418,101	58,340	6,757,812	-	292,114,969	362,179,178
Accumulated depreciation	-	-	-	-	-	-	-	-	(152,664,812)
Additions	736,136	11,471,593	-	122,115	201,341	303,296	12,082,600	24,917,081	12,600,848
Revaluation Surplus	4,653,635	4,821,964	(64,160)	694,767	644,119	(379,410)	2,306,398	12,677,314	78,789,809
Carrying amount of disposed items	-	-	(8,578)	-	(811)	(42,251)	-	(51,640)	(100,938)
Deemed cost	-	-	(10,500)	-	(1,547)	(191,881)	-	(203,928)	(1,406,938)
Accumulated depreciation		-	1,922	-	736	149,630	-	152,288	1,306,000
Depreciation charge for the year	(2,843,112)	(16,236,861)	(242,415)	(512,244)	(288,551)	(2,749,582)	-	(22,872,765)	(8,689,116)
Closing carrying amount	**63,906,753**	**221,686,695**	**575,470**	**1,722,739**	**614,438**	**3,889,865**	**14,388,999**	**306,784,610**	**292,114,969**
Gross carrying amount	66,749,864	237,923,556	815,963	2,234,983	902,253	6,489,817	14,388,999	329,505,436	292,114,969
Accumulated depreciation	(2,843,112)	(16,236,861)	(240,493)	(512,244)	(287,815)	(2,599,952)	-	(22,720,477)	-

4.1 Property, plant and equipment was revalued as at 31 December 2015 and 2016. Knight Frank an independent international property consultant was engaged to carry out the revaluation exercise on a depreciated replacement cost basis. The methods applied in estimating the items' fair values include inspection, investigations and observing prevailing market values. The significant assumptions applied in estimating the items' fair values were that telecom plant has a relatively long life, ICT has a high rate of change and sensitive in nature, items are prone to technological obsolence, the cost of replacement are significant.

4.2 There were no temporarily idle property, plant and equipment and items of property and no items of property , plant and equipment were held for sale.

4.3 Property, plant and equipment increased significantly during the year under review due to National Broadband Project (NBB) currently underway. The project will result in an increase in telcom plant and an upgrade and modernization of the network to align the company as a fixed mobile convergence telecommunication company.

5 INVESTMENT PROPERTY

	31 Dec 2016 USD	Dec 31,2015 USD
Opening balance	1,052,000	655,550
Net replacement value	1,176,876	769,333
Accumulated depreciation	(124,876)	(113,783)
Depreciation charge for the year	(17,970)	(11,093)
Closing balance	**1,034,030**	**1,052,000**
Net replacement value	1,176,876	769,333
Revaluation Surplus	-	407,543
Accumulated depreciation	(142,846)	(124,876)

The investment property portfolio has commercial property leased to third parties. The 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 properties were valued by Knight Frank, an international property consultancy firm, on cost basis with reference to open market cost and the value as at December 31, 2015 was determined to be $1,052,000. As at 31 December 2016 fair value of Memorial Building was determined to be $1,156,308.

The company has pledged Memorial Building and Centre for Learning as collateral for a loan of USD 6 000,000 taken with FBC Bank. Memorial Building has a carrying amount of USD 1,028,281 and Centre for Learning has a carrying amount of USD 4,917,713.

Included in the statement of profit or loss and other comprehensive income is the following rental income and expenses:	31 Dec 2016 USD	31 Dec 2015 USD
Rental income	1,111,960	1,046,149
“Operating expenses that generated rental income	(532,228)	(647,719)
Net rental income	**579,732**	**398,430**
Future rental income		
Up to 1 year	2,223,920	1,046,149
Over 1 year; less than 5 years	8,895,679	4,184,595
Over 5 years	11,119,599	5,230,743
Total expected receipts	22,239,197	10,461,487

6 INTANGIBLE ASSETS

Opening balance	**23,557,460**	**20,450,319**
Gross carrying amount	28,002,221	22,879,785
Accumulated Amortisation	(4,444,761)	(2,429,466)
Additions	32,553	4,957,762
Reclassification	(326,857)	-
Amortisation for the year	(2,634,830)	(1,850,621)
Closing balance	**20,628,327**	**23,557,460**

Intangible assets include capitalised development costs for the billing system and acquisition costs for the bandwith in West Indian Ocean Cable Company

Investment in WIOCC	16,123,940	16,955,551
Billing system	1,516,333	2,519,000
Others	2,988,054	4,082,909
	20,628,327	**23,557,460**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
For the year ended 31 December 2016

7 FINANCIAL INSTRUMENTS

	31 Dec 2016 USD	31 Dec 2015 USD
Cairns Debentures,ZB and West Indian Cable Company (WIOCC) equity instruments		
Opening balance	**795,697**	**1,676,273**
Additions (Cairns)	54,615	-
Remeasurement gain/(loss)	198,522	(147,418)
Amortization	(733,158)	
Closing balance	**1,048,835**	**795,697**

Financial instruments include shares in ZB Holding and shares in West Indian Ocean Cable Company. ZB Shares were remeasured at 31 December 2016 in line with the fair value accounting policy resulting in a gain on remeasurement of USD 198,522. During the year the company acquired redeemable debenture certificates from Cairns Food.

ZB shares are classified at fair value through other comprehensive income while WIOCC shares and Cairns debentures are carried at amortized cost.

8 INVENTORIES

	31 Dec 2016 USD	31 Dec 2015 USD
Manufacturing	588,460	943,209
Telecoms	5,923,422	6,962,980
Transport	377,308	367,976
General	1,541,607	1,788,857
	8,430,797	**10,063,022**

The inventory amounts are recorded at values not in excess of recoverable amounts. All inventories are expected to be consumed within twelve months.

9 TRADE AND OTHER RECEIVABLES

	31 Dec 2016 USD	31 Dec 2015 USD
Trade receivables	206,076,737	195,327,883
Loss from fraud	-	716,035
Other Receivables	2,913,598	9,388,262
IDBZ Receivable	2,216,738	-
Stanbic Escrow	1,000,000	-
Gold Driven Investments Write Off	-	(4,571,252)
Allowance for credit losses	(66,669,335)	(55,119,335)
	145,537,738	**145,741,594**

Included in receivables are funds in the IDBZ Bank Account and Stanbic Bank Escrow Account. These funds no longer represent cash and cash equivalents as they cannot easily be accessed.

10 CASH AND CASH EQUIVALENTS

	31 Dec 2016 USD	31 Dec 2015 USD
Bank and cash balances	2,239,974	3,460,067
Investments held to maturity	1,345,787	1,066,916
	3,585,761	**4,526,983**

11 AUTHORISED SHARE CAPITAL

Authorized share capital

		31 Dec 2016 USD	31 Dec 2015 USD
11.1	32 000 ordinary shares of $0.001 each	32	32
11.2	Issued and fully paid 32 000 Ordinary shares of $0.001 each	32	32

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

12. ANALYSIS OF LONG TERM FOREIGN LOANS 31 December 2016

NAME OF LOAN	PROJECT	INTEREST RATE %	CURRENCY	REDEMPTION COMMENCIES	FINAL REDEMPTION DATE	PRINCIPAL OUTSTANDING 31.12.15	FOREIGN CURRENCY 31.12.15 USD	PRINCIPAL OUTSTANDING 31.12.16	FOREIGN CURRENCY 31.12.16 USD
AFRICAN DEVELOPMENT BANK (ADB 11)	2TELECOMMUNICATIONS 11	7.45%	US	1999	2014	34,579,119	34,579,119	33,687,311	33,687,311
BANQUE NATIONALE DE PARIS (BNP)	WIRELESS LOCAL SYSTEM	7.68%	EURO	1997	2005	5,970,662	6,687,739	5,970,662	6,468,616
EKSPORTFINANS	EXTENSION OF MUTARE	8.30%	NOK	1993	2003	14,423,990	1,595,786	14,423,990	1,616,242
KREDITANSTALT FUR WIEDERAUFBAU (KFW) 1 PORTION 1	HARARE UNIT 5 EXCHANGE	0.75%	EURO	1993	2033	4,511,128	5,052,915	4,511,128	4,887,357
KREDITANSTALT FUR WIEDERAUFBAU (KFW) 11 PORTION 1	HARARE WESTERN SATELITE EXCHANGE	2.00%	EURO	1994	2014	5,613,985	6,288,224	5,613,985	6,082,191
KREDITANSTALT FUR WIEDERAUFBAU (KFW) 111	TELEPRINTERS SOUTHERTON EXCHANGE	4.50%	EURO	1995	2012	4,941,125	5,534,554	4,941,125	5,353,215
KREDITANSTALT FUR WIEDERAUFBAU (KFW) V PORTION 1 PORTION 11	RURAL TELECOM MATEBELELAND	0.75% 2.00%	EURO EURO	2003 2003	2032 2022	6,646,794 3,959,917	7,445,074 4,435,503	6,646,794 3,959,917	7,201,137 4,290,174
OVERSEAS ECONOMIC CO-OPERATION FUND (OECF) III	MATEBELELAND DIGITALISATION	3.00%	YEN	2003	2023	9,189,121,756	74,237,532	9,189,121,756	76,659,062
OVERSEAS ECONOMIC CO-OPERATION FUND (OECF) IV	DIGITAL TRANS SYSTEMS	2.60%	YEN	2005	2025	269,382,754	2,176,303	269,382,754	2,247,291
OVERSEAS ECONOMIC CO-OPERATION FUND (OECF) V	MASH & MANICALAND DIGITALISATION	2.30%	YEN	2006	2026	1,744,969,851	14,097,349	1,744,969,851	14,557,186
EXIMBANK OF JAPAN (SUMITOMO 11)	2ND MAZOE EARTH STATION	6.00%	YEN	1995	2004	407,192,734	3,289,649	407,192,734	3,396,953
TFC (INGBANK 1 & 3) PLANT & EXPANSION OF CHIKANGA WORKS	MUTARE EXTERNAL	4.000%	US	1994-97	2001	10,337,131	10,337,131	7,236,721	7,236,721
	PROJECT								
TOTAL FOREIGN LOANS						**175,756,879**			**173,683,454**
LESS: SHORT TERM PORTIONS						(127,922,776)			-133,332,007
TOTAL LONG TERM FOREIGN LOANS						47,834,103			40,351,447

13 LOCAL LOANS

	FBC BANK	IDBZ	CAIPF	31 Dec 2016 USD TOTAL	31 Dec 2015 USD TOTAL
Opening balance	**4,384,615**	**22,222,564**	**1,368,649**	**27,975,828**	**29,409,692**
Repayments	(2,769,231)	-	(1,368,649)	(4,137,879)	(2,746,736)
Charges capitalized	-	1,390,768	-	1,390,768	1,312,872
Closing balance	**1,615,385**	**23,613,332**	**-**	**25,228,717**	**27,975,828**
13.1 Short-term portion	**1,615,385**	**23,613,332**	**-**	**25,228,717**	**27,975,828**
	1,615,385	23,613,332	-	25,228,717	27,975,828

13.3 The IDBZ local loans were in respect of the loans that were received from the Government of Zimbabwe through the Infrastructural 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

13.4 The FBC Bank loan was granted by FBC Bank for the FTTH Copper Project. The terms of loan are as follows:

Nominal Interest rate	12% p.a
Effective Interest rate	12.68250% p.a
Repayment period	26months
Interest calculation period	Monthly

The loan is guaranteed by Memorial Building and Centre for Learning.

BORROWING COSTS

Expensed	1,807,460
Capitalised	-
Total for the year	1,807,460

The effective interest rate is 12.68250%

14 TAXATION

	31 Dec 2016 USD	31 Dec 2015 USD
Tax expense	(7,784,027)	4,108,685
Current tax	-	-
Deferred tax	(7,784,027)	4,108,685
14.1 Tax rate reconciliation		
Profit before tax	(32,676,793)	9,921,104
Notional tax charge based on profit for the year at 25.75%	(8,414,274)	2,554,684
Additional taxation/(savings) resulting from permanent differences	626,823	1,555,460
Other comprehensive income	1,985	(1,474)
Withholding tax	1,440	15
	(7,784,027)	**4,108,685**

		31 Dec 2016 USD	31 Dec 2015 USD
14.2	**Deferred Tax**		
	Analysis of temporary differences		
	Property, plant and equipment accelerated	85,932,724	71,453,283
	Accruals	(66,263)	(66,079)
	Fair value remeasurement gain	3,425	(1,459)
	Deferred Income	-	(538,222)
	Provisions	(612,096)	(564,188)
	Unrealized exchange losses	(4,950,603)	13,805,436
	Allowance for credit losses	(17,167,354)	(14,193,229)
	Net deferred tax liability	**63,139,834**	**69,895,542**
14.3	**Tax Payable/(Refundable)**		
	Opening balance	(448,594)	1,081,771
	Tax penalty	-	328,764
	Charge for the year	(1,444,321)	(189,570)
	Charge for the year - other comprehensive income	1,985	(1,474)
	Tax paid	(803,160)	(1,668,085)
	Payment of current tax	(803,160)	(1,668,085)
	Payment of prior year tax		-
	Closing balance	**(2,694,089)**	**(448,594)**
15	**TRADE AND OTHER PAYABLES**		
	Trade payables		
	Local	28,194,337	41,684,886
	Foreign	29,375,248	24,293,063
		57,569,586	65,977,949
	Other payables	70,355,183	62,791,712
	Postal and Telecommunications Regulatory Authority of Zimbabwe	32,790,371	28,809,495
	Zimbabwe Revenue Authority	5,535,598	4,218,080
	Sundry	32,029,213	29,764,137
		127,924,769	**128,769,661**
15.1	**Loan Interest Payable**	**190,492,220**	**172,005,427**
15.2	**Other Long Term Payable**	**17,365,361**	**-**

The company is currently carrying out the National Broadband Project (NBB) and Huawei is the supplier of the equipment for the project. The NBB Project is being funded by a loan from the China Exim Bank. The loan was secured through an on lent facility with the Government of Zimbabwe. The guarantor of the loan is NetOne through the security agreement and discount agreement signed with TelOne.

16	**PROVISIONS**		
	Leave pay	2,210,166	1,646,630
	Bonus	153,358	152,960
		2,363,524	**1,799,590**
	Leave pay		
	Opening balance	1,646,630	2,061,190
	Additions	1,604,417	1,218,701
	Payments	(1,040,880)	(1,633,260)
	Closing balance	**2,210,166**	**1,646,630**
	Bonus		
	Opening balance	152,960	304,854
	Additions	1,700,849	2,372,963
	Payments	(929,287)	(2,524,857)
	Unused amounts reversed	(772,163)	-
	Closing balance	**152,358**	**152,960**

Leave pay provision and bonus provision are accrued monthly as employees render services in line with their contracts of employment.

17	**REVENUE**		
	Revenue comprises:		
	Telephone	73,139,165	96,883,919
	Data revenue	5,401,513	6,969,525
	Internet revenue	27,914,653	22,071,673
	V-Sat revenue	1,460,773	1,559,874
	Interconnection revenue	5,899,711	9,868,065
	Telephone handsets	227,120	317,183
		114,042,935	**137,670,239**

Inflows from the principal revenue generation activities of the company that is provision of telecommunication products and services are recognised as revenue.

		31 Dec 2016 USD	31 Dec 2015 USD
18	**PAYEMENTS TO OTHER OPERATORS**		
	VSAT handling costs	2,073,175	1,735,687
	Telephone foreign handling costs	994,875	1,975,191
	Data handling costs	382,608	386,454
	Internet handling costs	5,944,365	6,475,700
	Local interconnection costs	11,574,377	16,704,453
		20,969,400	**27,277,485**
19	**OTHER INCOME**		
	Insurance	398	14,544
	Deferred Income	317,423	327,619
	Rental income	1,004,818	1,042,926
	Dividends received	320,999	-
	Sale of processed network cables	355,746	957,748
	Centre for Learning Income	1,545,215	1,109,772
	Payable write off	-	5,875,590
	Sundry income	1,880,599	1,289,933
		5,425,198	**10,618,133**
20	**OTHER OPERATING EXPENSES**		
	Stores handling costs	3,265,700	4,858,399
	Accommodation costs	6,824,502	7,457,243
	Transport costs	2,947,658	3,700,673
	Inventory adjustments	465,931	2,389,975
	Write off expenses	213,832	716,035
	Operational costs	29,374,036	36,846,270
		43,091,658	**55,968,595**

During the year the Board authorized Management to write off a tenant's debt, Denfarm Properties (Pvt) Ltd. The tenant breached the terms of it's lease agreement with TelOne in that it; sublet the leased premises to third parties without the written consent of the lessor; refused, failed and/or neglected settlement of operating utility bills and refused or failed to pay rentals in full. TelOne engaged company lawyers to take legal action.

20.1	**Staff Costs**	41,828,777	46,523,610
21	**NET FINANCE COSTS**	**(19,326,414)**	**(10,139,532)**
	Interest income	319,901	260,627
	Interest expense on current loans	(1,807,460)	-
	Interest expense on legacy loans	(17,838,856)	(10,400,160)
22	**EXCHANGE GAINS**	**(1,435,228)**	**12,092,786**
	Exchange gain foreign on legacy loans balances	(1,026,985)	9,860,607
	Exchange gain foreign payables balances	(408,242)	2,232,178

23 EMPLOYEE BENEFITS

23.1 Pension Fund

The Company makes contributions for all eligible employees to a multi employer defined benefit administered by the Communications and Allied Industries Pension Fund (CAIPF) providing post-employment benefit to employees of several parastatals in the communications industry.

EMPLOYEE BENEFITS		
Short term benefits	37,062,218	40,852,090
Post employment benefits	4,681,075	5,584,727
Other long term benefits	463,510	612,082
	42,206,803	**47,048,898**

The Pension fund is a defined benefit plan but there was insufficient information available to account for it as a defined benefit scheme. The information available is insufficient to use defined benefit accounting as it is not possible to determine from the rules of the CAIPF, to the extent to which the deficit will affect future contributions by employers as there is no prescribed basis for allocation. Furthermore data records do not allow the obligation in respect of deferred and current pensioners to be identified by entity. The actuaries of the fund ,Quantum, are of the opinion that there is insufficient information available to use defined benefit accounting for the plan. The plan cannot be able to identify its share of the underlying financial position with sufficient reliability as the plan exposes participating entities to actuarial risks. The post retirement obligations under the CAIPF are accounted for as if it were a defined contribution plan.

There is no agreed or prescribed method of allocation on the deficit or surplus on winding up and / or when an entity is withdrawing from the plan.

The expense for the year ended 31 December 2016 USD 4,693,889 (2015 USD 5,584,727). Liability as at 31 December 2016 USD 22,774,601 (2015 USD 17,510,626). 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 whilst the participating employers are require to contribute three times the contributions paid by the employee members or at such rate as the Trustees after consulting the actuary decide. The contribution for the year ending 31 December 2017 are expected to go down as the employer's contribution is expected to go down from the current 22.5% to 12.1% effective 01 February 2017.

As at 31 December 2015 following which the actuary determined the required employer contribution rate for the future service using the Projected Unit Credit method to be 8.3% of salaries. It was further recommended that the balance of the employer contibutions of 14.2% of salaries be used to amortise the deficit which was USD 65.1million as at 31 December 2015. The actuary determined that if the aggregate employer contribution rate was maintained at 22.5% of salaries the deficit could be expected to be amortised over a period of 8.5years from 31 December 2015.

The Insurance and Pensions Commission(IPEC) requires that Defined Benefit Pension Funds should be at least 75% funded on the ongoing basis. The CAIPF was 68% funded on an ongoing basis as at 31 December 2015. 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 actuarial valuations.

The CAIPF recorded a deficit of USD 65.1 million as at 31 December 2015.
As at 31 December 2015 the company had 1,848(63.2%) of the total 2,925 active employees contributing to the CAIPF. Based on the membership as at 31 December 2015 the company is expected to contribute 51.6% of the total contributions due to the CAIPF.

23.2 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 December 31, 2016 amounted to USD 531,584 (2015: USD 565,414)

24 RELATED PARTY TRANSACTIONS

		31 Dec 2016 USD	31 Dec 2015 USD
24.1	**Transactions**		
	Communications and Allied Industries Pension Fund		
	Pension fund contributions	4,681,075	5,584,727
	Loan Repayment	1,368,649	1,131,351
		6,049,724	**6,716,078**
	Net One (Pvt) Ltd - lease of microwave sites		
	Cell phone charges, leased circuits and interconnect income	**8,123,803**	**8,263,622**
24.2	**Amounts owing from(debtors) related parties**		
	Net One (Pvt) Ltd	288,502	16,152,889
	Zimpost (Pvt) Ltd	53,997	42,497
		-	-
24.3	**Amounts owing to (creditors) related parties**		
	Zimpost (Pvt) Ltd	512,321	609,653
	NetOne (Pvt) Ltd	241,852	4,134,798
	Communication and Allied Industries Pension Fund	22,774,601	17,510,626
		23,528,773	**22,255,077**

24.4 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:

	31 Dec 2016 USD	31 Dec 2015 USD
Board of Directors		
Aggregate emoluments	72,675	88,818
Members of key management		
Short term employee benefits	871,815	1,199,488
Post employment benefits	78,353	104,797
Total emoluments	**1,022,842**	**1,393,103**

The remuneration of directors and other members of key management personnel is determined by the board having regard to the performance of individuals and market trends.

25 FINANCIAL RISK MANAGEMENT

25.1 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:

Carrying amount	31 Dec 2016 USD	31 Dec 2015 USD
Trade receivables	206,076,737	195,327,883
Other receivables	2,913,598	9,388,262
Available for sale investments	1,048,835	795,697
Cash and cash equivalents	3,585,761	4,256,983
	213,624,930	**210,038,825**

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.

Impairment losses

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

	Gross USD	Impairment USD	Net USD	Net USD
Not past due	7,615,294	-	7,615,294	8,809,398
Past due 0-30 days	7,587,201	-	7,587,201	7,597,606
Past due 31-120 days	13,261,652	-	13,261,652	13,176,593
More than 120 days	244,281,925	(66,669,335)	177,612,590	112,056,936
	272,746,072	**(66,669,335)**	**206,076,737**	**141,640,533**

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.

25.2 Liquidity risk

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

31-Dec-15	Carrying Amount USD	Contractual cash flows USD	0-12 Months USD	0-12 Months or more USD
Non-derivative financial liabilities				
Trade payables	65,977,949	65,977,949	65,977,949	
Other payables	62,791,712	62,791,712	62,791,712	
Loans	175,756,878	175,756,878	127,922,776	47,834,102
	304,526,539	**304,526,539**	**256,692,437**	**47,834,102**

31-Dec-16	Carrying Amount USD	Contractual cash flows USD	0-12 Months USD	0-12 Months or more USD
Non-derivative financial liabilities				
Trade payables	57,569,586	57,569,586	57,569,586	
Other payables	70,355,183	70,355,183	70,355,183	
Loans	173,683,454	173,683,454	133,332,007	40,351,447
	301,608,223	**301,608,223**	**261,256,776**	**40,351,447**

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 December 31, 2016.

25.3 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 2016, based on notional amounts:

	Receivables	Payables	Net exposure
2015			
EURO	-	29,909,455	29,909,455
YEN	-	93,800,833	93,800,833
NOK	-	1,595,786	1,595,786
2016			
EURO	-	28,929,474	28,929,474
YEN	-	96,860,491	96,860,491
NOK	-	1,616,242	1,616,242

The following significant exchange rates applied during the year :

	31 Dec 2016 USD	31 Dec 2015 USD
EURO	1.08	1.12
YEN	119.87	123.78
NOK	8.92	9.04

25.4 Currency risk

Sensitivity analysis
A 10% fluctuation of the United States dollar against the Euro, Japanese Yen 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 USD	Profit or loss USD
December 31, 2015		
EURO		
10% appreciation	(2,990,946)	(2,990,946)
10% depreciation	2,990,946	2,990,946
YEN		
10% appreciation	(9,380,083)	(9,380,083)
10% depreciation	9,380,083	9,380,083
NOK		
10% appreciation	(159,579)	(159,579)
10% depreciation	159,579	159,579
December 31, 2016		
EURO		
10% appreciation	(2,892,947)	(2,892,947)
10% depreciation	2,892,947	2,892,947
YEN		
10% appreciation	(9,686,049)	(9,686,049)
10% depreciation	9,686,049	9,686,049
NOK		
10% appreciation	(161,624)	(161,624)
10% depreciation	161,624	161,624

25.5 Interest rate risk

	31 Dec 2016 USD	31 Dec 2015 USD
As at 31 December 2016, the interest rate profile of the company's interest bearing- financial instruments was:		
Fixed rate risk		
Financial assets	1,345,787	1,066,916
Financial liabilities	173,683,454	175,756,879
	175,029,240	**176,823,795**

25.6 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.

26 Going concern

Loan repayments

The company defaulted in interest and principal repayments on foreign loans. Outstanding loans are detailed in note 12 and 13.

26.1 Net Liability Position

	31 Dec 2016 USD	31 Dec 2015 USD
Total Assets	489,744,186	478,300,318
Total Liabilities	600,939,047	577,261,519
Net Position	**(111,194,861)**	**(98,961,201)**

Though the company has a net liability position and has not been able to honour its loan obligations, it is pursuing a business transformation strategy which is set to turnaround the company. Projects that are currently being implemented involve modernisation of the network with the aim of improving revenue and managing costs. The company has also sought a debt warehousing arrangement amounting to $360 million. Although the loans are still on TelOne's statement of financial position, the government is aware of its obligations in terms of the guarantees rendered. The company also has significant assets of strategic importance to the government of the Republic of Zimbabwe. Furthermore, the directors are not aware of any other material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

The company has also embarked on the National Backbone Network and Broadband Access Project which has been accorded the national project status. The project will totally revamp the network thereby improving service delivery. The implementation of project will bring about positive cashflows which will improve the net liability position.

DESIGN & LAYOUT BY VPCG Superbrand 2016

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